

<b>CABINET</b>	<b>AGENDA ITEM No. 6</b>
<b>27 February 2017</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Corporate Director: Resources	☎ 452520
	Steven Pilsworth, Service Director Financial Services	☎ 384564

### **Medium Term Financial Strategy (MTFS) 2017/18 – 2026/27**

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> Cabinet Member for Resources	<b>Deadline date:</b> February 2017
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The advice of the Chief Finance Officer per Schedule A, the continuing uncertainty of national public finances, and the risks surrounding forecasts and budget proposals;</li> <li>2. The feedback on the budget proposals from residents, staff and community groups detailed in Appendix A;</li> <li>3. The delayed Local Government 2017/18 Final Settlement, the advice given to Local authorities from LGA with regards to setting a budget without this information (Appendix B) and that an update will be given to Cabinet at the meeting; and</li> <li>4. The transport levy arrangements with the combined authority included in the budget.</li> </ol> <p>It is recommended that Cabinet approves and recommends to Council:</p> <ol style="list-style-type: none"> <li>5. The draft Medium Term Financial Strategy 2017/18-2026/27 (including Phase two budget proposals), as set out in the attached Schedules which comprise of: <ol style="list-style-type: none"> <li>a. Report of the Chief Finance Officer,</li> <li>b. Forecast Revenue Outturn 2016/17,</li> <li>c. Budget Proposals, Key Figures &amp; Cash Limits (including fees &amp; charges proposals),</li> <li>d. Treasury Strategy, Prudential Code &amp; Minimum Revenue Provision,</li> <li>e. Asset Investment Strategy, Acquisition Strategy, Capital Programme &amp; Disposals 2017/18 – 2026/27,</li> <li>f. Asset Management Plan, and</li> </ol> </li> <li>6. A Social Care precept of 3% for 2017/18 and 3% in 2018/19, as well as the Council tax increase of 2% for 2017/18 and future years, already agreed as part of the 2016/17 budget strategy.</li> </ol>	

#### **1. ORIGIN OF REPORT**

- 1.1. This report comes to Cabinet as part of the Council's formal budget process as set out within the constitution and as per legislative requirements to set a balanced budget for 2017/18.

## 2. PURPOSE AND REASON FOR REPORT

- 2.1. The purpose of this report is to enable Cabinet to consider the feedback from the consultation undertaken to date with Scrutiny, residents, partner organisations, businesses and other interested parties, to recommend to Council on 8 March 2017.
- 2.2. This report is for Cabinet to consider under its Terms of Reference No. 3.2.1: *To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.*

## 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If Yes, date for relevant Cabinet Meeting	<b>27 FEBRUARY 2017</b>
Date for relevant Council Meeting	<b>8 MARCH 2017</b>	Date for submission to Government department	<b>N/A</b>

## 4. EXECUTIVE SUMMARY

4.1 The table below outlines the Phase one budget position:

Phase 1	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget Gap before the GE reserve</b>	<b>15,289</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
<b>Planned use of the GE reserve</b>	<b>-11,188</b>				
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Phase 1 - Grant Adjustments	0	0	0	0	0
Phase 1 - Pressures	3,330	2,377	2,844	3,136	3,428
Phase 1 - Investments	182	272	330	352	352
Add back planned use of the GE reserve	11,188				
<b>Initial Budget Gap</b>	<b>18,801</b>	<b>26,996</b>	<b>34,344</b>	<b>37,295</b>	<b>38,065</b>
Phase 1 - Efficiencies	-2,692	-3,729	-3,410	-3,507	-4,060
Phase 1 - Income	-7,256	-2,870	-2,718	-2,720	-2,722
<b>Revised Budget Gap</b>	<b>8,853</b>	<b>20,397</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Use of the GE reserve (£11,444)	-8,853	-2,591			
<b>Total Budget Gap</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>

4.2 The table below outlines the Phase two budget position:

Phase 2	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget Gap (post-Phase 1)</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Phase 2 - Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Phase 2 - Pressures	5,660	5,066	5,040	5,113	5,113
Phase 2 - Investments	653	1,616	2,048	2,110	2,242
<b>Revised Budget Gap</b>	<b>9,149</b>	<b>26,655</b>	<b>37,844</b>	<b>41,466</b>	<b>41,546</b>
Phase 2 - Efficiencies	-1,102	-1,997	-2,748	-2,591	-2,798
Phase 2 - income	-9,706	-8,212	-13,850	-10,022	-12,285
<b>Total Budget Gap</b>	<b>-1,659</b>	<b>16,446</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Re-profiling the GE reserve use	1,659	-1,659			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>

4.3 The table below outline lines the overall position including details of the additional savings each year:

Overall Position for 2017/18	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Grant Equalisation reserve add back	11,188				
Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Pressures	8,990	7,443	7,884	8,249	8,541
Investments	835	1,888	2,378	2,462	2,594
<b>Initial Budget Gap</b>	<b>27,950</b>	<b>35,845</b>	<b>43,972</b>	<b>47,693</b>	<b>48,328</b>
Efficiencies	-3,794	-5,726	-6,158	-6,098	-6,858
Income	-16,962	-11,082	-16,568	-12,742	-15,007
<b>Revised Budget Gap</b>	<b>7,194</b>	<b>19,037</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Grant Equalisation reserve use - £ 11,444	-7,194	-4,250			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
<b>Additional savings</b>	<b>0</b>	<b>14,787</b>	<b>6,459</b>	<b>7,608</b>	<b>-2,390</b>

4.1. The reduction in grants and pressures faced, mitigated in part with the use of the Grant Equalisation (GE) reserve means the council still needs to find savings of £14.8million in 2018/19. By 2020/21 this gap will have doubled to £29million

4.2. The Council has undertaken a two stage approach to balance the budget with Cabinet working throughout with a Cross-Party Budget Working Group to share and discuss budget proposals. Cabinet has presented budget proposals over two phases with:

- Phase one - savings proposals of £9.9million approved by Council on 14<sup>th</sup> December 2016;
- Phase two – savings proposals of £10.8million to be considered by Cabinet for consultation on 6 February 2017; and
- Use of £7.2million of the Grant Equalisation Reserve.

4.3. The position detailed above does not include the potential impact from the Local Government Final Settlement or any other amendments, from the budget which was presented to Cabinet on 6 February 2017. It has been confirmed that debate in the House of Commons will not take place before Monday 20 February, and there is no indication on when DCLG will publish the final settlement. The LGA have issued legal advice with respect to setting a balanced budget, without this key information and this is detailed within appendix B. An update will be provided to Cabinet at the meeting.

4.4 The Shadow Cambridgeshire and Peterborough Combined Authority meet on 22 February to consider the CPCA budget for 2017/18. This includes the transport levy that PCC will pay to CPCA, but will then receive the funding back to deliver the services. This is covered in more detail in the CFO report.

## 5. BUDGET CONVERSATION

5.1. Cabinet's seeks feedback from residents, staff, service users and other interested parties in relation to the phase two budget proposals, outlined within the 6 February 2017 Cabinet report.

- 5.2. All the phase two proposals, which are being consulted upon, are included in full in Schedule C of the Medium Term Financial Strategy 2017/18-2026/27 document. Final decisions on phase two proposals are to be approved and recommended to Council on 8 March 2017, taking into consideration all of the consultation feedback received by that date.
- 5.3. The opportunity to provide feedback on the phase two proposals have been in the public domain since 27 January 2017, confirmed by Cabinet on 6 February 2017 and will run until 5pm on 6 March 2017.
- 5.4. The budget Conversation document, detailing the phase two proposals is available on the council's website, and in hard copy form at the council receptions and libraries.
- 5.5. The budget conversation feedback received to date includes, 29 responses via the online survey.
- 5.6. Cabinet leads have, and will, attend various meetings and discussion forums to gather feedback, see following table. The presentations made at these events have provided the context to the Council's financial position, phase one budget proposals and included specific issues that may impact on that groups attending the meetings or discussion forum, as well as providing an opportunity to ask more detailed questions. Where it hasn't been possible to attend, the meetings we have ensured that the group has been emailed, highlighting the budget conversation document and the website, and requesting feedback through the online survey.

Forum	Date	Attendee
Connect Group	03/02/17	Adrian Chapman and Gillian Beasley
Trade Unions Joint Consultative Forum (JCF)	13/02/17	Steven Pilsworth and Mandy Pullen (HR Manager)
Peterborough Community Assistance Scheme (PCAS)	14/02/17	Ian Phillips
Youth Council	14/02/17	Emma Riding
Parish Council Meeting	15/02/17	Steven Pilsworth
Disability Forum	23/02/17	Kim Sawyer
Schools Forum	NA	There isn't a meeting within the consultation period. The Budget Conversation document has been circulated electronically, and feedback requested through the online survey.
Bondholder Breakfast	NA	The budget conversation will be marketed on social media and featured within the February Newsletter on behalf of the Council by Rebecca Mills. Feedback requested through the online survey.
Greater Peterborough Executive Partnership Board	NA	The Budget Conversation document has been circulated electronically, and feedback requested through the online survey.
Peterborough Housing Partnership	<b>TBC</b>	Simon Machen
Greater Peterborough Partnership City Leader's Forum	<b>TBC</b>	Simon Machen

- 5.7. Given the timing of the agenda despatch for this meeting, and further meetings planned during the consultation period, it is not possible to include feedback from all consultation events in this report. The feedback, if any from these discussions, will be included as an addendum to this report and to Council on 8<sup>th</sup> March 2017.
- 5.8. The addendum will be publically available prior to Cabinet on 27 February 2017 and the finalised phase two budget proposals to be recommended to Council on 8 March 2016 having given consideration to the feedback received.

- 5.9. All Budget conversation feedback received to date, and cabinet responses to the feedback is included within appendix A.

### **Scrutiny feedback on phase two budget proposals**

- 5.10. The Joint meeting of the Scrutiny Committees and Commissions discussed the budget proposals at the meeting held on 8 February 2017. Cabinet have provided a full response to the recommendations raised at this meeting within the feedback included within Appendix A.

## **6. ANTICIPATED OUTCOMES**

- 6.1. Taking into consideration the results of the consultation feedback received to date, Cabinet is required to approve and recommend to Council the phase two budget proposals and the Medium Term Financial Strategy for 2017/18-2026/27.
- 6.2. The approval of phase two budget proposals will enable the Council to implement savings at the earliest opportunity, either under Director Delegation, Cabinet Member Decision Notice or a further report to Cabinet.

## **7. REASONS FOR RECOMMENDATIONS**

- 7.1. Under statutory requirements the Council must set a lawful and balance budget. The approach outlined in this report work towards fulfilling this requirement.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1. No alternative option has been considered as the Cabinet is responsible under the Constitution for initiating Budget Proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11 March annually.

## **9. IMPLICATIONS**

### **Elected Members**

- 9.1. Members must have regard to the advice of the Chief Finance (Section 151) Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.
- 9.2. Section 106 of the Local Government Finance Act 1992 applies whereby it is an offence for any Members with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned declare at the outset of the meeting they are in arrears and will not be voting on the decision for that reason.

### **Legal Implications**

- 9.3. In terms of the Council's executive arrangements, the adoption of the Council's Budget is a role shared between the Cabinet and the Council, whereby the Cabinet (Leader) is responsible for formulating the budget proposals and full Council is responsible for then approving (or not) those proposals and setting the budget and council tax requirement.
- 9.4. For the remainder of the year, the principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot through the Budget overrule an executive decision as to how to spend the money, but the Budget will require

the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authority's budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside of the Budget is required to have approval of the Council before the Leader and Cabinet can make that decision.

9.5 When it comes to make its decision on 8 March 2017, the Council is under a legal duty to meet the full requirements of section 31A of the Local Government Finance Act 1992 which includes the obligation to produce a balanced budget.

9.6 A principle of fairness applies to consultation on the budget proposals, both consultation required under s65 of the Local Government Finance Act 1992 and more generally as proposed here, which operates as a set of rules of law. These rules are that:

- Consultation must be at a time when proposals are still at a formative stage;
- The proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
- Adequate time must be given for consideration and response; and
- The product of consultation must be conscientiously taken into account in finalising any statutory proposals.

9.7 Added to which are two further principles that allow for variation in the form of consultation, which are

- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and
- The demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare applicant for a future benefit.

### **Human Resource Implications**

9.8 There will be no implications on staffing as part of the phase two proposals.

### **Equality Impact Assessments**

9.9 All budget proposals published in this second tranche have been considered with regards to equality issues and where appropriate equality impact assessments have been completed and available on the council's website.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

10.1 None.

## **11. APPENDICES**

11.1 Appendix A – Consultation Feedback

- 11.2 Appendix B – LGA Advice
- 11.3 Appendix C (SEE SEPARATE BUDGET BOOK) – Medium Term Financial Strategy 2017/18 – 2026/27 comprising the following schedules:
  - a. Report of the Chief Finance Officer
  - b. Forecast Revenue Outturn 2016/17
  - c. Budget Proposals, Key Figures & Cash Limits (including fees & charges proposals)
  - d. Treasury Strategy, Prudential Code & Minimum Revenue Provision
  - e. Asset Investment Strategy, Acquisition Strategy, Capital Programme & Disposals 2017/18 – 2026/27
  - f. Asset Management Plan
- 11.4 Appendix D (SEE SEPARATE BUDGET BOOK) – Budget 2017/18 Phase two Proposals Document

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