

JOINT MEETING OF THE SCRUTINY COMMITTEES

TUESDAY 20 FEBRUARY 2018

6.00 PM

Council Chamber - Town Hall

AGENDA

Page No

- 1. Appointment of Chairman**
- 2. Apologies for Absence**
- 3. Declarations of Interest and Whipping Declarations**

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification" that has been disclosed to the Solicitor to the Council. Members must also declare if they are subject to their party group whip in relation to any items under consideration.

- 4. Medium Term Financial Strategy 2018/19 to 2020/21** **3 - 12**

MEMBERS ARE REMINDED TO BRING THEIR COPY OF THE MEDIUM TERM FINANCIAL STRATEGY BUDGET PHASE TWO PROPOSALS DOCUMENT FROM CABINET DATED FRIDAY 9 FEBRUARY 2018 TO THE MEETING IN ADDITION TO THIS AGENDA PACK.

- 5. Rolling Medium Term Financial Strategy Budget Process** **13 - 16**



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Paulina Ford on 01733 452508 as soon as possible.

"Did you know? All Peterborough City Council's meeting agendas are available online or via the modern.gov app. Help us achieve our environmental protection aspirations and view this agenda online instead of printing it."

Emergency Evacuation Procedure – Outside Normal Office Hours

In the event of the fire alarm sounding all persons should vacate the building by way of the nearest escape route and proceed directly to the assembly point in front of the Cathedral. The duty Beadle will assume overall control during any evacuation, however in the unlikely event the Beadle is unavailable, this responsibility will be assumed by the Committee Chair.

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at:

<http://democracy.peterborough.gov.uk/ecSDDisplay.aspx?NAME=Protocol%20on%20the%20use%20of%20Recording&ID=690&RPID=2625610&sch=doc&cat=13385&path=13385>

Committee Members:

Councillors: K Aitken, A Ali, S Barkham, R Bisby, R Brown, J Bull, G Casey, M Cereste, A Dowson, A Ellis, R Ferris, J A Fox, J R Fox, H Fuller, J Goodwin, C Harper, M Hussain, A Iqbal, M Jamil, J Johnson, N Khan, D King, S Lane, M Mahabadi, S Martin, S Nawaz, G Nawaz, D Over, J Peach, B Rush, B Saltmarsh, N Sandford, L Serluca, A Shaheed, N Simons and J Whitby

Substitutes: Councillors: A Bond, A Clark, and A Sylvester

Non Statutory Co-opted Members:

Parish Councillor Henry Clark, Independent Co-opted Member (Non-voting)
Parish Councillor Neil Boyce, Independent Co-opted Member (Non-voting)
Parish Councillor Susie Lucas, Independent Co-opted Member (Non-voting)
Parish Councillor Keith Lievesley, Independent Co-opted Member (Non-voting)
Parish Councillor Richard Clarke, Independent Co-opted Member (Non-voting)
Dr Steve Watson, Independent Co-opted Member (Non-voting)
Alistair Kingsley, Independent Co-opted Member (Non-voting)
Rizwan Rahemtulla, Independent Co-opted Member (Non-voting)

Parish Councillor Margaret Palmer, Substitute Independent Co-opted Member (Non-voting)
Parish Councillor Jason Merrill, Substitute Independent Co-opted Member (Non-voting)

Statutory Co-opted Members:

Education Co-opted members are Members of the Scrutiny Committee and vote when education matters are discussed.

Liz Youngman, Peterborough Diocesan Board of Education
Flavio Vettese, (Deputy Director of Schools), Roman Catholic Church, Diocese of East Anglia
Vacancy, Parent Governor Representative
Vacancy, Parent Governor Representative
Julie O'Connor, Roman Catholic Diocese of East Anglia (sub for Flavio Vettese)
Peter Cantley, Peterborough Diocesan Board of Education (sub for Liz Youngman)

Further information about this meeting can be obtained from Paulina Ford on telephone 01733 452508 or by email – paulina.ford@peterborough.gov.uk

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 4
20 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly, Interim Corporate Director: Resources	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director Financial Services	Tel: 01733 452520 Tel: 01733 384564

MEDIUM TERM FINANCIAL STRATEGY 2018/19 to 2020/21

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Resources	Deadline date: N/A
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers the phase two budget proposals, outlined in Appendix H, the budget consultation document. This includes a 5.99 per cent council tax increase, an additional 1 per cent is proposed in addition to the 4.99 per cent built into the 2017/18 Medium Term Financial Strategy. Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 26th February for consideration..</p>	

1. PURPOSE AND REASON FOR REPORT

- 1.1 This report comes to the Joint Meeting of Scrutiny Committees as part of the council's formal budget setting process.
- 1.2 This report is for Joint Meeting of Scrutiny Committees to consider under the Part 3, Section 4 - Overview and Scrutiny Function, paragraph 3.2 (a) *Help the Council and the Executive to develop its budget and policy framework and service Budgets;*
- 1.3 At the Cabinet meeting on 9th February 2018, as part of the council's Budget and Policy Framework, Cabinet will initiate and propose budget proposals to set a balanced and sustainable budget for the financial years 2018/19 to 2020/21. There is a legal requirement to set a balanced budget for 2018/19. And as part of that report the recommendations for consideration at this meeting are that Cabinet:
 - Approves the phase two budget proposals, outlined in Appendix H as the basis for public consultation. This includes a 5.99 per cent council tax increase.

2 BACKGROUND

- 2.1 The council is facing a very serious budget challenge due to increasing demands for services and government grants including RSG reducing from £55million in 2013/14 to £10million in 2019/20.

In agreeing a balanced budget for 2017/18 one-off resources of £19.7million were used, £7.2million of reserves and £12.5million of one-off capital receipts. Over the medium term ongoing savings will need to be identified to cover this amount in addition to the grant reductions and service pressures.

The level of reserves is considered adequate on the basis that although the budget balances in 2018/19 and there are plans to enhance council processes, detailed plans to deliver a sustainable budget are to be formulated, and unless they deliver significant savings, reserves will not be at the adequate level.

The Phase One proposals, included efficiencies and one-off reductions of £8.2million for 2018/19, leaving £15.7million of additional savings to be found in Phase Two. Over the three year period, this left an additional £35.2m of ongoing savings to be identified.

This report sets out further budget pressures of £2.5million and reductions of £13.5million which have been identified in addition to those included within Phase One of the process. These newly identified budget proposals brings the gap down to £4.6million for 2018/19. Reserves will need to be used in order to set a balanced budget. This will reduce the Council's reserves, which will need to fund the cost of downsizing and transforming the organisation.

The budget gap has reduced to £19.2million in 2020/21. Even though the budget gap has been reduced to £4.9million in 2018/19 and there are substantial budget reductions and additional income items in 2018/19, a high proportion of these remain one-off (£12.7million), such as the use of capital receipts, the Minimum Revenue Provision (MRP) re-provision and Council Tax surplus. The council still remains in a difficult financial position and will need to continue making decisions on how it can reduce the costs of its operations.

The scale of the task facing the council means that a sustainable budget can only be achieved by fundamentally reducing the nature of the services it offers and the cost of how it operates. However, the council must manage its services in available resources.

2.2 **Revenue pressures and savings proposals included within Phase Two**

Following on from phase one the Council has continued to thoroughly review its budget position to ensure all pressures are recognised or mitigated where possible, efficiencies are sought and new budget proposals investigated.

Within this phase, additional budget pressures of £2.5million and reductions of £13.5million have been identified. These newly identified budget proposals brings the gap down to £4.6million for 2018/19, where the balance of the Grant Equalisation Reserve and other reserves will be utilised to deliver a balanced budget. While it is recognised this doesn't deliver a sustainable budget, and reduces the reserves balances, this will allow the council time to fully investigate and implement a service transformation strategy.

The gap has reduced to £19.2million in 2020/21. Even though there are substantial budget reductions and additional income items in 2018/19, a high proportion of these remain one-off, such as the Minimum Revenue Provision (MRP) re-provision, additional capital receipts and council tax surplus, postponing the sustainable resolution of the budget gap to future years.

Full detail of the proposals are set out in Appendix H and summarised in **Table 1, 2, 3 and 4:**

Table 1- 2018/19 Phase Two Budget Summary Position

	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap without the Use of Reserves	19,037	21,246	28,853
2018/19- Phase One			
Pressures	4,857	6,642	10,883
Budget Reductions and Additional Income	(8,194)	(6,528)	(4,526)
Revised Budget Gap	15,700	21,360	35,210
2018/19- Phase Two			
Pressures	2,494	3,691	3,779
Budget Reductions and Additional Income	(13,546)	(12,418)	(19,752)
Revised Budget Gap	4,648	12,633	19,237
One-off use of Reserves	(4,648)		
Final Budget Gap	0	12,633	19,237
Incremental Budget Gap	0	12,633	6,604

Table 2- The overall gross and net budget gap for 2018/19- 2020/21

	2018/19 £000	2019/20 £000	2020/21 £000
2018/19 Final Net Budget Position	4,648	12,633	19,237
2018/19 Phase 1 Budget Reductions and Additional Income	8,194	6,528	4,526
2018/19 Phase 2 Budget Reductions and Additional Income	13,546	12,418	19,752
Gross Budget Gap	26,388	31,579	43,515

Table 3- Phase Two Individual budget pressures

Budget Pressures	2018/19 £000	2019/20 £000	2020/21 £000
Housing Benefit Administration Subsidy	122	122	122
Energy	338	462	555
House Recycling Centre	152	152	152
Additional office accommodation costs	22	446	298
Terrorism Insurance	39	37	35
Street Lighting inflation	189	110	110
School Transport	300	340	350
Pay Award- 2% in 2018/19 and 2019/20	400	820	820
Loss of Rental Income	932	1,202	1,337
Total Budget Pressures	2,494	3,691	3,779

Table 4- Phase Two Individual budget reductions and additional income

Budget Reductions and additional income	2018/19	2019/20	2020/21
	£000	£000	£000
One-Off (non-repeatable)			
MRP Re-provisioning	(3,700)	164	164
Council Tax Surplus (additional amount)	(183)		
Capital Receipts	(1,822)		
One-Off (non-repeatable) sub-total:	(5,705)	164	164
Additional Income			
Council Tax base	(792)	(853)	(1,004)
Confirmed SEND grant for 2018/19	(127)		
Council Tax- additional 1% in 2018/19	(693)	(716)	(741)
New Homes Bonus	(31)	(46)	(27)
Business Rates Forecast	(935)	(483)	(515)
Peterborough Highways Services	(396)	(681)	(440)
Additional Income sub-total:	(2,974)	(2,779)	(2,727)
Service Changes			
Councillors- Paperless and removal of food and drink budget	(14)	(14)	(14)
Capitalisation	(50)	(50)	(50)
Training and Subscriptions	(200)	(200)	(200)
HR Savings	(12)	(12)	(4)
Serco Variable Spend reduction	(1,000)	(1,000)	(1,000)
Business Support	(100)	(100)	(100)
Capital Programme	(400)	(300)	(300)
Heltwate School (one year deferral)	(102)	(242)	(64)
Homelessness demand re-profile	(259)	(1,354)	(4,308)
Shared and Integrated Services Programme (exc Finance)	(845)	(4,500)	(9,000)
Resources Service Cuts	(740)	(740)	(740)
Events Tourism and Travel Choice Service Cuts	(145)	(167)	(290)
Growth and Regeneration Service Cuts	(585)	(654)	(644)
Public Health Service Cuts	(415)	(470)	(475)
Service Changes sub-total:	(4,867)	(9,803)	(17,189)
Total Budget Reductions and additional income	(13,546)	(12,418)	(19,752)

3 CONSULTATION

3.1 Cabinet has been working since September on the budget proposals and this has included several meetings with the Cross-Party Budget Working Group to seek views on all Cabinet budget proposals, including the opportunity to make alternative suggestions. As part of these meetings, the Budget Working Group explored options to commence consultation at the earliest opportunity.

Phase Two will be the formal process to set out a lawful and balanced budget for the budget proposals to be published on 1 February 2018 and recommended by Cabinet for approval by Council on 7 March 2018. This timeline is outlined in the following table:

	Phase 2
Consultation start date	01 February 2018
Cabinet	09 February 2018
Budget Joint Scrutiny Committee	20 February 2018
Cabinet	26 February 2018
Consultation close date	05 March 2018
Council	07 March 2018

These proposals will be considered in terms of their impact on service provision to user. Proposals which require consultation will be allocated timeframes appropriate to the level of consultation required. This will ensure stakeholder and resident's feedback is received and considered prior to recommendation to Council.

A revised budget process whereby the budget model is continually revisited and budget assumptions are revised will be implemented for the 2018/19 financial year. This will enable identified saving proposals and actions that mitigate new arising pressures to be implemented throughout the financial period.

3.2 **Stakeholder groups**

The following stakeholder groups will be contacted and offered a briefing on the budget position during the phase two consultation period, to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and Council priorities:

Group	Meeting Date	Council Representative
Youth Council	06/02/18	Emma Riding
Parish Councils	07/02/18	Peter Carpenter
Peterborough Living Well Partnership	12/02/18	Oliver Hayward
Peterborough Community Assistance Scheme	13/02/18	Ian Phillips
Discussion with the trade unions	14/02/18	Peter Carpenter/ Mandy Pullen/ Gillian Beasley
Joint Budget Scrutiny Committee	20/02/18	Marion Kelly
Connect Group (Churches Together)	23/02/18	Adrian Chapman/ Gillian Beasley
Disability Forum	27/02/18	Fiona McMillan

The following stakeholder groups will be contacted directly via email with a press release and further details on how they can contribute by providing feedback during the consultation period:

- Interfaith Council
- Muslim Council of Peterborough
- Older Peoples Partnership board
- Carers Board
- Cambridgeshire Police and Crime Commissioner – Electronically distributed
- Cambridgeshire Fire and Rescue Service
- The Hospital and the CCG's
- Opportunity Peterborough
- Greater Peterborough City Leaders Forum (Business Community)
- Schools Forum

3.3 Hard copies of this report and all appendices including the Phase Two budget proposals and the Budget

Proposals consultation document (Appendix H) will be available in all libraries and Town Hall and Bayard Place receptions. The council will also receive responses via an on-line survey on its website.

A copy of the Phase Two budget proposals will be published on Insite, and will be available to all staff to enable them to provide responses.

The council will also promote the Budget Consultation through the local media and through the council's Facebook and Twitter accounts to encourage as many people as possible to have their say.

The Budget Consultation questions are outlined within the Budget Proposals consultation document in Appendix H. This will form part of the hard copies available and the online survey.

4 ANTICIPATED OUTCOMES OR IMPACT

- 4.1 Following the release of the second phase of budget proposals to address the financial gap, and outlining Peterborough's challenges and successes, Cabinet is seeking the opinions of all residents, partner organisations, businesses and other interested parties to understand which council services matter most. The Council must set a balanced budget for 2018/19 within the financial resources it will have next year and the feedback received will help inform Cabinet in considering budget proposals within the second phase.

5 REASON FOR THE RECOMMENDATION

- 5.1 The Council must set a lawful and balanced budget. The approach outlined in this report work towards this requirement.

6 ALTERNATIVE OPTIONS CONSIDERED

- 6.1 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 11th March annually.

7 IMPLICATIONS

Elected Members

- 7.1 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.
- 7.2 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

- 7.3 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.
- 7.4 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 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 authorities 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 the Budget is required to have approval of the Council before the Leader and the Cabinet can make that decision.

- 7.5 When it comes to making its decision on 7 March 2018, 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.
- 7.6 The 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 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.
- 7.7 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 application for a future benefit.
- 7.8 By virtue of section 25, Local Government Act 2003, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (CFO), as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

Where the CFO makes a judgement that the council is unable to set or achieve a balanced budget, or there is an imminent prospect of this they have a responsibility to issue a section 114 notice (s114) of the Local Government Act 1988.

Once a s114 notice has been served the council has 21 days to meet and consider the report. During the 21 days the council must not incur any new expenditure unless the CFO has specifically authorised the spend.

This suspension of spending will trigger external scrutiny from the council's auditors. However, failure to act when necessary could result in the council losing its financial independence with its powers potentially passed to commissioners appointed by government.

Equalities Impact Assessments

- 7.9 All budget proposals published in Phase Two of the budget process have been considered with regards to equalities issues and where appropriate equality impact assessments have been completed and available on the council's website. These have also been included within Appendix I - Equality Impact Assessments

8 BACKGROUND DOCUMENTS

- 8.1 The following links to the items which have come to cabinet:

Phase Two: Medium Term Financial Strategy 2018/19 to 2020/21 Cabinet 9th February 2018:

Medium Term Financial Strategy 2018-19 to 2020-21

<http://democracy.peterborough.gov.uk/documents/s33588/Medium%20Term%20Financial%20Strategy.pdf>

Appendix A – Budget Context highlighted in Phase One, MTFS for 2018/19-2020/21

<http://democracy.peterborough.gov.uk/documents/s33579/Appendix%20A-%20budget%20context.pdf>

Appendix B – 2018/19 MTFS detailed position

<http://democracy.peterborough.gov.uk/documents/s33580/Appendix%20B-%20MTFS%20Detailed.pdf>

Appendix C – 2018/19 MTFS by department

<http://democracy.peterborough.gov.uk/documents/s33581/Appendix%20C-%20MTFS%20Dept.pdf>

Appendix D – 2018/19 MTFS by Service

<http://democracy.peterborough.gov.uk/documents/s33582/Appendix%20D-%20MTFS%20Service%20level.pdf>

Appendix E – Capital Schemes

<http://democracy.peterborough.gov.uk/documents/s33583/Appendix%20E-%20Capital%20Schemes.pdf>

Appendix F – Council Grants

<http://democracy.peterborough.gov.uk/documents/s33584/Appendix%20F-%20Grants.pdf>

Appendix G – Fees and Charges

<http://democracy.peterborough.gov.uk/documents/s33585/Appendix%20G-%20Schedule%20of%20Fees%20and%20Charges.pdf>

Appendix H – Budget Consultation Document

<http://democracy.peterborough.gov.uk/documents/s33591/Appendix%20H-%20Budget%20Proposal%20documentv3.pdf>

Appendix I – Equality Impact Assessments

<http://democracy.peterborough.gov.uk/documents/s33592/Appendix%20I-%20Equality%20Impact%20Assessmt%201.pdf>

Phase One: Medium Term Financial Strategy 2018/19 to 2020/21 Cabinet 20th November 2017:

Medium Term Financial Strategy 2018-19 to 2020-21

<http://democracy.peterborough.gov.uk/documents/s32847/7.%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix A – Phase 1 Budget Pressures

<http://democracy.peterborough.gov.uk/documents/s32839/7.%20Appendix%20A-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix B – Phase 1 Savings Proposals

<http://democracy.peterborough.gov.uk/documents/s32840/7.%20Appendix%20B-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix C – 2018/19 MTFS detailed position

<http://democracy.peterborough.gov.uk/documents/s32841/7.%20Appendix%20C-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix D – 2018/19 MTFS by department and service

<http://democracy.peterborough.gov.uk/documents/s32842/7.%20Appendix%20D%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix E – Capital Programme Schemes

<http://democracy.peterborough.gov.uk/documents/s32843/7.%20Appendix%20E%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix F – Budget Consultation Document

<http://democracy.peterborough.gov.uk/documents/s32844/7.%20Appendix%20F%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

This page is intentionally left blank

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 5
20 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly, Interim Corporate Director: Resources	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director Financial Services	Tel: 01733 452520 Tel: 01733 384564

ROLLING MEDIUM TERM FINANCIAL STRATEGY BUDGET PROCESS

RECOMMENDATIONS	
FROM: Cabinet Member for Resources	Deadline date: Cabinet 26 February 2018 Council 7 March 2018
<p>It is recommended that the Joint Meeting of Scrutiny Committees:</p> <ol style="list-style-type: none"> 1) Consider the proposal for a rolling budget process 2) Report any recommendations to Cabinet on 26 February, and to Council 7 March for consideration 	

1. ORIGIN OF REPORT

1.1 This report comes to the Joint Meeting of Scrutiny Committees to amend the council's formal budget setting process.

2. PURPOSE AND REASON FOR REPORT

2.1 To implement a rolling Medium Term Financial Strategy (MTFS) budget process, whereby savings and pressures will be agreed by Council on a quarterly basis.

2.2 This report is for Joint Meeting of Scrutiny Committees to consider under the Part 3, Section 4 - Overview and Scrutiny Function, paragraph 3.2 (a) *Help the Council and the Executive to develop its budget and policy framework and service Budgets;*

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	26 February 2018
Date for relevant Council meeting	7 March 2018	Date for submission to Government Dept. (Please specify which Government Dept.)	

4. BACKGROUND AND KEY ISSUES

4.1 Background

In October 2016 the Council approved an amendment to the Constitution to update the [Budget and Policy Framework Procedure Rules \(Part4: Section 6\)](#). This amendment formalised the two phase process which the Council had adopted as practice since the 2015/16 MTFS.

The two phase approach was adopted to maximise the time possible to consult with the public on budget proposals.

A further additional benefit was that the early agreement of Phase 1 budget proposals, in the December before the start of each new financial year, gives Departments more time to implement these proposals, some of which may require long lead in times to achieve successful implementation.

The Council is in a very difficult financial position unless detailed savings plans are developed as in 2019/20 expenditure is estimated to exceed income with no recourse to reserves. As such the Council is working on a number of initiatives on how it can close its “budget gap”. Once initiatives are identified there will need to be a governance process in place whereby the Council can make immediate decisions. This will ensure that initiatives can be implemented quickly in order to move the Council to a sustainable budget over the three year MTFS planning horizon.

Proposal Detail

This report proposes the implementation of a revised budget process whereby the budget model is continually revisited and budget assumptions are revised on an ongoing basis. This will enable identified saving proposals and actions that mitigate new arising pressures to be implemented throughout the financial period and the Council to benefit from results as quickly as possible.

The following table is for illustrative purposes only, using draft dates for Council only. The new process would need to include all Governance processes presently in the budget process (Cabinet Policy Forum, Budget Working Group, and Joint Scrutiny of the Budget, Cabinet Report, Council Approval and consultation requirements) and would work with this process repeating itself on a quarterly basis through the financial year.

Meeting	Content	Date
MTFS Tranche 1		
Cabinet	Consider first tranche of budget proposals (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of first tranche budget proposals	
Cabinet	To recommend the first tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the first tranche of budget proposals	25-Jul-18
MTFS Tranche 2		
Cabinet	Consider second tranche of budget proposals 1s (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of second tranche budget proposals	
Cabinet	To recommend the second tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the second tranche of budget proposals	10-Oct-18
MTFS Tranche 3		
Cabinet	Consider third tranche of budget proposals 1s (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of third tranche budget proposals	
Cabinet	To recommend the third tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the third tranche of budget proposals	12-Dec-18

MTFS Tranche 4		
Cabinet	To recommend the 2019/20 Council Tax Support Scheme to Council having regard to feedback from Scrutiny & the public. To agree the Council Tax Base, estimated position on the Collection Fund and the NNDR 1 Tax Base position	
Council	Approve the 2019/20 Council Tax Support Scheme	23-Jan-19
Cabinet	Consider fourth tranche of budget proposals Is (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of fourth tranche budget proposals	
Cabinet	To recommend the fourth tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public. Include all Tranches in a consolidated MTFS for the next three year period from which progress can be measured.	
Council	Approve the fourth tranche of budget proposals and the overall consolidated MTFS for the year	06-Mar-19

The actual final dates to be used are to be finalised depending upon comments of this proposal.

Once this proposal is agreed in principle further consideration will need to be given to:

- Consultation requirements – do all proposals require the same consultation approach?
- Reporting approach – at the moment this still assumes all budget proposals will be taken through the current budget route, CMT, CPF, BWG, Cabinet, Scrutiny, Council.
- Officers to work up the detailed specification on how this process will work in the individual quarters as well as the final report that will go to Council in March each year.

Recommendation

It is recommended to agree to the revised budget setting approach in principle and ensure dates are added to the forward plan for the year. This will ensure that efficiency and savings options can be considered throughout the year and be implemented more quickly than present processes allow.

5. CONSULTATION

- 5.1 There are no consultation requirements. This is an enhancement to the budget process.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 Following approval by Cabinet on 26 February and Council on 7 March 2018, CMT will develop budget proposals in order to meet the budget timetable and process proposed in this report.

7. REASON FOR THE RECOMMENDATION

- 7.1 The Cabinet is responsible for initiating Budget Proposals within the Council's Budget & Policy Framework Procedure Rules. The proposed approach and timetable for the 2019/20 budget setting process contained within this report varies from that contained within the Procedure Rules and Cabinet is being asked to put forward this alternative, four tranche process, for Council approval. Another benefit of the two four tranche approach is that the early agreement of budget proposals before the start of the new financial year gives all council departments more time to implement these proposals, some of which may require long lead in times to achieve successful implementation.

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 11th March annually.

9. IMPLICATIONS

Financial Implications

9.1 None

Legal Implications

9.2 The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the council must base its budget calculations on and require the council to set a balanced budget with regard to the advice of its Chief Financial Officer (section 151). The setting of the budget in March each year is a function reserved to Full Council, who will consider the draft budget which has been prepared and proposed by Cabinet. When it comes to making its decision in March each year the Council is under a legal duty to meet the full requirements of s31A of the LGFA 1992 which includes the obligation to produce a balanced budget.

Once the budget has been agreed by Full Council the Cabinet cannot make any decisions which conflict with it, although virements and year-in-year changes can be made in accordance with the Council's financial regulations.

Councils are under a general duty (Section 151 of the Local Government Act 1972) to make arrangements for 'the proper administration of their financial affairs'. It is for each council to decide on the detail of its budget setting process as part of this overall duty.

Equalities Implications

9.3 None

Rural Implications

9.4 None

10. BACKGROUND DOCUMENTS

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

10.1 Council Constitution – Part 3, Section 3 – Executive Functions – Executive Delegations Council Constitution – Part 4, Section 6 – Budget and Policy Framework Procedure Rules

11. APPENDICES

11.1 None