

JOINT MEETING OF THE SCRUTINY COMMITTEES AND COMMISSIONS	AGENDA ITEM No. 4
10 FEBRUARY 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director – Financial Services	Tel. 452520 Tel. 384564

Medium Term Financial Strategy (MTFS) 2016/17 – 2025/26

1. BACKGROUND

- 1.1. This report comes to the Joint Meeting as part of the Council's agreed process for budget setting.

2. RECOMMENDATIONS

- 2.1. That the Joint Meeting considers 2016/17-2025/26 Medium Term Financial Strategy, and make any appropriate recommendations.
- 2.2. Any recommendations made by the Joint Meeting of the Scrutiny Committees & Commissions will be reported to Cabinet on 29th February 2016 for a response.

3. BACKGROUND

- 3.1. The Cabinet meeting on 8th February 2016 is expected to consider their proposals for the 2016/17-2025/26 Medium Term Financial Strategy following the provisional local government settlement which was announced on 17th December 2015.
- 3.2. Recommendations for consideration at this meeting are that Cabinet:
- a) Notes 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.
 - b) Notes that all grant figures are provisional pending the Final Settlement in February.
 - c) Approves the approach to the Phase 2 budget consultation.
 - d) Approves for consultation the draft Medium Term Financial Strategy 2016/17 – 2025/26 (including Phase 2 budget proposals) as set out in the Schedules which comprise of:
 - a. Report of the Chief Finance Officer
 - i. Proposes a Council Tax rise of 2% for 2016/17, with indicative increases of 2% for future years for planning purposes.
 - ii. Proposes a Social Care precept of 2% for 2016/17.
 - b. Forecast Revenue Outturn 2015/16
 - c. Budget Proposals, Key Figures & Cash Limits
 - i. Approve for consultation the Fees & Charges proposals as detailed in Schedule C section 12.
 - d. Treasury Strategy & Minimum Revenue Provision Policy
 - e. Capital Strategy, Programme & Disposal 2016/17 – 2025/26
 - f. Asset Management Plan
 - g. Phase 2 Budget Conversation Document
 - h. Delegates authority to the Chief Finance Officer to investigate the government's offer of a four-year finance settlement (see Schedule A) and to take action if necessary

before the next Cabinet meeting. If this delegated authority is exercised, details will be reported at the next scheduled meeting.

The above schedules can be accessed via the following link <http://democracy.peterborough.gov.uk/documents/s26165/7.%20Medium%20Term%20Financial%20Strategy%20MTFS%202016-17%20to%202025-26.pdf>

4. EXECUTIVE SUMMARY

- 4.1. The Medium-Term Financial Strategy outlines the impact of the provisional local government finance settlement and proposals for a balanced budget, including Phase 2 budget proposals, to enable the council tax to be set for 2016/17 and to give an assessment of the financial outlook in future years.
- 4.2. The table below indicates the summary budget proposals for 2016/17 and future years.
- 4.3. The budget for 2016/17 is balanced, however, deficits for future years remain, with gaps in 2017/18, and significant gaps to cover from 2018/19.
- 4.4. The budget for 2016/17 and the indicative MTFS proposes a strategy whereby the Council will:
- a) Seek to vigorously pursue efficiency savings.
 - b) Seek out new forms of service delivery to reduce cost and generate income.
 - c) Seek to be increasingly entrepreneurial in the way it is managed and run.
 - d) Act in a measured way when examining options to balance further budgets.
 - e) Look to deliver in future years an efficiency plan to secure maximum grant funding/
 - f) Ensure the significant risks that the Council is likely to face are proactively managed.
- 4.5. As a result of grant reductions and pressures of £24.1m, the Council has had to make savings, however, these savings have been achieved by increasing income and working more efficiently - the proposed budget contains no key reductions to services.

4.6. *Summary Budget Position*

Phase 1

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening budget gap at Phase 1	7,390	11,330	14,710	17,760	19,510
Phase 1 forecast grant reductions	9,680	16,750	19,050	14,900	14,900
Phase 1 pressures	2,540	3,130	3,800	4,360	5,910
Updated Budget Gap Phase 1	19,610	31,210	37,560	37,020	40,320
Savings - phase 1	- 9,430	- 11,260	- 12,650	- 12,810	- 13,380
Carry forward of 2015/16 savings	- 2,660	-	-	-	-
Budget Gap at end of Phase 1	7,520	19,950	24,910	24,210	26,940

Phase 2

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Opening budget gap at Phase 2	7,520	19,950	24,910	24,210	26,940
Phase 2 grant adjustments	30	- 610	1,830	7,990	7,990
Phase 2 Pressures	3,770	3,170	2,400	2,570	2,540
Phase 2 Investments	640	660	650	640	640
Updated Budget Gap Phase 2	11,960	23,170	29,790	35,410	38,110
Phase 2 Savings	- 12,477	- 7,907	- 5,656	- 4,641	- 4,651
Carry forward of 2015/16 savings	- 9,477				
Contributions to/(from) reserves	9,994	- 9,994			
Revised Budget Position	-	5,269	24,134	30,769	33,459
Incremental Savings Required	-	5,269	18,865	6,635	2,690

- 4.7. 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 1 - savings proposals of £12.1m approved by Council on 17th December 2015;
 - Phase 2 – savings proposals of £12.0m to be considered by Cabinet for consultation on 8th February 2016.
- 4.8. Unlike in previous years, Council Tax freeze grant will no longer be available in 16/17. Freeze grants were in place to mitigate the impact of foregone Council tax, allowing Councils to freeze Council Tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.
- 4.9. Given the scale of the challenges that the Council faces going forward, the desire to keep Council Tax bills low must be offset against the need to protect vital services.
- 4.10. Therefore, having fully considered the level of pressures identified and savings required, the Cabinet is proposing that Council raise Council Tax by 2%, and levy a Social Care Precept of 2%, meaning that the Band D Council Tax will change from £1,128.03 to £1,173.15, a change of 87p per week.
- 4.11. This MTFs document which can be accessed via the following link: <http://democracy.peterborough.gov.uk/documents/s26165/7.%20Medium%20Term%20Financial%20Strategy%20MTFS%202016-17%20to%202025-26.pdf> also outlines the statutory requirements to set a lawful and balanced budget and

supplementary relevant information to support the medium term financial strategy as follows:

- a) Report of the Chief Finance Officer
- b) Forecast Revenue Outturn 2015/16
- c) Budget Proposals, Key Figures & Cash Limits
- d) Treasury Strategy & Minimum Revenue Provision Policy
- e) Capital Strategy 2016/17 – 2025/26
- f) Asset Management Plan
- g) Phase 2 Budget Conversation Document

4.12. The financial and technical aspects underpinning Cabinet's report takes into consideration the report of the Chief Financial Officer, which includes advice on the adequacy of reserves and provisions and the robustness of budget estimates as part of the annual budget process. The report is attached at Schedule a.

5. BUDGET CONVERSATION

- 5.1. Phase 2 proposals are detailed in full in Schedule C of the Medium Term Financial Strategy document. The budget conversation begins on January 29th 2016 and will close on 5pm on March 7th 2016, with a decision on the Budget to be taken by Council on March 9th 2016, taking into consideration all of the consultation feedback received by that date.
- 5.2. The conversation document will be available on the Council's website, and in hard copy form at Council offices and in libraries.
- 5.3. The table below indicates the groups that will be asked for feedback on the phase two proposals.

Forum
Borderline and Peterborough Executive Partnership Board
Disability Forum
Schools Forum
Greater Peterborough Partnership City Leader's Forum
Peterborough Community Assistance Scheme
Youth Council
Bondholder Breakfast
Peterborough Housing Partnership
Connect Group
Parish Council
Discussion with Trade Unions
Joint Consultative Forum (JCF)

6. Human Resource Implications

- 6.1. The Phase 2 budget proposals do not recommend any redundancies. Details of proposals relating to changes in staff terms and conditions are detailed in the Phase 2 budget conversation document.
- 6.2. The impact of Phase 1 proposals was reported to Council on 17th December 2015 as follows:

Staff implications	Total
Total number of affected posts	12
Less vacant posts to be deleted	(4)
Posts be to affected through redundancies	8

7. Equality Impact Assessments

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

8. BACKGROUND DOCUMENTS

The documents comprising the attached Medium Term Financial Strategy are as follows and can be accessed via the following link:

<http://democracy.peterborough.gov.uk/documents/s26165/7.%20Medium%20Term%20Financial%20Strategy%20MTFS%202016-17%20to%202025-26.pdf>

Contents

Schedule A – Report of the Chief Officer
Schedule B – Revenue Outturn Forecast
Schedule C – Budget Proposals, Key Figures & Cash Limits
Schedule D - Treasury Strategy, Prudential Code & Minimum Revenue Provision
Schedule E - Capital Strategy, Programme & Disposal 2016/17 – 2025/26
Schedule F – Asset Management Plan
Schedule G - Phase 2 Budget Conversation Document

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