

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>6 FEBRUARY 2017</b>	<b>PUBLIC REPORT</b>

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

## **MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2017/18 – 2026/27**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Cabinet Member for Resources	<b>Deadline date:</b> 6 February 2017
It is recommended that Cabinet:	
<ol style="list-style-type: none"> <li>1. 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;</li> <li>2. Notes that all grant figures are provisional pending the Final Settlement in February 2017;</li> <li>3. Approves the Phase 2 Budget Conversation, including the conversation document;</li> <li>4. Seeks feedback from Scrutiny, residents, partner organisations, businesses and other interested parties on the budget and budget proposals outlined in the budget conversation document;</li> <li>5. Approves the draft Medium Term Financial Strategy 2017/18-2026/27 as the basis for consultation, 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. Approves for consultation 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 the report is to consider budget proposals for consultation.
- 2.2. Cabinet will have a further opportunity to review the consultation feedback on proposals on 27 February 2017 before making a final recommendation to Council.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If Yes, date for relevant Cabinet Meeting	<b>6 FEBRUARY 2017</b>
Date for relevant Council meeting	<b>8 MARCH 2017</b>	Date for submission to Government Dept	<b>15 MARCH 2017</b>

### 4. EXECUTIVE SUMMARY

- 4.1. The report outlines the impact of the provisional local government finance settlement, outlines the Phase 2 budget proposals delivering a balanced budget for 2017/18 and to give an assessment of the financial outlook in future years.
- 4.2. The table in 4.6 below outlines the summary budget proposals for 2017/18 and future years.
- 4.3. The budget for 2017/18 is balanced with the use of the Grant Equalisation (GE) reserve, however, deficits for future years remain, with significant gaps to cover from 2018/19.
- 4.4. The budget for 2017/18 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 build upon the efficiency plan that has secured some certainty in the reductions in grant funding.
  - f) Ensure the significant risks that the Council is likely to face are proactively managed.
- 4.5. 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. The total budget gap we face for 2017/18 of £28million will be tackled as follows:
- Phase one - savings proposals of £9.9million approved by Council on 14 December 2016
  - Phase two – savings proposals of £10.8million included within this consultation document should contribute towards closing the gap in budget
  - Use of £7.2million of the Grant Equalisation Reserve

The proposed budget contains no reductions to services

#### 4.6. **Summary Budget Position**

The table below outlines the Phase 1 budget position:

Phase 1	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget 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>

The table below outlines the Phase 1 budget position:

<b>Phase 2</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<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>

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

<b>Overall Position</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</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>
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>14,787</b>	<b>6,459</b>	<b>7,608</b>	<b>(2,390)</b>

- 4.7. 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.
- 4.8. 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 and vulnerable people.
- 4.9. Therefore, having fully considered the level of pressures identified and savings required, the Cabinet is proposing that Council levy a Social Care Precept of 3% in 2017/18 and 2018/19, as well as the council tax increase of 2% already agreed as part of the 2016/17 budget strategy meaning that the Band D Council Tax will rise from £1,173.04 to £1,231.57

per year, an increase of £1.13 per week. The average property in Peterborough is in Band B, meaning council tax would rise from £912.37 to £957.88 per year - an increase of 88p per week.

- 4.10. The MTFS 2017/18-2026/27 document attached to this report also outlines the statutory requirements to set a lawful and balanced budget and includes supplementary relevant information to support the medium term financial strategy as follows:

- Report of the Chief Finance Officer
- Forecast Revenue Outturn 2016/17
- Budget Proposals, Key Figures & Cash Limits
- Treasury Strategy, Prudential Code & Minimum Revenue Provision
- Asset Investment Strategy, Acquisition Strategy, Capital Programme & Disposals 2017/18 – 2026/27
- Asset Management Plan

- 4.11. 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. Cabinet seeks feedback from all residents, service users, staff and other interested parties in relation to its proposed budget.
- 5.2. Cabinet is recommended to approve the attached Phase 2 proposals for consultation with stakeholders.
- 5.3. Phase 2 proposals are detailed in full in The 2017/18 Phase Two Budget conversation document. The budget conversation will close on 5pm on 6th March 2017, with a decision on the Budget to be taken by Council on 8th March 2017, taking into consideration all of the consultation feedback received by that date.
- 5.4. The conversation document will be available on the Council's website, and in hard copy form at Town Hall and Bayard Place and in libraries.
- 5.5. Council leads will attend various meetings and discussion forums to gather feedback. The presentations made at these events will provide the context to the Council's financial position, phase two budget proposals and include 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.
- 5.6. 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
Business representatives via Opportunity Peterborough Bondholder Network
Peterborough Housing Partnership
Connect Group
Parish Councils
Trade Unions Joint Consultative Forum (JCF)

## **6. ANTICIPATED OUTCOMES**

- 6.1. Approval will enable the Council to undertake consultation on its budget plans for 2017/18 and MTFS to 2026/27.
- 6.2. Cabinet will have a further opportunity to review feedback on the proposals on 27 February 2017 before making a final recommendation to Council.

## **7. IMPLICATIONS**

### **Elected Members**

- 7.1. Members must have regard to the advice of the Chief Finance (s151) 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 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.
- 7.5. 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.
- 7.6. 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.

- 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 applicant for a future benefit.
- 7.8. It should be noted that the consultation to be undertaken as a result of this report is on the Budget proposals, and consequently the Cabinet's general approach to the savings requirements, and not on the various decisions to take whatever actions that may be implicit in the proposals and later adoption of that budget, each of which may or may not require their own consultation process.
- 7.9. 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 Director of Finance, 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.

### **Human Resource Implications**

- 7.10. The Phase 1 and 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.

### **Equality Impact Assessments**

- 7.11. 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**

- 8.1 None.

## **9. APPENDICES**

- 9.1. Appendix A - The documents comprising the attached Medium Term Financial Strategy are as follows:

### Contents

Schedule A – Report of the Chief Officer

Schedule B – Revenue Outturn Forecast 2016/17

Schedule C – Budget Proposals, Key Figures & Cash Limits

Schedule D - Treasury Strategy, Prudential Code & Minimum Revenue Provision

Schedule E - Asset Investment Strategy, Acquisition Strategy, Programme & Disposal 2017/18-2026/27

Schedule F - Asset Management Plan

- 9.2. Appendix B - The 2017/18 Phase Two Budget Conversation Document