

JOINT MEETING OF THE SCRUTINY COMMITTEES	AGENDA ITEM No. 4
8 FEBRUARY 2017	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) 2017/18-2026/27

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 2017/18-2026/27 Medium Term Financial Strategy, and make any appropriate recommendations.
- 2.2. Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 27th February 2017 for a response.

3. BACKGROUND

- 3.1. The Cabinet meeting on 6th February 2017 is expected to consider their proposals for the 2017/18-2026/27 Medium Term Financial Strategy following the provisional local government settlement which was announced on 15th December 2016.
- 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 for consultation, the draft Medium Term Financial Strategy 2017/18-2026/27.
 - d) Approve for consultation, the Budget 2017/18 Phase Two Proposals within the conversation documents.

4. EXECUTIVE SUMMARY

- 4.1. The Medium-Term Financial Strategy outlines the impact of the provisional local government finance settlement and the Phase 2 proposals for delivering a balanced budget and to give an assessment of the financial outlook in future years.
- 4.2. The table in 4.6 indicates 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 MTF5 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) Building on our efficiency plan to secure maximum grant funding.
- f) Ensure the significant risks that the Council is likely to face are proactively managed.

4.5. 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
Opening Budget before the GE reserve	15,289	24,347	31,170	33,807	34,285
Planned use of the GE reserve	-11,188				
Opening Budget Gap (2016/17 Strategy)	4,101	24,347	31,170	33,807	34,285
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				
Initial Budget Gap	18,801	26,996	34,344	37,295	38,065
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
Revised Budget Gap	8,853	20,397	28,216	31,068	31,283
Use of the GE reserve (£11,444)	-8,853	-2,591			
Total Budget Gap	0	17,806	28,216	31,068	31,283

The table below outlines the Phase 1 budget position:

Phase 2	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Opening Budget Gap (post-Phase 1)	0	17,806	28,216	31,068	31,283
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
Revised Budget Gap	9,149	26,655	37,844	41,466	41,546
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
Total Budget Gap	-1,659	16,446	21,246	28,853	26,463
Re-profiling the GE reserve use	1,659	-1,659			
Total Budget Gap	0	14,787	21,246	28,853	26,463

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

Overall Position	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Opening Budget Gap (2016/17 Strategy)	4,101	24,347	31,170	33,807	34,285
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
Initial Budget Gap	27,950	35,845	43,972	47,693	48,328
Efficiencies	(3,794)	(5,726)	(6,158)	(6,098)	(6,858)
Income	(16,962)	(11,082)	(16,568)	(12,742)	(15,007)
Revised Budget Gap	7,194	19,037	21,246	28,853	26,463
Grant Equalisation reserve use - £ 11,444	(7,194)	(4,250)			
Total Budget Gap	0	14,787	21,246	28,853	26,463
Additional savings		14,787	6,459	7,608	(2,390)

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. 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 £9.9million approved by Council on 14th December 2016
- Phase 2 – savings proposals of £10.8million to be considered by Cabinet for consultation on 6th February 2017.
- Use of £7.2million of the Grant Equalisation Reserve

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 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.

4.11. The Budget phase two conversation document which can be accessed via the following link: <http://democracy.peterborough.gov.uk/documents/s30142/5.%20Appendix%20B%20-%202017-18%20Phase%20Two%20Budget%20Conversation%20Document.pdf> and the MTFS 2017/18-2026/27 document which can be accessed via the following link: <http://democracy.peterborough.gov.uk/documents/s30140/5.%20Appendix%20A%20-%20Medium%20Term%20Financial%20Strategy.pdf> 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
- 4.12. 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 can be found at Schedule A of the Medium Term Financial Strategy.

5. BUDGET CONVERSATION

- 5.1. Phase 2 proposals are detailed in The 2017/18 Phase Two Budget Conversation Document and 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.
- 5.2. The conversation document will be available on the Council's website, and in hard copy form at Council offices and in libraries. Consultation feedback will be sought from residents, service users, staff and other interested parties.
- 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
Trade Unions Joint Consultative Forum (JCF)

6. LEGAL IMPLICATIONS

- 6.1 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. 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.

- 6.2 When it comes to make its decision on 8th 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.
- 6.3 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.
- 6.4 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.
- 6.5 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.
- 6.6 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.

7. HUMAN RESOURCE IMPLICATIONS

- 7.1. 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.

8. EQUALITY IMPACT ASSESSMENT

- 8.1. 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.

9. BACKGROUND DOCUMENTS

9.1. The documents which should be considered are as follows and can be accessed via the link below:

- Medium Term Financial Strategy are as follows:
 - 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
 - Schedule E - Asset Investment Strategy, Acquisition Strategy, Capital Programme & Disposal 2017/18 – 2026/27
 - Schedule F- Asset Management Plan

The following link will direct you to the MTFFS document:

<http://democracy.peterborough.gov.uk/documents/s30140/5.%20Appendix%20A%20-%20Medium%20Term%20Financial%20Strategy.pdf>

- The 2017/18 Phase Two Budget Conversation Document

The following link will direct you to the Budget Conversation document:

<http://democracy.peterborough.gov.uk/documents/s30142/5.%20Appendix%20B%20-%202017-18%20Phase%20Two%20Budget%20Conversation%20Document.pdf>