

CABINET

19 July 2016

Title: Medium Term Financial Strategy 2017/18 to 2020/21 Update

Report of the Cabinet 14.298t f85 0 Td 0e 1.298t f8clt60979995ne5eba609 df35c.//Of60979

Plan statement, to be submitted to DCLG by 14 October 2016;

- (iii) Agree to the growth items required in the MTFS as set out in section 8 of the report;
- (iv) Agree to reverse savings proposal ACS/SAV/12a, agreed by Minute 71 (16 December 2014), in respect of funding for the Citizens Advice Bureau savings in order to support the Council's Community Solutions approach, as detailed in paragraph 8.3 of the report;
- (v) Agree to reverse savings proposals CEX/SAV/54 and CEX/SAV/54g, agreed by Minute 31 (7 October 2014), in respect of funding for the Citizens Advice Bureau savings in order to support the Council's Community Solutions approach, as detailed in paragraph 8.3 of the report;

1 Introduction and Background

1.1 Assembly in February 2016 as part of the Council Tax setting for 2016/17 agreed the Council's Medium Term

Pressure £'m	2017/18	2018/19	2019/20	2020/21	Total
Pay	1,000	1,000	1,000	1,000	4,000
Non Pay Inflation	2,100	2,100	2,100	2,100	8,400
Pensions	325	325	325	325	1,300
Borrowing	4,400	900	900	900	7,100
Demographics	3,500	3,974	4,013	4,672	16,159
Care Act	219	45	377	0	641
Leisure Trust	(1,000)	0	0	0	(1,000)
New Legislation	2,000	2,000	2,000	2,000	8,000
Other (Levies)	995	440	350	350	2,135
Funding	8,670	7,547	5,480	4,700	26,397

4 Chancellor's Budget - March 2016

- 4.1 There is insufficient detail from the Chancellor's March 2016 Budget to fully assess the financial implications for the Council.
- 4.2 The biggest headline announced was around changes to the national deficit position. The Chancellor is still expecting the country to return to a surplus position by 2019/20, however, the national deficit report in at the Comprehensive Spending Review in November 2015 of £4.6bn increased to £21.4bn in the March 2016 Budget. Due to changes in the forecast deficit position, it was announced that there will be further efficiency cuts of £3.5bn public sector cuts, details to be published towards late 2018. The Chancellor also indicated there will need to be further cuts to public spending following the recent referendum on European Union membership.
- 4.3 At this stage, it is unknown whether these additional cuts will be applied to local government, given the announcements will be announced in the third year of the four year settlement offer. The Council's experience since 2010, however, suggests that further reductions in funding should be anticipated.

Business Rates retention

- 4.4 The March 2016 Budget also focused on councils retaining 100% of business rates collected, and the phasing out of the Revenue Support Grant by 2020.

England have announced that the

Leisure Services

- 7.4 The original outline business cases indicated that the A2020 Programme could deliver £49.4m net savings by 2020/21, with £12.5m of savings deliverable in 2017/18.
- 7.5 Since April, detailed work has been carried out by the Programme Management Office, working alongside the Strategic Directors on the robustness of the assumptions that underpin the savings, focusing particularly on what is deliverable in 2017/18.
- 7.6 Following the review process, the Strategic Directors have confirmed that savings of £9.282m, net of costs are deliverable for 2017/18 against the work streams below. Given the level of change the organisation has to go through to implement the savings, the PMO will continue to closely monitor the delivery of the savings as detailed service design principles are developed. This provides an important, independent level of assurance to the Chief Executive and Section 151 Officer on the robustness of the development of the Council's budget.
- 7.7 A further report will be brought back to Cabinet in late 2016, setting out the outcome of the development of the detailed design principles which will inform the Council's budget strategy position for 2017/18 to 2020/21. This will include the draft budget for 2017/18 which will be formally consulted on.
- 7.8 The estimated savings deliverable for each work stream for 2017/18 is attached as Appendix 1 to this report.
- 7.9 Cabinet in the January Budget Strategy report approved £2m as early investment to enable the design phase of Ambition 2020 to commence without delay. Cabinet also approved additional borrowing costs of £0.5m, which geared upwards enables £5m of capital borrowing for the Programme. The Chancellor in his Autumn Statement announced that all local

keep pace with the borough's ambitious plans, it is proposed that growth of £0.750m is applied to the Strategy and Programmes budget, under the Finance and Investment directorate. £0.3m of this funding will go towards the creation of a Customer Insight Team whose primary focus will be to understand at a detailed level the needs of our residents to enable the Council to provide excellent services at first point of contact where required, but also to help with reducing and prevent demand for expensive, high cost care and support services.

- 8.3 In order to fully embed the A2020 delivery plan, the Investment

8.7 Deferring borrowing costs – The

Pressure	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Gap – February 2016	19,801	15,844	13,977	13,395	63,017

- 9.5 To further reduce the gap, the Ambition 2020 programme is also delivering c£0.944m of 2016/17 savings which will also be held corporately as an in year cashable saving. This leaves a remaining budget gap of £2.3m which will be drawn down from general fund reserves.
- 9.6 The effect of the measures outlined above effectively defers the £5.344m gap into 2018/19 when additional A2020 savings proposals will be delivered. The savings arising from the voluntary redundancy scheme will be refined throughout summer and mapped back to the A2020 work streams. The budget gap for 2018/19 therefore increases from £4.9m to £10.3m.
- 9.7 The table below outlines the impact of deferring the budget gap by using cashable savings and reserves to balance the 2017/18 position:

Pressure	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Revised gap after A2020	5,344	4,930	9,133	1,240	20,647
Budget gap c/f 17/18		5,344			
Cashable savings VR	2,100				
Cashable in year 16/17 savings					

- 10.4 Using cashable savings to support the 2017/18 will however increase the budget gap and the savings target required in 2018/19, but provides an additional year to identify and proposal further savings.
- 10.5 During summer, detailed work will be carried out to develop the service design principles. This will involve further testing of the assumptions made in the business cases, as well as further refinement to the deliverable savings for 2017/18 through to 2020/21.
- 11 Risk Management Issues
- 11.1 In order to sufficiently manage the risks of delivering a Council wide transformation programme within a very short timescale, the Council needs to ensure that the Programme has robust risk registers in place to monitor the deliverability of each work stream.
- 12 Legal Implications
- 12.1 This report sets out the Council's Medium Term Financial Strategy. The Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 12.2 Furthermore the Local Government Act 1999 places a duty on the Council as a 'Best Value' authority to secure continuous improvement in the way its functions are exercised so as to secure economy, efficiency and effectiveness. The MTFs is linked in to the overall corporate strategy led by the Ambition 2020 plan. Setting challenging key performance indicators are a necessary component of effective performance management.
- 12.3 The Council is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. As set out in this report, the projected MTFs outlook takes place in the context of significant and widely known reductions in public funding to local authorities. Inevitably over a period while allowances and contingencies may be made, the MTFs is inevitably going to need ongoing review and adjustment. Should the need emerge to make reductions or changes in service provision as a result of changes in the financial position, the Council may vary its policy and consequent service provision to engage with the change. However it must at the same time have regard to public law considerations in making any such decisions that it is properly informed including carrying out appropriate consultation with interested parties. This is necessary to avoid or defeat any challenge by judicial review and in any event Members will also wish to ensure adherence as part of good governance. Should such steps be required, then specific legal advice will be available on the detailed implementation of savings options.

Public Background Papers Used in the Preparation of the Report:
Ambition 2020 April Cabinet report

List of Appendices

Appendix 1 – 2017/18 savings deliverable per work stream