

**Name of meeting:** Council  
**Date:** 12 October 2016

**Title of report:** Council budget update report 2017-21 incorporating an Efficiency Plan

<b>Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	Yes
<b>Key decision - is it in the <a href="#">Council's Forward Plan (key decisions and private reports)</a>?</b>	Key decision - Yes Private report/private appendix - no
<b>The Decision - Is it eligible for “call in” by <a href="#">Scrutiny</a>?</b>	No
<b>Date signed off by Director and name</b>  <b>Is it signed off by Director of Resources?</b>	Debbie Hogg, 22 September 2016 Yes (see above)
<b>Is it signed off by the Assistant Director (Legal, Governance &amp; Monitoring)?</b>	Julie Muscroft, 22 September 2016
<b>Cabinet member <a href="#">portfolio</a></b>	Resources

**Electoral [wards](#) affected:** All

**Ward Councillors consulted:** All

**Public or private:** Public

## 1. Purpose of the Report

- 1.1 To determine the Cabinet's approach to the annual update of the Council's Medium Term Financial Plan (MTFP). This is reported to full Council each year, and sets a framework for the development of draft spending plans for future years by officers and Cabinet.
- 1.2 The Cabinet is required under Financial Procedure Rules to submit to Council a provisional budget strategy for the following 3 years, no later than October, each year. The provisional budget strategy in this report is a four year strategy.
- 1.3 The Council's updated budget plans include the take up of the Government's multi-year general fund settlement offer for the rest of the current Parliament, conditional on Councils publishing an Efficiency Plan by 14 October 2016 (see

also, Secretary of State letter at Appendix C). The Council's Efficiency Plan is included in this report at Appendix D, combined with the Council's updated budget plans and strategies. Councils who do not produce a plan may receive a lower grant settlement on an annual basis.

The structure of this report includes an overall summary, followed by a range of supporting information set out in the following appendices :

### Appendices

A	Section 1 – General Fund
	Section 2 – Housing Revenue Account (HRA)
B	Summary general fund funding and spend forecasts 2017-21
C	Secretary of State letter 10 March 2016 – guidance on the Efficiency Plan
D	Kirklees Council Efficiency Plan 2017-21 submission

### RESTRICTIONS ON VOTING

Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where –

- (a) they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
- (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in (b) above. It should be noted that such members are not debarred from speaking on these matters.

Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

## **2. Summary**

### **GENERAL FUND**

#### **2.1 Current budget plans**

- 2.1.1 Successive Council budget rounds have highlighted the extent of national government's commitment to reducing public expenditure spend over a number of parliaments. Local government funding allocations (revenue support grant) has reduced by 40% over the 2010-16 period, and the most recent government financial settlement indicated a further 34% national funding reduction for Councils over the 2016-20 period.

2.1.2 The Council's funding reduction is broadly in line with the national pattern, and has contributed significantly to the financial challenges continuing to face the Council, at the same time as having to manage the financial impact of a range of cost and demand led pressures on services and cost of living (inflationary) pressures on pay and more latterly, the impact of Government national minimum wage uplifts and impacts on adult social care provider costs.

2.1.3 One of the Government's comparative measures of funding is 'Council core spending power'. This is based on government forward projections of expected Council funding availability, including council tax requirement (including the adult social care precept), local share of business rates, revenue support grant, top up grant, and new homes bonus grant.

2.1.4 Converting this to a funding amount per head, the figure for Kirklees in 2016-17 is £684, and is the eighth lowest of all Local Authorities nationally, and the second lowest of the metropolitan authorities, behind Trafford at £619. This measure reflects the fact that, relatively speaking, Kirklees is, and will continue to be, one of the lowest funded authorities per head of population, in the Country (*source-Leicestershire County Council website*).

2.1.5 Current general fund budget plans for the period 2016-19 (including indicative year 4 figures, 2019-20) were approved at budget Council on 17 February 2016, and are summarised at Table 1 below :

TABLE 1 – current approved general fund budget plans 2016-20

<b>Current approved plans - General Fund</b>	<b>16-17 £m</b>	<b>17-18 £m</b>	<b>18-19 £m</b>	<b>19-20 £m</b>
<b>Funding available</b>	(293)	(285)	(281)	(280)
Net spend	321	330	340	347
<i>Planned savings</i>	(10)	(29)	(29)	(29)
<b>Net spend after savings</b>	<b>311</b>	<b>301</b>	<b>311</b>	<b>318</b>
<b>Budget Gap</b>	<b>18</b>	<b>16</b>	<b>30</b>	<b>38</b>
Use of balances / reserves	(18)	-	-	-
<b>Remaining Budget Gap</b>	<b>nil</b>	<b>16</b>	<b>30</b>	<b>38</b>

2.1.6 Current approved budget plans summarised at Table 1 above includes the delivery of target budget savings of £10m in 2016-17, and a further £19m in 2017-18; £29m in total over a 2 year period. This still leaves a remaining budget gap of £16m in 2017-18, increasing to £30m in 2018-19 and £38m by 2019-20.

2.1.7 The Council has set out an approach to a New Council, informed by a more fundamental review and re-shaping of existing Council spend, including a Cross-Directorate review of spending priorities, guided by the Council's two key strategies; Economic Strategy and Joint Health & Wellbeing Strategy. A New Council approach is also based around specific priorities on Early Intervention & Prevention and Economic Resilience. The Council's Efficiency Plan attached at Appendix D, sets out more detailed context for the Council's strategy and approach for a New Council.

2.1.8 Current approved budget plans also include the planned drawdown of general fund balances and reserves totalling £17.5m in 2016-17, in order to deliver a

'balanced budget' in this year. Council reserves (excluding schools reserves that statutorily cannot be used for other purposes) are forecast to be in the region of £57m by the current year end. The equivalent figure just 2 years ago was £110m. Included within the £57m are a further £28m corporate priority spend commitments to support the direction of travel to a New Council. This then leaves no more than £29m available to support Council forward budget plans. To put this into context, £29m is equivalent to 5 weeks Council revenue (net) spend on a current annual revenue budget of £311m.

2.1.9 The movement in reserves over the last couple of years mainly reflects a planned approach to build up reserves over more recent years in anticipation of the scale of the financial challenges facing the Council, and these could then be used short term to effectively buy time for the Council to plan for the longer term.

2.1.10 Current budget plans acknowledged that Council reserves were forecast to reduce significantly, and should not be relied upon to balance budgets going forward. Further options and proposals would need to be considered this budget round to deal with the remaining budget gap, if the Council was to deliver a sustainable annual 'balanced' budget requirement over the medium term.

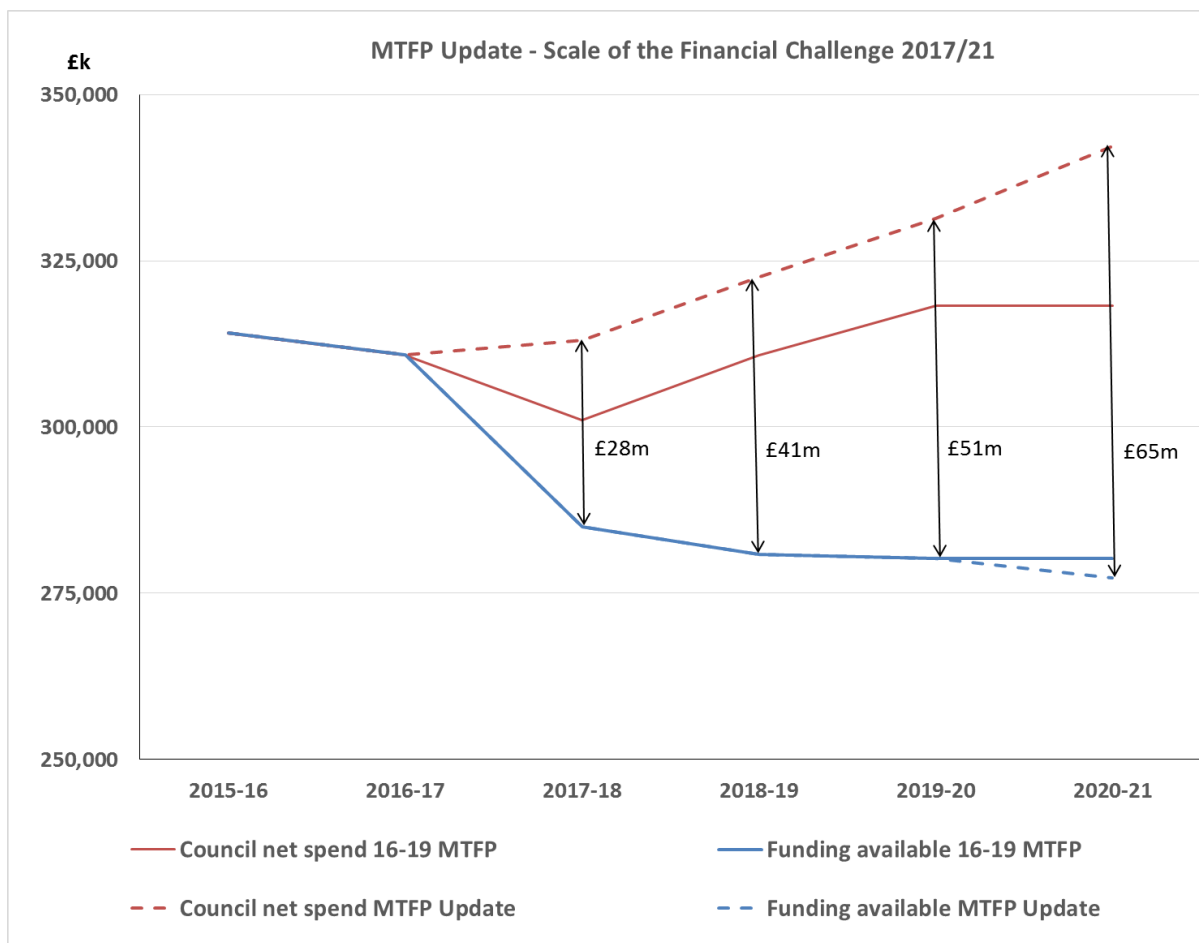
## **2.2 MTFP 2017-21; baseline funding and spend reviewed**

2.2.1 The annual update of the Council's MTFP takes as its starting point, the roll forward of current budget plans. The MTFP update has then reviewed and updated a number of baseline funding and spend projections, and factored these into a re-freshed MTFP update for the 2017-21 period. The overall impact of these changes is summarised at Table 2 below:

*TABLE 2 – MTFP update 2017-21*

<b>General Fund</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>
<b>FUNDING AVAILABLE</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current plans 2016-20	(285)	(281)	(280)	(280)
MTFP Update ; baseline review	0	0	0	3
<b>Updated funding available 2017-21</b>	<b>(285)</b>	<b>(281)</b>	<b>(280)</b>	<b>(277)</b>
<b>SPENDING ALLOCATION</b>				
Current plans 2016-20	302	311	318	318
MTFP Update; baseline review	11	11	13	24
<b>Updated spending allocation 2017-21</b>	<b>313</b>	<b>322</b>	<b>331</b>	<b>342</b>
<b>Budget Gap MTFP Update</b>	<b>28</b>	<b>41</b>	<b>51</b>	<b>65</b>
<i>(Original Budget Gap MTFP 16-19)</i>	<i>16</i>	<i>30</i>	<i>38</i>	<i>38</i>

2.2.2 The impact of the baseline review of funding and spend, is also summarised graphically below:



2.2.3 The solid blue and red lines in the above graph correspond to current budget plan (2016-19) funding available and spending plans. The gap between the two solid lines, is effectively the budget gap. What this demonstrates is that the Council's current spending plans beyond 2016-17 exceed the amount of funding available, and clearly this will not deliver a balanced budget, which is a legal requirement for the Council.

2.2.4 The MTFP update has then reviewed baseline funding and spend projections and this has resulted in revised projections of funding available and spend projections, represented by the dotted lines in the above graph. The differences between the two dotted lines are shown by the arrows in the above graph, and represent updated budget gap forecasts over the 2017-21 period.

2.2.5 As a result of these baseline funding and spend changes, the MTFP update presented here indicates that the scale of the financial challenge for the Council has increased even from existing budget plans, with a forecast budget gap now of **£28m** in 2017-18, increasing to **£41m** in 2018-19 , **£51m** in 2019-21 and **£65m** in 2020-21.

2.2.6 The baseline review of spend in particular reflects a spending 're-base' in response to current demand led service pressures in both Adults and Children's activity, and a re-basing of planned savings in 2017-18 against demand led activity. The baseline review also factors in assumed future year demographic pressures against Adult activity for the over 65's. Appendix A, Section 1, para 1.6.2, Table 3 sets out the updated spend projections in more detail. The updated summary budget position for the Council over the 2017-21 period is set out at Appendix B.

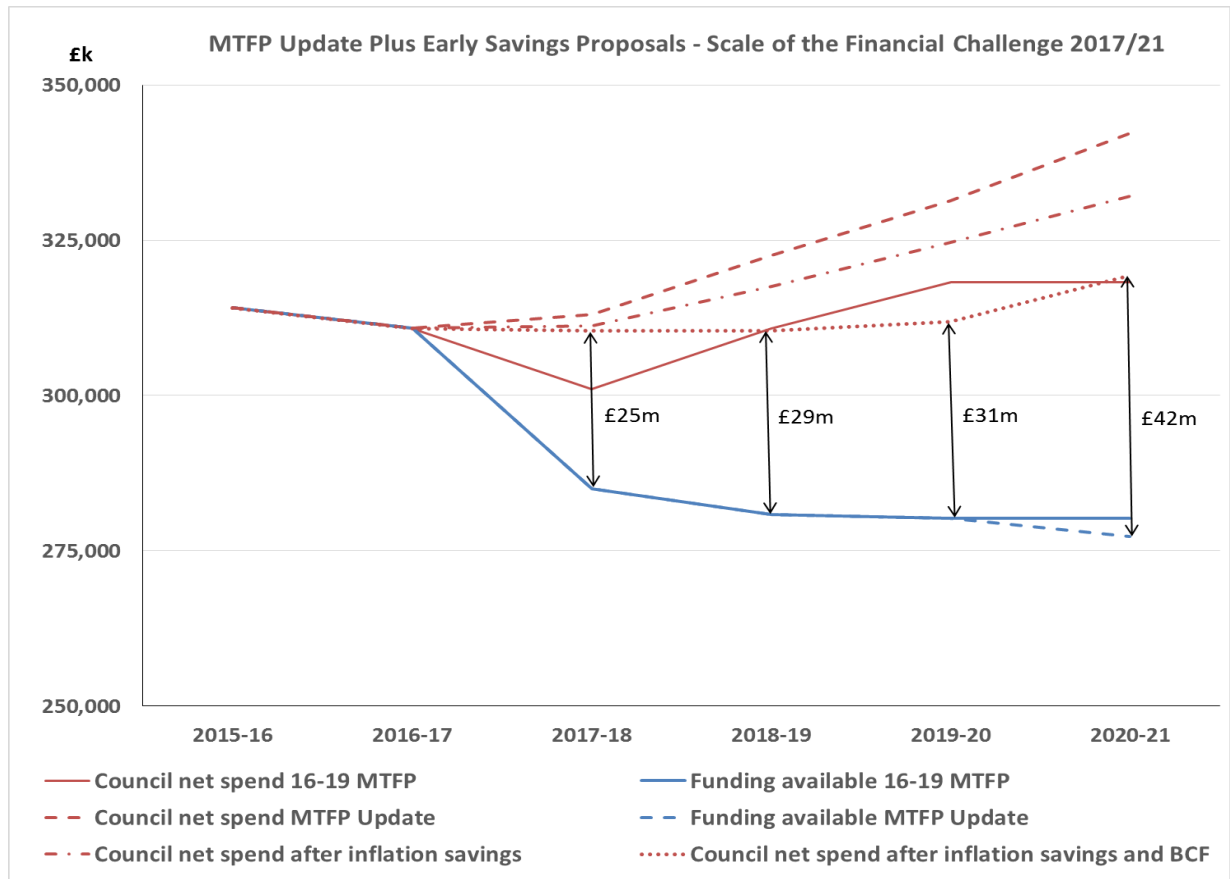
## 2.3 Early consideration of savings

- 2.3.1 Robust and deliverable options and proposals will need to be considered by officers and members to ensure the updated budget gap is addressed to deliver a sustainable balanced budget over the period, within the funding the Council has available.
- 2.3.2 Officers are working up a range of options and proposals to bring forward into the member and Council budget arena for this budget round, including early Cabinet member engagement on these proposals through a number of budget challenge sessions during September 2016.
- 2.3.3 These early member challenge sessions will consider new savings proposals, alongside a review of the deliverability of existing savings in current budget plans. The MTFP update has reviewed the deliverability of demand led savings in existing budget plans, and factored this into revised baseline spend projections.
- 2.3.4 In view of the continuing and increasing scale of the financial challenges facing the Council, officers at this stage are also recommending Council approval as part of this report, for a number of early savings proposals to address at least some of the budget gap.
- 2.3.5 Table 3 below illustrates the financial impact of these early proposals which collectively could deliver £3m savings in 2016-17, increasing cumulatively to £12m in 2018-19, £20m in 2019-20 and £23m in 2020-21.

**Table 3- Financial Impact of Early Savings Proposals**

<b>General Fund</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Budget Gap MTFP Update</b>	<b>28</b>	<b>41</b>	<b>51</b>	<b>65</b>
Early savings proposals:				
Inflation	(2)	(5)	(7)	(10)
Improved Better Care Funding Offer	(1)	(7)	(13)	(13)
	(3)	(12)	(20)	(23)
<b>Remaining Budget Gap</b>	<b>25</b>	<b>29</b>	<b>31</b>	<b>42</b>

- 2.3.6 Early consideration of savings proposals as per Table 3 above would reduce the budget gap to **£25m** in 2017-18, increasing to **£29m** in 2018-19, **£31m** in 2019-20 and **£42m** in 2020-21. This is also illustrated graphically below:



2.3.7 The early savings proposals reflect plans for reducing overall inflation provision, and building into Adult service projections, additional Better Care Funding to offset baseline service cost increases. These are considered further, in the following sections.

### INFLATION REVIEW

2.3.8 The proposal is for a reduced price inflation requirement over the 2017-21 period by limiting price inflation to exceptions only i.e. demand led Adults and Children's activity, waste contract and energy. This will deliver additional savings of £1.8m in 2017-18, increasing cumulatively to £5.1m in 2018-19, £6.7m in 2019-20 and £10.2m in 2020-21 (see also, Appendix A, Section 1, paras 1.7.3 to 1.7.6). Service areas, other than the exceptions highlighted, will be expected to manage price inflation within cash limits over the next 4 years.

2.3.9 There is also a proposed re-base of markets and car parking income inflation from the current 2% annual uplift built into current budget plans, to zero, over the next 4 years. This acknowledges the specific and challenging external market conditions forecast to continue to impact on the income generating potential of these Council activities over the medium term.

### ADDITIONAL EXTERNAL GRANT FUNDING - BETTER CARE FUND

2.3.10 The Better Care Fund (BCF) was implemented in April 2015, and brings together a range of existing health and Council funding into a pooled budget; £3.5 billion nationally. Kirklees pooled budget is £30.7m, and consists of existing health (Greater Huddersfield and North Kirklees Clinical Commissioning Groups), and Council budgeted spend. The Council's share is £16.3m.

- 2.3.11 The pooled budget is intended to promote locally, joint Health and Council commissioned approaches that support better and more integrated health and adult social care delivery across partner organisations.
- 2.3.12 The Council approved budget plans for 2016-19 noted that the Government's 2016-17 funding settlement for Councils included a significant increase in better care funding nationally, equivalent to £1.5 billion, by 2019-20. Locally this equates to £0.8m additional Kirklees BCF funding in 2017-18, increasing to £7.1m in 2018-19, and £12.9m in 2019-20. Furthermore, this was to be earmarked for adult social care activity.
- 2.3.13 Government also indicated at the time that the additional BCF proposals above would be subject to a more detailed national consultation, currently awaited, to review the basis of the distribution of the additional funding. In view of this, approved Council budget plans for 2016-19 made no specific budget assumptions regarding the additional BCF 'offer', pending the outcome of any future consultation.
- 2.3.14 The Department of Communities and Local Government (DCLG) has issued a technical consultation on the 2017-18 financial settlement, which runs from 15 September to 28 October 2016. The consultation proposals include re-affirmation of government intent to allocate additional better Care Funding to Councils, as per the indicative amounts included in the 2016-17 financial settlement. In light of the adjustments factored into adult baseline spend projections over the medium term (para 2.2.6 earlier), and current government intent re-affirmed in the current technical consultation, the proposal is to include the additional Better Care Funding at this stage, as an early Council saving consideration.

### CAPITAL

- 2.3.15 The annual budget report approved by full budget Council every February also includes the 5 year re-refresh of the Council capital plan. The current capital plan is resourced by a combination of external funding, capital receipts and new borrowing; the latter impacts on Council revenue (treasury management) budget requirement. The current capital plan includes £174m baseline, £94m strategic priorities and £15m risks and pressures, over the 2016-21 period. As part of the capital plan re-refresh, officers intend to bring forward proposals to review the current £174m baseline capital allocation, and any associated revenue savings potential.

### LOCAL PLAN

- 2.3.16 The Council is currently drafting a new development plan for the District, also referred to as the Local Plan. The Plan will establish the vision and strategic objectives for the development of Kirklees up to 2031 and a spatial strategy setting out how development will be accommodated across the District. The timetable and milestones for the Local Plan include reporting to full Council on 12 October, followed by a public consultation and then submission to the secretary of state in March 2017, for adoption early 2018. At this stage, the MTFP update includes a number of working assumptions regarding predicted growth in the annual council tax base based on recent and current trends, and prudent assumptions regarding business rates base going forward, similarly based on recent and current trends (see also, Appendix A, Section 1, para 1.5)



2.3.17 Depending on the emerging detail and timing of the Local Plan being formally adopted, it will be a key facilitator for potential future growth in council tax and business rates in the District, acknowledging that the timescale for new developments to materialise, will most likely be from 2020/21 onwards. Set alongside emerging government proposals for 100% devolution of business rates to Councils, most likely to take effect from 2020/21 (see also, Appendix A, Section 1, paras 1.3 for more detail on the proposals), economic growth in the district will become an increasingly important determinant of funding available to the Council over the longer term.

### EFFICIENCY PLAN

2.3.18 The Council's Efficiency Plan submission to DCLG is included as part of the Council's MTFP update report, at Appendix D. It includes a 'meeting the challenge' section, and accompanying table which sets out the scale of the financial challenge for the Council. The table attached assumes that the early savings proposals included in this report, will be approved, and then sets out the remaining budget gap forecast over the 2017-21 period, as set out at Table 3 above.

2.3.19 As noted earlier at paras 2.3.1 to 2.3.3, in addition to the early savings proposals included in this report for member approval, officers are currently working on a number of other budget options and proposals which will be considered by members in due course through the remainder of the current budget round.

2.3.20 The Efficiency Plan quotes a very indicative high level snapshot quantification of the extent of the other budget options and proposals currently being worked on by officers. These are referred to in the Efficiency Plan as 'identified savings'. These are currently a work in progress. The reason for incorporating these into the Efficiency Plan at this stage is to demonstrate the scale of the challenge, and the extent to which the Council is working towards delivering a sustainable and balanced budget over the medium term financial plan, within the funding available.

## **HOUSING REVENUE ACCOUNT (HRA)**

### **2.4 Current budget plans**

2.4.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account. All income and expenditure relating to the provision of landlord services to about 23,000 Council tenants, is accounted for entirely in the HRA. It is wholly self-financed, and has to live within its means. Over 90% of HRA funding is derived from Council tenant rental income. Current year, 2016-17 annual HRA funding is in the region of £90m.

2.4.2 The current budget planning framework for the HRA is driven by the 30 year HRA business plan. The 30 year HRA business plan sets out the overall financial envelope for the self-financed HRA, within which the Council, working in partnership with its arms length management provider, Kirklees Neighbourhood Housing (KNH), aim to deliver on the following 4 key objectives:

i) service HRA debt,

- ii) maintain existing Council housing stock at decency standard over the longer term,
- iii) provide a high quality housing management and housing repair service, and
- iv) explore opportunities for additional investment to support Council priorities

2.4.3 Following the implementation of self-financing for the HRA from April 2012, the 30 year business plan was considered to be financially viable over the long term, to the extent that it could deliver on the four objectives set out in 2.4.2 above. This was also based on government's pre-existing commitment to maintain annual social rent increases at CPI + 1%, initially at least to 2025, as part of the self-financing 'offer'.

2.4.4 Subsequently, Government announced its intention early 2015 to implement an absolute 1% annual reduction in social housing rents each year for the next 4 years, from April 2016. The 1% rent reduction applied both to Council housing and registered provider tenancies. The rent reduction was subsequently enacted through the Welfare and Reform Act 2016.

2.4.5 The financial impact of the 1% annual rent reduction was compared to pre-existing annual rent uplift forecasts at CPI + 1% previously built into HRA budget 3 year plans and the longer term HRA business plan. The difference was estimated to be about £1.7m in 2016-17, increasing each year thereafter to about £10.5m annual rental income loss by 2020; equivalent to 13% annual rental income loss by 2020, compared to previous rent forecasts.

2.4.6 The annual rental income loss highlighted above was acknowledged to have significant implications for the financial viability of the self-financed HRA business plan over the longer term, and this framed the context for HRA budget preparation and subsequently approved plans for 2016-19.

2.4.7 The modelled impact of the 1% rent reduction on the HRA business plan was that the HRA was only financially sustainable over the next 5 years, at which point it went into an overall operating deficit. This meant there was no longer sufficient funding to deliver on any of the 4 objectives set out at para 2.4.2 above. This was clearly an unsustainable financial position for the HRA, and needed early actions to address.

2.4.8 Council approved HRA budget plans for 2016-19 set a medium term savings target of £11m to be delivered by 2020, specifically to mitigate the estimated rental income loss over period. The approved budget plans included early delivery of £4m revenue savings in 2016-17 through an officer led exercise re-aligning HRA budgets to current spend.

2.4.9 At the time 2016-19 HRA budgets were approved, government was drafting legislation setting out a range of 'Welfare Reform and Work' and 'Housing & Planning' Bill proposals, included a number of draft housing policies that were considered a potential further risk to HRA financial viability. This included proposals to compensate Registered Providers for loss of housing stock through the introduction of voluntary right to buy in this sector, by way of an annual levy or charge to Councils with HRA's.

## **2.5 MTFP 2017-21; baseline funding and spend updated**

- 2.5.1 The MTFP update for the HRA rolls forward current budget plans as the starting point. The HRA 30 year business plan, which takes account of current budget plans, is being re-freshed; working assumptions set out in more detail at Appendix A, Section 2.
- 2.5.2 The HRA business plan re-fresh is being informed in particular by a current baseline review of capital resource requirements to deliver decency in Council housing stock over the 30 year period. The HRA business plan update will also factor in the potential impact of a range of government housing policy reforms, including the annual levy referred to at para 2.4.9 above.
- 2.5.3 At the time of writing this report, Government has yet to clarify the detail of the annual levy proposal and other housing policy proposals, including pay to stay, (see also Appendix A, Section 2, para 2.2.8) following the enactment of the Housing and Planning Act, which was given royal assent in May 2016.
- 2.5.4 In light of the above, at this stage, the re-fresh of the 30 year HRA business plan is very much a work in progress. What is reflected at Appendix A, section 2 is a current snapshot, and this will be subject to further review. What it does indicate is that while some progress has been made, the HRA is still some way off being able to deliver a sustainable and viable “self-financed” 30 year business plan, that can continue to deliver the 4 key objectives set out at 2.4.2 earlier.
- 2.5.5 The intention is that the Council, in conjunction with its partner Arms Length Provider, Kirklees Neighbourhood Housing, will continue to work on re-freshing the 30 year HRA business plan through the remainder of this budget round; in particular informed by further government clarification on the detail of the annual levy and other housing policy proposals.

## **2.6 Budget planning framework**

- 2.6.1 The updated general fund revenue baseline funding and spend review, early consideration of savings and updated budget gap, as set out at Table 2 earlier, provide the budget planning framework for officers to bring forward proposals to Cabinet and all members through the remainder of the current budget round, in order to deliver a sustainable general fund ‘balanced’ budget over the 2017-21 period.
- 2.6.2 The Council and KNH continue the budget approach set out last year, and will work in partnership to further refine the 30 year HRA business plan, and bring forward options and proposals as part of a planned 3 year strategy, with the aim of delivering a financially viable and sustainable 30 year HRA business plan that meets the 4 key objectives set out in para 2.4.2 earlier.

## **3. Information required to make a decision**

- 3.1 Appendix A, Section 1, sets out in more detail, key baseline general fund funding and cost changes and assumptions underpinning the budget planning framework set out in this MTFP update report, which covers the period 2017-21.

- 3.2 Current financial and organisational intelligence informing baseline funding and cost adjustments also takes account of the most current financial monitoring, Quarter 1, 2016-17, presented to Cabinet 23 August 2017 (see report link below) :

<https://democracy.kirklees.gov.uk/ieListDocuments.aspx?CId=139&MIId=4977>

- 3.3 Appendix A, Section 2, sets out in more detail, current updated funding and cost forecasts and assumptions and sensitivities built into the re-freshed 30 year HRA business plan, acknowledging that it remains very much a work in progress.

#### **4. Implications for the Council**

- 4.1 A robust Medium Term Financial Plan and budget strategy is a key element of financial and service planning. This will be updated in detail by full Council in February 2017. This report sets a framework for development of draft plans by officers and Cabinet, for consideration by all Members in due course.
- 4.2 Key funding and cost assumptions factored into the MTFP update at this stage will be subject to further review, early January 2017, informed by most current local and national intelligence, including the outcome of the Autumn Statement and the provisional government funding settlement for Councils for 2017-18 and indicative totals for future years.
- 4.3 Any further material changes to funding and cost assumptions at this stage will be considered for incorporation into the finalised annual budget report for Cabinet and Council approval in February 2017.
- 4.4 This will also include further consideration of available reserves. Quarter 1 (month 3) revenue monitoring report to Cabinet on 23 August 2016 reported that, based on current and forecast drawdowns on Council reserves, there could be in the region of £57m from April 2017.
- 4.5 However, this figure includes £28m specifically committed to fund key Council developments to deliver a New Council. Net of this, actual remaining balances and earmarked reserves potential available to support Council forward budget plans is nearer £29m. This excludes statutory reserves which are schools specific and cannot be re-designated for other purposes.
- 4.6 The Council continues to face significant and increasing financial challenges and must ensure it can achieve a sustainable, balanced budget over the medium term and beyond. The accompanying Efficiency Plan sets out ; Council's approach to the financial challenges it has faced to date, what it has delivered to date, direction of travel to a New Council, scale of financial challenges going forward ,what it is doing currently to meet the challenge, and what further challenges remain ahead.
- 4.7 The Department of Communities and Local Government (DCLG) technical consultation on the 2017-18 financial settlement states that Government intends to confirm the constituent elements of the Efficiency Plan offer for qualifying Councils, soon after the 14 October deadline for accepting the offer. Government is also considering expanding the offer to include more grants, to provide more certainty over a greater proportion of their funding for the rest of this Parliament.

#### **RISK ASSESSMENT**

4.8 The MTFP update is based on a range of local and national intelligence, and risk assessments underpinning current and future funding and cost assumptions , acknowledging that the extent of the following are all potential risk factors to the delivery of balanced budget plans over the medium term :

- Demand on assessed services (adults & children) continues to grow
- Number of children looked after continues to increase
- Customer expectation increase & public satisfaction deteriorate
- Transformation plans do not realise the scale of ambition
- Improved better care funding doesn't flow from Clinical Commissioning Groups or is less than the sums factored into the Medium Term Financial Plan update
- Continue to experience challenges in delivery of savings (time & value)
- Income forecasts are not realised and funding position deteriorates further
- Service delivery failure & additional investment required
- Government clarification on the detail and timing of key social housing policy changes enacted through the Welfare & Reform and Housing & Planning Acts 2016

### Budget Consultation

4.9 The Council's overall budget planning framework includes consideration of wider engagement and timetabling on stakeholder views on high level priorities in resource allocation. It is anticipated that this will take place primarily as an online exercise, during a 6 week period between October and November 2016. Stakeholder views on emerging HRA budget proposals will be considered through the relevant Council Tenant stakeholder forums, including Tenants and Residents Committees.

4.10 In addition, there may be a requirement for more detailed service consultations, led by the relevant services, on specific service budget proposals. These will engage service users as early as possible, and target the groups most likely to be affected.

4.11 There is also on-going engagement with the business and voluntary and community sectors.

4.12 Key budget proposals include accompanying evidence available to members; namely officer led equalities impact assessments, which are undertaken annually and reviewed and updated as appropriate, on a range of budget proposals. These are also made available on the Council's website, in a timely way. This purpose of the assessments is to ensure that decision makers have due regard to the Council's equalities duties on key decisions.

## **5. Consultees and their opinions**

5.1 This report is based on consultation with the Council's Executive Team and Cabinet Members in assessing the current issues, risks and factors to be addressed.

## **6. Next Steps**

- 6.1 Resultant budget proposals will be submitted to Cabinet and full Council. The Director of Resources will co-ordinate the development of draft budget proposals and options, and supporting budget documentation within the budget framework and planning totals.
- 6.2 Cabinet will bring forward detailed budget proposals in the new year, for consideration at full Council on 17 February 2017

## **7. Officer recommendations and reasons**

Having read this report and the accompanying Appendices, Council are asked to:

### **7.1 General Fund Revenue**

- i) approve the early high level re-refresh of baseline funding and cost projections incorporated into this report (para 2.2.1, Table 2),
- ii) approve early savings proposals set out in this report as part of the MTFP update 2017-21 (paras 2.3.5, Table 3),
- iii) approve the budget planning framework as set out in this report, subject to member approval of i) and ii) above (para 2.6.1)
- iv) approve the Council's Efficiency Plan (Appendix D attached), & submission to DCLG on or prior to 14<sup>th</sup> October 2016
- v) approve the proposed budget consultation approach and timetable (paras 4.9 to 4.12), and
- vi) note that officers will update members later in the year on any material changes to high level cost and income assumptions as set out in this MTFP update; in particular informed by the Autumn Statement announcement expected late November 2016, and further by the 2016 Local Government Finance Settlement (paras 4.1 to 4.3).

This strategy allows the budget plan to be adjusted for the major factors identified and sets the basis for officers to update draft service plans within a clear Council budget framework.

### **7.2 Housing Revenue Account (HRA)**

- vii) approve HRA budget planning framework as set out in this report (para 2.6.2)

## **8. Cabinet Portfolio Holder recommendation**

The leader supports the recommendations set out at paragraph 7.1, i) to vi) above, and paragraph 7.2, vii) above, and recommends that this report be presented to the Council meeting on 12 October 2017.

## **9. Contact Officer**

Eamonn Croston      Strategic Council Finance Manager      01484 221000

**10. Background papers and History of Decisions**

Annual budget report 2016-19

Annual outturn and rollover report 2015-16

Annual statement of accounts (draft) 2015-16

Revenue & Capital monitoring report 2016-17; Quarter 1

**11. Assistant Director responsible**

Debbie Hogg                      Assistant Director

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