

REPORT TO	DATE OF MEETING
Council	1 st March 2017

SUBJECT	PORTFOLIO	AUTHOR	ITEM
Labour Group's Alternative Budget and Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20	Finance	Susan Guinness	

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report sets out an Alternative Budget for 2017/18 and the Medium Term Financial Strategy (MTFS) to 2019/20 for consideration by the Council, as proposed by the Labour Group.

The Alternative Budget and Medium Term Financial Strategy presented recognise the corporate risks assessment processes and the Group's Corporate Priorities as set out below. The Alternative MTFS recognises the continued significant change and uncertainty surrounding core government grant funding and other local authority funding regimes.

RECOMMENDATIONS

Revenue Estimates

1. Council approves the revised estimates for 2016/17, the original estimate for 2017/18 and indicative original estimates for 2018/19 through to 2019/20, summarised at **Appendix A** to this report.
2. Council approves the Medium Term Financial Strategy (MTFS) to 2019/20 and the proposed budget efficiencies set out within the document to further improve efficiency/increase income and reduce the forecast budget deficit. Specifically the following:-
 - **Introducing Charges for the collection of Garden Waste with effect from 1st June 2017.**
 - **New investment package for the next three years to fund the new South Ribble Community Initiative in the sum of £0.120m in 2017/18.**
 - **Full Consultation to be started on a fundamental review of car Parking across the Borough**
 - **New investment in one-off costs in respect of expanding Parish Councils across the Borough.**
 - **Increasing the Police Community Support Officer's (PCSOs) annual base budget by £0.100m from 1st April 2017.**
 - **Removal of the Council Tax Support Scheme with effect from 1st April 2018.**
3. Council endorse the assessment on the level of reserves for 2017/18.
4. Council approves the adjustments to General and Earmarked Reserves.

5. Subject to any amendments proposed in considering recommendations 1 to 4 above, Council recommend a Borough Council Net Expenditure requirement for 2017/18 (including parish/town council precepts) that is adequate to support the delivery of the MTFS.
6. The Chief Executive be authorised to deal with staffing issues arising from the report within the agreed budget and in accordance with the council's human resources policies. This will be done in consultation with the Leader, and in his absence the Deputy Leader and the Cabinet member with responsibility for Finance, and as appropriate other relevant Cabinet Members.

Council Tax

7. Subject to consideration of recommendations 1 to 6 above, Council approves the Borough Council's Band D equivalent Council Tax for 2017/18 to remain at the same level as 2016/17 being £208.38.
8. Council note that approval in respect of the setting Council Tax Support scheme applicable to working age claimants with effect from 1st April 2017 at £3.50 per week, is contained within the Council Tax Setting 2017/18 report on this agenda. **The Council Tax Support Scheme will be abolished with effect from 1st April 2018.**

DETAILS AND REASONING

The purpose of this report is to present the key facts of the Opposition's Alternative Budget Plan for bridging the Budget deficit for 2017/18 and also to set out an Alternative Medium Term Financial Strategy that aims to balance the Council's budget to 2019/20.

This process has been undertaken as follows:

- The key **Corporate Risks** facing the Council have been identified.
- The assessment of Corporate Risk has been applied to determine the Labour Group's overarching **Corporate Priorities**.
- The priorities have then been translated into key actions and developed into a robust financial plan.
- It was recognised that the current budget estimates to 2019/20 show the budget is in deficit and that needs to be addressed in order for the Council to become financially self-sufficient. Therefore, a **Medium Term Financial Strategy (MTFS)** has been structured by the Shadow Cabinet in consultation with the whole Labour Group, the CEO and the Acting Chief Finance Officer.

A detailed Corporate Strategy has not been included within this document at this stage due to the availability of Officer support. It has been agreed that given the time frames involved and availability of the appropriate staff, an Alternative Corporate Strategy will be finalised in due course.

A. CORPORATE RISKS

The key Corporate Risks facing the Council to 2019/20 have been reviewed, assessed and listed below. The purpose of the Corporate Priorities of the Labour Group reflects where resources will be focussed to mitigate against these risks and therefore continue to provide a relevant, resilient and robust service provision. Our Services will be agile to remain effective within an ever changing, volatile and financially challenged environment in order to:

- (1) respond to the needs of South Ribble residents;
- (2) support our business community; and
- (3) facilitate effective collaborative working valued by all our strategic partners.

Corporate Risks Contained within the Alternative Budget setting Process

- Delivery of the Corporate Improvement Plan to strengthen Corporate Governance Arrangements; Restore reputation and confidence of the Public, Inspection Agencies, Central Government and Strategic Partners.
- Staff Moral, recruitment and retention including the permanent recruitment into Statutory Posts (Head of Paid Service & s151 Officer).
- Information systems and data security.
- New Legislation resulting in additional service demand, for example, Homeless Reduction Bill.
- Inadequate Housing Stock within the Borough, delivery of a cohesive Housing Strategy including Affordable Housing and other key housing issues.
- Increasingly pressured and challenged Health and Social Care Services.
- Reduced capacity and availability of services to help vulnerable people.
- Sustainable MTFS – Reducing Government grant and extremely volatile Core Funding; Pension Fund Deficit Recovery.
- Unknown financial implications of Brexit.
- Delivery of all the anticipated benefits of City Deal including its original funding assumptions.
- Expiry of the Cost Sharing Agreement with LCC in respect of Waste Disposal.
- Maintaining Safer Communities.
- More Active, Resilient Communities.
- Low Economic Growth.
- Public Sector Reform, future Governance Models including collaborative working across organisational boundaries such as One Public Estate, for example.

B. ALTERNATIVE CORPORATE PRIORITIES

Despite these many challenges, the Labour Group's financial aims are to support and invest in the Alternative Corporate Priorities, which are:

- **THE VULNERABLE**
- **A SUSTAINABLE, FINANCIALLY SELF-SUFFICIENT AUTHORITY**
- **SOUTH RIBBLE PLACE SHAPING – COMPREHENSIVE PUBLIC ENGAGEMENT**
- **A STRONG LOCAL ECONOMY AND BUSINESS GROWTH**

Concurrent to delivering investment as set out later in this report, our financial priorities and strategy will also be implemented seeking to:

- Deliver a balanced budget year on year with a surplus by 2019/20.
- Remove the Council Tax Support Scheme with effect from 1st April 2018.
- Maintain Council Tax charges in 2017/18 at the current level and no planned increased are incorporated into the MTFS to 2019/20.
- Prioritise the expansion of business rates income by attracting new businesses to the borough.
- Identify budget efficiencies to improve financial resilience and also balance the budget by seeking to bring income into the Council and reduce costs whilst minimising the impact on front line service users and the capacity of the workforce..
- Maintain working balances at a level no lower than £4.0m over the financial planning period 2017/18 to 2019/20 in response to the increasing financial risk facing the Council.
- Make the Council financially self-sufficient.
- Increase the number of PCSOs within the borough.
- Work with partners seeking to reduce crime and promote a sense of safety within the Borough through working with the Police and discharging our Safeguarding duties.
- Working collaboratively to transform our non-statutory services such as the development of Local Community Leisure, Health and Wellbeing hubs.
- Deliver an annual programme of investment into a new South Ribble Community Initiative. Projects would be on a one-off year by year basis to enable adjustments to be made according to changes to the budget forecasts to maintain an agile base budget that can be adjusted to support financial sustainability.

C. BUDGET 2017/18

Revenue Budget

The revenue budget has been updated with the more significant changes listed below including the Final Local Government Finance Settlement published on 20th February 2017. It is important to note, however, that all the current financial Big Issues facing the Council have been assessed and planned for in the MTFS. The Revenue Budget forecasts are attached in **Appendix A**.

The draft headline budget deficit figures are as follows:-

	2017/18 £m	2018/19 £m	2019/20 £m
Forecast 2017/18 MTFS Budget Deficit	0.888	3.002	3.386

The following financial action plan sets out how the budget will be balanced for 2017/18. Importantly this has been achieved without calling on our General Reserve balance.

	2017/18 £m
Forecast Budget Deficit 2017/18	0.888
Stage One Review of Earmarked Reserves	(0.700)
Implementation of Charging for Collection of Garden Waste	(0.338)
Borough Investment Account	(0.170)
Growing the Business Rates Tax Base	(0.150)
Review of Car parking Charges	(0.100)
Business Transformation Programme - withdrawn from MTFS to maintain capacity	zero
Council Tax Increases	zero
Investment in Governance, Restoring the Reputation of the Council and upskilling the workforce (e.g. Entrepreneurial Skills) - Recurring	0.250
New Investment in a new South Ribble Community Initiative	0.120
Invest to Save Project – Empowering and Enabling Communities through Parishes – One off in 2017/18	0.100
New Investment to Increase the Base Budget for PCSOs	0.100
Budget Deficit 2017/18 MTFS	Balance Budget

Capital Budget

The Alternative Budget seeks to deliver investment within the Borough despite the challenging budgetary pressures that need to be resolved as a key priority. The Alternative Capital Budget that can be accommodated within the proposed Revenue Budget will total up to circa. £11.5m to 2019/20 plus an additional £10.0m capital investment to deliver the Health and Wellbeing Strategy funded from self-financing prudential borrowing. The overarching aim of the Capital Programme to 2019/20 will be to effectively apply Capital Reserves, Grants, Receipts and an affordable Borrowing Strategy to support the Labour Group's Corporate Priorities. The Capital Programme will invest in the following:-

- **ICT Infrastructure and Invest to Save Business Transformation projects.**
- **Strategic review and investment in Leisure, Health & Wellbeing Hubs.**
- **Strategic review and investment in Car Parking Provision.**
- **Strategic City Deal Delivery Plan.**
- **Management of Assets, Parks and Open Spaces.**
- **Strategic Planning and Housing.**
- **Entrepreneurial approach to Capital Development and Investment to convert one off resources into recurring revenue budget contributions within the MTFS.**

The Alternative Capital Budget will be planned and project managed to ensure it is proactive and not reactive. It will be structured to ensure that: our assets are maintained to avoid unaffordable future liabilities to accumulate; our ICT is secure and future proofed to achieve maximum efficiency and facilitate collaborative working; a City Deal legacy is delivered and our Parks and Open Spaces are accessible to all and provides optimum opportunities for play and recreation.

The Capital Budget will be profiled to match adequate resources to ensure deliverability.

Reserves Policy

The Council is required to maintain adequate reserves to meet the needs of the authority. A number of external factors will have a negative shift on the Council's financial risk profile over the lifespan of this Alternative MTFs. Reserves must be kept at an adequate level to respond to these risks. The Alternative MTFs aims to maintain the General Reserves at a level no lower than £4.5m by 2019/20 in response to increasing financial risk and the Council's updated Treasury Strategy. A review of all Earmarked Reserves will be undertaken so that they are structured at the right level to meet known future financial commitments. Any funds released as a result will be converted into recurring income streams that can be built into the base budget by proactively seeking out investment and development opportunities within the Borough. The Table below highlights the projected levels of revenue reserves, based upon forecasted budget figures within this report, in particular the planned Alternative MTFs delivery timetable. Total Reserves reduce from £17.5m to £11.9m to 2019/20.

Reserves	Projected Balances			
	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000	31 March 2020 £000
General Reserve	4,320	4,419	4,094	4,500
Earmarked Reserves				
ICT Strategy	927	480	273	113
Elections	82	112	142	52
Asset Management	1,465	669	0	149
Public Open Space Commuted Sums	1,535	1,476	1,417	1,358
Vehicles, Plant & Equipment	0	0	0	0
Local Plans	80	80	80	80
Housing Needs Survey	85	60	50	70
Leisure Sites Repair & Maintenance	160	160	160	160
Performance Reward Grant	50	30	23	23
New Burdens Grant	153	153	78	78
Organisational Restructure Costs	385	385	385	385
Equalisation Reserve – BRR & City Deal	3,359	3,803	4,122	4,199
Borough Investment Account	3,824	0	0	0
Other	1,114	1,053	925	687
Sub Total Earmarked Reserves	13,219	8,461	7,655	7,354
Total Reserves	17,539	12,880	11,749	11,854

D. AN OVERVIEW OF THE ALTERNATIVE MTFS TO 2019/20

The revenue budget estimates to 2019/20 forecast a budget deficit position in excess of £3.3m to 2019/20. The key actions and projects to deliver the priorities above should commenced at pace from March 2017. The following are options available to bridge the budget gap over the medium to longer term to achieve a self-sufficient budget so the Council is able to consistently deliver enhanced front line services to the residents and business community of South Ribble. The Alternative MTFS below also accommodates New Investment totalling £0.616m in 2019/20 and a cumulative total of £1.736m over the three years of the Alternative MTFS.

MEDIUM TERM FINANCIAL STRATEGY TO 2019/20		£m
Budget Deficit 2017/18		3.386
Income Generation:		
Charging for the Collection of Garden Waste.		(0.750)
Entrepreneurial Approach – Parks and Opens Space Including Worden Park facilities.		(0.100)
South Ribble – A Place to Visit/Place to Live. Optimum use of our Parks and Opens Spaces including Play and Events.		(0.250)
Fundamental Review of Car Parking Income.		(0.150)
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Expansion of Shared Services		(0.600)
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Business Transformation		nil
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Non-statutory Duties Review, including the following:		
Leisure Service Review of Current Sites – Major Contract Revision and development of Local Community Health and Wellbeing Hubs.		(0.500)
‘Parishing’ the Borough and Residents Engagement.		(0.200)
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Investment Property and Asset Review including Private Sector Rental Schemes – Borough Investment Account.		(0.400)
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Council Tax Increases		nil
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New Income Generation Schemes and development of Cuerden Site.		(0.250)
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Strategic Review of Reserves.		(0.400)
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BRR – Growing the Tax Base.		(0.350)
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Council Tax Base Growth from City Deal		(0.150)
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Headroom within the Base Budget for New Investment		0.714

New Investment in Governance and Reputational Improvement.	0.250
New Investment in additional Police Community Support & Enforcement Officers	0.100
Remove the Council Tax Support Scheme from 1 st April 2018	0.073
Administration for Garden Waste Charges	0.025

THE SOUTH RIBBLE COMMUNITY INITIATIVE

Investment across the whole borough, urban and rural communities, in initiatives that help and support the vulnerable within the Borough in line with the Corporate Plan's priorities. This may involve working in collaboration with public and private sector partners. The issues to be included are wide ranging – the initiative is just that, seeking out opportunities to provide the support people need to really make a difference. Our Corporate Priorities are:

0.266

- **THE VULNERABLE**
- **A SUSTAINABLE, FINANCIALLY SELF-SUFFICIENT AUTHORITY**
- **SOUTH RIBBLE PLACE SHAPING – COMPREHENSIVE PUBLIC ENGAGEMENT**
- **A STRONG LOCAL ECONOMY AND BUSINESS GROWTH**

Balanced Budget Plan and MTFS to 2019/20	0.000
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The South Ribble Community Initiative investment will consist, in the main, of schemes that can be adapted and/or reduced to immediately respond to any shift in social need and also any increase in financial pressures during the course of this Spending Review to 2020/21.

E. TO CONCLUDE

The South Ribble Labour Group are united in their desire to drive the Borough forward. The Authority has major challenges to deal with, however despite these challenges, the Labour Group's financial aims are simple - to support and invest in our Corporate Priorities, priorities that will make a huge difference to so many.

WIDER IMPLICATIONS - In the preparation of this report, consideration has been given to the impact of its proposals in all the areas shown below. A risk assessment has also been carried out. The table shows the implications in respect of each of these.

FINANCIAL	<p>The alternative budget proposals are delivered within the same resource limits as the administration's budget. Details are set out in the Appendix A which show that the expenditure plans, as set out, result in a reduced deficit at the end of the period.</p> <p>In terms of my statutory officer report, as there are no changes to the assumptions made on constructing the budget my comments contained in that report apply equally to the alternative budget. On that basis I am content that the proposals set out are deliverable within the resource constraints discussed.</p>
LEGAL	<p>This alternative budget has been set with reference to all relevant legal requirements set out in the Local Government Finance Act 1992 and all other related legislation, statutory instruments and regulations.</p> <p>Members will fully appreciate that there is a legal duty to set a lawful budget in time. For all practical purposes Council needs to set this budget at its meeting on the 1st of March 2017.</p> <p>Members jointly and severally (individually and collectively) have a fiduciary duty to Council Tax payers. This means they have a duty to facilitate the setting of a lawful budget.</p> <p>Failure to set a lawful budget may result in legal challenge by way of judicial review proceedings. More generally any such failure could result in loss of income, significant additional administrative costs as well as reputational damage. There is a further risk that a failure to set a lawful budget in a timely fashion could result in intervention from the Secretary of State.</p>
RISK	<p>As acknowledged throughout the report the Council is exposed to increasing and significant financial risk. Delivery of the Alternative MTFS is paramount in delivering a balanced budget over the medium to longer term and mitigates this risk.</p>
OTHER (see below)	<p>The budget proposals, if agreed, may result in a reduction in employee costs, which will be addressed in accordance with the Council's suite of human resource policies. Close liaison with the Trade Unions and employees has been and will continue to be ongoing.</p> <p>An equality impact is required to be carried out on the budget proposals contained in this report for 2017/18, taking into account the requirements of The Equality Act 2010, and the specific public sector provisions.</p>

<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Efficiency Savings</i>	<i>Equality, Diversity and Community Cohesion</i>
<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>
<i>Respect Agenda</i>	<i>Staffing</i>	<i>Sustainability</i>	<i>Training and Development</i>

**2017/18 GENERAL FUND SUMMARY and MTFs
REVENUE ESTIMATES 2016/17 TO 2019/20**

Portfolio	ORIGINAL 2016/17 £000	REVISED 2016/17 £000	FORECAST 2017/18 £000	FORECAST 2018/19 £000	FORECAST 2019/20 £000
Leader	1,508	1,610	1,621	1,554	1,685
Finance	320	310	862	880	901
Corporate Support and Assets	5,345	4,915	5,277	5,279	5,414
Neighbourhoods & Streetscene	4,071	4,759	4,887	5,850	5,921
Public Health, Safety & Wellbeing	481	486	549	470	478
Regeneration and Leisure	1,085	2,304	1,485	1,488	1,409
Strategic Planning and Housing	(9)	(35)	221	181	126
TOTAL	12,801	14,349	14,902	15,702	15,934
Efficiency targets	(550)	0	(261)	(261)	(261)
Investment Interest	(165)	(188)	(69)	(55)	(96)
Interest Payable	120	120	120	120	120
Depreciation	(1,946)	(2,940)	(2,940)	(2,940)	(2,940)
Provision for Repayment of Debt	1,033	1,024	1,018	1,069	1,070
Revenue Contributions to Capital	0	12	0	0	0
Revenue funded from capital	(465)	(607)	(607)	(607)	(607)
Cont'n (from)/to Earmarked Reserves	2,701	2,528	1,509	1,420	909
Cont'n (from)/to General Fund Balances	0	0	0	0	0
BOROUGH COUNCIL BUDGET REQUIREMENT	13,529	14,298	13,672	14,448	14,129
Parish/Town Council Precepts	320	320	398	398	398
TOTAL BUDGET REQUIREMENT	13,849	14,618	14,070	14,846	14,527
FUNDED BY:					
New Homes Bonus	(973)	(1,744)	(681)	(390)	(117)
Revenue Support Grant/Tariff adj.	(1,007)	(1,007)	(346)	0	490
Transition Grant	0	(92)	(92)	0	0
Business Rates Retention	(4,003)	(4,000)	(3,916)	(3,643)	(3,643)
Business Rates Retention - Collection Fund Surplus	(300)	(300)	(251)	0	0
Parish Precepts	(320)	(320)	(398)	(398)	(398)
Council Tax	(7,255)	(7,255)	(7,353)	(7,413)	(7,473)
Council Tax - Collection fund balances	9	(145)	(145)	0	0
TOTAL FUNDING	(13,849)	(14,863)	(13,182)	(11,844)	(11,141)
Forecast Budget (Surplus)/Deficit	0	(245)	888	3,002	3,386
2017/18 Approved Alternative MTFs in 2017/18			(1,020)	(1,495)	(1,295)
2017/18 Approved MTFs in 2018/19 – Garden Waste Charges (incl. One-off and ongoing costs)			(338)	(540)	(750)
Investment in the Corporate Improvement Plan			250	250	250
Investment in the South Ribble Community Initiative			120	200	266
Investment in PCSOs			100	100	100
Cont'n from General Reserve Balances			-	(325)	-
Forecast Budget (Surplus)/Deficit	0	(245)	0	1,192	1,957
2017/18 Alternative MTFs Forecasted Delivery Profile to 2019				(1,192)	(1,957)