

Committee: Cabinet

Date: 15 February 2016

Agenda item:

Wards: All

Subject: Business Plan 2016-20

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance

Key Decision Reference Number: This report is written and any decisions taken are within the Budget and Policy Framework Procedure Rules as laid out in Part 4-C of the Constitution.

Contact officer: Paul Dale

Urgent report:

Reason for urgency: The chairman has approved the submission of this report as a matter of urgency as it provides the latest available information on the Business Plan and Budget 2016/17 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2016-2020. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 2 March 2016 and set a Council Tax as appropriate for 2016/17.

Recommendations:

1. That Cabinet considers and agrees the response to the Overview and Scrutiny Commission;
2. That the Cabinet resolves that, having considered all of the information in this report and noted the positive assurance statement given by the Director of Corporate Services based on the proposed strategy, the Council Tax in 2016/17, equating to a Band D Council Tax of £1,102.25 be approved and recommended to Council for approval. This represents a Council Tax freeze.
3. That the Cabinet considers all of the latest information and the comments from the scrutiny process, and makes recommendations to Council as appropriate
4. That Cabinet resolves that the Business Plan 2016-20 including the General Fund Budget and Council Tax Strategy for 2016/17, and the Medium Term Financial Strategy (MTFS) for 2016-2020 as submitted, along with the Equality Assessments (EAs), be approved and

recommended to Council for approval subject to any proposed amendments agreed at this meeting;

5. That the Cabinet resolves that, having considered all of the latest information and the comments from the scrutiny process, the Capital Investment Programme (as detailed in Annex 1 to the Capital Strategy); the Treasury Management Strategy (Section 5), including the detailed recommendations in that Section, incorporating the Prudential Indicators and the Capital Strategy (Section 4) as submitted and reported upon be approved and recommended to Council for approval, subject to any proposed amendments agreed at this meeting;
 6. That Cabinet notes that the GLA precept will not be agreed by the London Assembly until the 22 February 2016, but the provisional figure has been incorporated into the draft MTFS
 7. That Cabinet request officers to review the savings proposals agreed and where possible bring them forward to the earliest possible implementation date
 8. That Cabinet note that there may be minor amendments to figures in this report as a result of new information being received after the deadline for dispatch and that this will be amended for the report to Council in March
 9. That Cabinet consider and approve the Risk Management Strategy
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1. Purpose of report and Executive Summary

- 1.1 This report summarises the work that has been undertaken since April 2015 towards formulating the Business Plan 2016-20 including the Budget for 2016/17, Medium Term Financial Strategy 2016-20 and Capital Strategy 2016-20. It describes the steps taken to ensure that business planning is integrated with financial planning. It sets out details of how the budget has been structured to ensure that a balanced budget is set for 2016/17 and progress towards a balanced budget over the medium term. A separate section is provided for Schools budgets.
- 1.2 The report sets out the draft Capital Programme 2016-2020. It details the work that has been undertaken to produce a programme that is aligned with business planning requirements and also integrated with the revenue budget.
- 1.3 The Medium Term Financial Strategy (MTFS) is updated to reflect the Council's anticipated financial outlook over the period 2016-2020.
- 1.4 The Cabinet is being invited to consider the various responses from scrutiny bodies to the draft budget proposals as set out in a separate report on the agenda for this meeting. The Overview and Scrutiny Commission and panels considered the budget savings proposals agreed by Cabinet on 7 December 2015 and the Overview and Scrutiny

Commission also considered the additional information provided in the report to Cabinet on 18 January 2016.

2. **Introduction**

- 2.1 At this Cabinet meeting, Members are presented with reports that provide a comprehensive presentation of all issues relevant to the formulation of the Council's Business Plan for the period 2016-2020.
- 2.2 The report includes details about the General Fund revenue budget and explains how this information has been used to produce a draft budget and Council Tax levy.
- 2.3 The Council's Business Plan 2016-20 consists of a number of key elements and the report is structured into five sections for ease of reference :-
- Section 1: Business Plan 2016-20 including the Medium Term Financial Strategy, the overarching financial strategy, which brings together individual elements of the budget and reviews the strategic aims and key issues and assumptions.
 - Section 2: The General Fund Revenue Budget and Council Tax strategy;
 - Section 3: Schools budgets – funded by Dedicated Schools Grant (DSG)
 - Section 4: The Capital Programme and the Capital Strategy;
 - Section 5: The Treasury Management Strategy

2.4 The Scrutiny Function

- 2.4.1 The Overview and Scrutiny Commission and Panels considered the draft capital programme 2016-20 during the November 2015 cycle of meetings and feedback from this scrutiny process was considered by Cabinet on 7 December 2015. Cabinet considered revenue savings proposals at its meeting on 7 December 2015 and referred them, along with draft EAs, the capital programme and service plans as part of a pack of measures, to the Overview and Scrutiny Panels and Commission for consideration during the January 2016 cycle of meetings.

During the January 2016 cycle of meetings the available details relating to the MTFs, revenue and capital budgets and the Business Plan have been considered by the Scrutiny Panels on the following dates:-

Sustainable Communities Overview & Scrutiny Panel	7 January 2016
Children and Young People Overview & Scrutiny Panel	13 January 2016
Healthier Communities & Older People Overview & Scrutiny Panel	12 January 2016
Overview and Scrutiny Commission	28 January 2016

2.5 Feedback from Scrutiny Process

A summary of findings and recommendations from the Overview and Scrutiny Commission is provided in a comprehensive report on the scrutiny of the Business Plan 2015-19 as a separate report on the agenda for this meeting.

2.6 This report incorporates the outcome of the final Local Government Finance Settlement. Appendix 1 provides the Council Tax resolutions.

2.7 The meeting of the Council, to set the Council Tax and General Fund budget (revenue and capital) for 2016/17, and agree the Business Plan 2016-20 including the MTFs, will be on 2 March 2016.

2.8 Delivery of the Business Plan, including the budget and service plans, will be monitored throughout the year in line with the corporate Performance Management Framework.

3. **Business Planning**

3.1 Further information about the Business Plan 2016-20 is included in Section 1 of this report.

3.2 The financial impact of the Business Plan is reflected in the budget proposals in this report.

4. **Financial, resource and property implications**

4.1 All relevant implications are included in the report with further details in the appendices.

5. **Legal and statutory implications**

5.1 The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the setting of the overall budget and council tax. The amount of council tax must be sufficient to meet the council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

- 5.2 The Localism Act 2011 amended the legislation regarding the calculation of council tax. It also provides for a council tax referendum to be held if an authority increases its relevant basis amount of council tax in excess of principles determined by the Secretary of State. The Secretary of State has ruled that most principal authorities, which includes Merton council, proposing increases which exceed 2% or more will need to hold a referendum. Within the provisional Local Government Finance Settlement there was also confirmation of the Spending Review 2015 announcement that for the rest of the current Parliament, local authorities responsible for adult social care “will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care.”
- 5.3 In considering the budget for 2016/17, members must consider the on-going duties under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; and advance equality of opportunity between people who share a protected characteristic and those who do not; and foster good relations between those who share a protected characteristic and those who do not. Members must consider how the decisions will contribute to meeting these duties in light of other relevant circumstances such as economic and practical considerations.
- 5.4 The Council's processes for the development and adoption of the budget are set out in the Budget and Policy Framework Procedure Rules contained in Part 4C of the Constitution.

6. Human Rights, Equalities and Community Cohesion Implications

- 6.1 In identifying spending reductions, services where at all feasible, have sought to minimise the impact of the reductions on traditionally disadvantaged groups. The proposed budget reflects the Council's spending priorities for the year and the Council's core commitment to equal opportunities in employment and service delivery. The Council has a corporate policy of endeavouring to redeploy staff affected by reorganisation and other staffing changes. Every effort is therefore made to redeploy any staff affected by spending reductions.
- 6.2 A number of meetings with Staff Side have taken place and they have been advised of the Council's savings proposals and consultation is ongoing and they will be further involved in any proposals affecting staff when they are to be implemented.
- 6.3 It is anticipated that the Budget will be set at a level which enables the Council to continue to be Human Rights compliant.
- 6.4 Equality and community issues are also addressed in savings proposals. Equalities assessments of savings proposals have been provided and these were discussed at Scrutiny meetings.

7. Risk Management and Health and Safety Implications

- 7.1 Each saving proposal has been assessed in terms of service impact and reputational impact and these have been included in reports to the Scrutiny Panels.
- 7.2 In setting the budget the level of risk has been an important factor in setting the assumptions on which the overall budget is based. The level of reserves and balances, as well as the level of contingencies available have been taken into account as well as an assessment of pressures identified as part of current year monitoring. Account has also been taken, as far as possible, of the likely impact of expected legislative and technical changes.
- 7.3 Risk management and health and safety implications were considered as part of the Capital Strategy.

8. Consultation undertaken or proposed

- 8.1 Regular reports have been made on progress on the Business Plan to Cabinet on 14 September 2015, 19 October 2015, 9 November 2015, 7 December 2015, and 18 January 2016.
- 8.2 In addition, Scrutiny Panels and the Overview and Scrutiny Commission have had two rounds of scrutiny on the proposed budget and Business Plan;
- 8.3 There have been further detailed consultations held by Community and Housing and Children, Schools and Families in relation to some of their proposals.
- 8.4 In accordance with statute, consultation is taking place with business ratepayers and a meeting was held on 10 February 2016. A verbal update will be provided at the Cabinet meeting.
- 8.5 Further, regarding the capital programme, meetings of the Capital Programme Board were held, consisting of key officers from each department.

9. **Appendices – the following documents are to be published with this report and form part of the report**

SECTION 1: BUSINESS PLAN 2016-20

SECTION 2: GENERAL FUND BUDGET AND COUNCIL TAX STRATEGY

Appendix 1:	Draft Resolutions to Council
Appendix 2:	Local Government Finance Settlement 2016-2017
Appendix 3:	Collection Fund, Council Tax Base, NNDR1 and Funding Methodology
Appendix 4:	Other Corporate items in the MTFS
Appendix 5:	Analysis of the transition from Council in March 2015 to a balanced budget
Appendix 6:	Statement of Council Tax requirements and balances
Appendix 7:	Revised MTFS incorporating changes
Appendix 8:	Reserves
Appendix 9:	Budget summaries – These replace the version included in the pack issued to Members in December 2015
Appendix 9a:	Standard Subjective Analysis
Appendix 10:	Risk Analysis for the General Fund
Appendix 11:	Equalities Assessments– Where there have been changes to the version included in the pack issued to Members in December 2015

SECTION 3: Schools budget

No appendices

SECTION 4: Capital budget

Appendix 14: Draft Capital Strategy 2016-20
(includes Annexes 1-5)

SECTION 5: Treasury Management Strategy

Appendix 14: including Prudential Indicators

Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report

Reports to Cabinet
Budget files in Corporate Services department

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