



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 20 July 2016**.

The decisions will come into force and may be implemented from Monday 1 August 2016 unless the Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Medium Term Financial Plan (7), Council Plan, Service Plans 2017/18-2019/20 and Review of the Local Council Tax Reduction Scheme 2016/17 [Key Decision CORP/R/16/02]

Summary

The Cabinet considered a joint report of the Interim Corporate Director Resources and the Assistant Chief Executive which provided an update on the development of the 2017/18 budget, the Medium Term Financial Plan (MTFP(7)) and Council Plan/Service Plans 2017/18 to 2019/20 and a review of the Local Council Tax Reduction Scheme.

The Chancellor of the Exchequer's 16 March Budget reported a further deterioration in the public finances. At this stage however the government have stated that this deterioration in the public finances will not result in a change to the four year settlement provided to local authorities in February 2016.

Access to the four year settlement is contingent on the council publishing an 'Efficiency Plan'. There was no prescriptive guidance on what constituted an acceptable plan and the Council's Medium Term Financial Plan approved by Council on 24 February 2016 is deemed to satisfy the requirement.

The national finances however continue to face significant uncertainty. The performance of the economy is not meeting government expectations, which is likely to result in the deficit reductions being missed again. There is also the significant uncertainty in relation to the result of the European Referendum which could also impact upon the economy, with the Chancellor of the Exchequer warning of the need to review government spending plans should there be a "Brexit", which could impact adversely on the public sector.

The full impact of the Referendum result is not yet clear in terms of the future funding outlook for Local Government and for the Council.

Immediately after the result the Bank of England announced plans for further quantitative easing and many commentators are now predicting a further cut in base rates to help stave off inflationary pressures in the coming months. On 1 July, 2016 the Chancellor of the Exchequer announced that the Government was abandoning its plans to return the public finances to a surplus position by 2020. This target was one of the prime drivers of the austerity programme and has been set aside at this stage in response to the “economic shock” being caused by the result of the referendum.

At this stage the Council is planning on the basis of the four year settlement previously provided by government but recognises that additional funding reductions from government could still be forthcoming. The Council may need to review the MTFP projections and its savings requirements over the coming months in light of the impact of the Referendum result.

In line with announcements in the February 2016 final local government finance settlement the government has started the process of moving towards 100% Business Rate Retention. The planning process includes a fundamental review of the method for funding local government. Although government has confirmed that 100% Business Rate Retention will not be introduced until at least 2019 the planning process will need to be extensive. At this stage it is assumed that the introduction of 100% Business Rate Retention will be cost neutral, however, over time this assumption may need to be amended.

Although the four year settlement from government is unchanged to that reported to Council in February 2016, in line with previous practice the MTFP Model has been reviewed. Savings of £64.1million will be required to balance the budget over the 2017/18 to 2019/20 period.

The achievement of an additional £64.1million of savings over the next three years will be extremely challenging and will have an increased impact on front line services. The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions. This is becoming much more difficult however, as the scope for further savings in managerial and back office efficiencies are becoming exhausted following the delivery of £181.5million of savings by 31 March 2017.

This report contained the details of proposed savings options for 2017/18 which will be consulted on as part of the development of MTFP(7). Including the proposed savings options being considered at this stage in the budget planning process will give an opportunity for early consultation and dialogue on savings which will inevitably impact upon front line services. This early consultation and feedback from the public, service users and stakeholders will inform final decisions on MTFP(7) in February 2017 and allow the council to put processes in place to make the savings in a timely manner.

The total savings options for 2017/18 included in the report total £29.1million. Based upon the current savings requirement for 2017/18 this leaves a shortfall of £8.2million in 2017/18 at this stage.

This would require the council to utilise £8.2million of the Budget Support (BSR) Reserve, which presently stands at £28.4million following the use of £1.622million in 2016/17, to bring the budget into balance. Alternatively, the Council could opt to make further savings to bring the budget into balance. These options will be kept under review in the coming months as the budget decision making process develops and in light of feedback from the consultation process. The balance on the Budget Support Reserve would be £20.178million at 31 March 2018.

The Council along with Northumberland are the only two local authorities in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14. The policy has protected vulnerable residents at a time when welfare reform changes have had a significant adverse impact. This report recommended that the Council agree to retain the current LCTRS for a further year into 2017/18.

Decision

The Cabinet

- (i) Agreed to commence a consultation process on the savings options detailed in Appendix 3 of the report.
- (ii) Noted the forecast utilisation of £8.177million Budget Support Reserve 2017/18 to balance the budget.
- (iii) Noted the requirement to identify additional savings of £32.251million for 2018/19 and 2019/20.
- (iv) Agreed the approach to preparing the Council Plan and Service Plan.
- (v) Agreed the high level MTFP(7) and Council Plan timetable.
- (vi) Agreed the approach outlined for consultation.
- (vii) Noted the forecast workforce impact resulting from the need to realise additional savings of £64.1million over the 2017/18 to 2019/20 period.
- (viii) Agreed the proposals to build equalities considerations into decision making.
- (ix) Agreed that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2017/18.

Colette Longbottom
Head of Legal and Democratic Services
22 July 2016