

Public Document Pack

Date of meeting Thursday, 5th October, 2017
Time 7.00 pm
Venue Committee Room 1, Civic Offices, Merrial Street,
Newcastle-under-Lyme, Staffordshire, ST5 2AG
Contact Jayne Briscoe 2250



Civic Offices
Merrial Street
Newcastle-under-Lyme
Staffordshire
ST5 2AG

Finance, Resources and Partnerships Scrutiny Committee

AGENDA

PART 1– OPEN AGENDA

- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)
To consider the minutes of the previous meeting(s)
- 4 MEDIUM TERM FINANCIAL STRATEGY** (Pages 7 - 14)
- 5 WORK PLAN** (Pages 15 - 16)
To discuss and update the work plans to reflect current scrutiny topics
- 6 PUBLIC QUESTION TIME**
Any member of the public wishing to submit a question must serve two clear days' notice, in writing, of any such question to the Borough Council.
- 7 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B (4) of the Local Government Act 1972.
- 8 DATE OF NEXT MEETING**
- 9 DISCLOSURE OF EXEMPT INFORMATION**

To resolve that the public be excluded from the meeting during consideration of the attached report, because it is likely that there will be disclosure of exempt information as defined in paragraphs 1, 2 and 7 in Part 1 of Schedule 12A of the Local Government Act 1972.

Members: Councillors Fear, Frankish, Pickup, Proctor, Spence (Vice-Chair), Stubbs, S Tagg, Waring, Wilkes, Winfield (Chair) and Wright

'Members of the Council: If you identify any personal training / development requirements from the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Committee Clerk at the close of the meeting'

FIELD_TITLE

Classification: NULBC **UNCLASSIFIED**

Finance, Resources and Partnerships Scrutiny Committee - 14/06/17

FINANCE, RESOURCES AND PARTNERSHIPS SCRUTINY COMMITTEE

Wednesday, 14th June, 2017
Time of Commencement: 7.00 pm

Present:- Councillor Joan Winfield – in the Chair

Councillors Proctor, Spence, S Tagg, Waring and Wright

Officers Jayne Briscoe - Scrutiny Officer, David Elkington - ICT Operations and Development Manager, Sarah Moore - Partnerships Manager and Executive Director (Resources and Support Services) - Kelvin Turner

Also in attendance as a substitute Councillor Burgess and Councillor Holland

1. **APOLOGIES**

Apologies were received from Councillors Frankish and Pickup.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **MINUTES OF PREVIOUS MEETINGS**

Resolved: That the minutes of the meeting held on 25 January 2017 be agreed as a correct record.

4. **PRESENTATION BY THE ICT OPERATIONS AND DEVELOPMENT MANAGER - IT SECURITY**

The Executive Director of Resources and Support Services introduced this item and, continuing, the ICT Operations and Development Manager gave a presentation to members on the topic of ICT Security. The presentation highlighted the threat profile, particularly in the light of the cyber-attack known as “NHS Friday”, the safeguards that were already in place at the Borough Council together with the measures that had been taken to ensure that the Borough IT Systems remained protected and its data secure.

Members were reassured that the IT systems were constantly updated and if parts of the operating system were not essential to operation these were stripped away which helped to minimise vulnerabilities.

A member asked about the timing of the email from the Borough warning of the recent problem affecting the NHS and contrasted this with the earlier time of the message received from the County Council. The ICT Operations and Development Manager explained the reasons for this and he confirmed that the process had been changed to ensure the information was received more quickly.

Members thanked the officer for the comprehensive and accessible presentation.

Agreed: That the presentation be noted.

5. **PRESENTATION BY THE PARTNERSHIPS MANAGER - PARTNERSHIP ARRANGEMENTS WITH THE BOROUGH COUNCIL**

The Partnerships Manager gave a presentation to members on the background to partnership working and the development of partnership arrangements within the Borough.

The essence of the statutory framework to partnership working was to help ensure that the Borough was a better place to live. Within the Borough this had evolved into the entity known as the Newcastle Partnership which was Chaired by the Leader of the Council and included over 40 different organisations from both the public, voluntary and private sectors who worked together to tackle vulnerability and enhance growth.

The Partnerships Manager outlined the key ingredients to a successful partnership and explained the structure of the Partnership which included a Strategic Board and delivery group, an active operational group, a task and finish group to carry out a specific piece of work and a Local Action Partnership (LAP). Collectively The Partnership agreed Priority Area which included tackling anti-social behaviour, domestic abuse, CSE and substance abuse.

Continuing, the Partnership Manager referred to collaborative working with the County Council and the added benefits which the move to the Hub could offer in terms of closer working arrangements.

A member pointed out that the Borough Council was one of many partners and asked for a view on the commitment of the other parties. In response the Partnerships Manager stated that the Police and the County Council were very supportive. Health bodies were perhaps a little more reticent to realise the opportunities and potential benefits.

The Partnership Manager explained how the Borough lottery would operate and members were interested in how good causes were aligned to it.

A member asked a question around the value of the LAP and in response the Partnership Manager indicated that in this respect additional funding would be welcomed. Continuing, **a member considered that, with the passage of time and greater understanding, Parish councils had seen how support for the LAP could deliver benefits to the community.**

Agreed: That the presentation be noted.

6. **WORK PLAN**

The Executive Director of Resources and Support Services introduced this item and explained how consideration of certain the items were linked to the budgetary process contained within the Councils constitution.

Members asked that the following items be included in the work programme of this Scrutiny Committee:-

The report into the election process by the Association of Election Agents which had been initiated by the Chief Executive. (September meeting if possible).

Issues around access to the Contact Centre including the length of time taken for calls to be answered and dealt with as part of the call holding system. Members also asked to examine how complaints were resolved via contact with the web. (November meeting)

The move to Castle House, including the impact on staff and workforce development. (March 2018)

Agreed: That the work programme be amended to reflect the inclusion of the items set out above.

7. **PUBLIC QUESTION TIME**

There were no members of the public present at the meeting.

8. **URGENT BUSINESS**

There was no Urgent Business.

COUNCILLOR JOAN WINFIELD
Chair

Meeting concluded at 8.45 pm

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Report to the Finance Resources and Partnerships Scrutiny Committee

5 October 2017

Medium Term Financial Strategy 2018/19 to 2022/23



Report Author: Kelvin Turner
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Introduction

To provide the Committee with an opportunity to scrutinise the Medium Term Financial Strategy (MTFS). This is due to be considered by the Cabinet at their meeting on 18 October.

Background

The attached Cabinet report provides the relevant background for consideration of this matter. The MTFS document has been updated in respect of the figures and assumptions only.

In line with other council documents e.g. the Council Plan and the Asset Management Strategy the document has not been completely revamped as there is no need due to there not having been any significant changes. For example, there is still no indication from Central Government as to when and how the Business Rates Retention scheme is going to work.

Questions to be Addressed

1. Are members in agreement with the assumptions being made in the calculation of the budget gaps? *Reference – paragraph 2.10 of the covering report together with the “MTFS Summary” document attached*
2. Are members in agreement with the areas being looked at as part of the formulation of the budget strategy to eliminate the shortfalls? *Reference – paragraph 2.11*
3. Are there any specific services or budgets that members feel should be looked at to save money? *Reference – paragraph 2.11*

4. Are members in agreement with the budget timetable for 2017/18? *Reference – paragraph 2.13*

Outcomes

That the Scrutiny Committee recommends to the Cabinet approval of the Medium Term Financial Strategy 2018/19 to 2022/23.

That any comments on the strategy are reported back to the Cabinet.

Supporting Information

The covering report to the Cabinet is attached.

A link to last year's document is provided in paragraph 2.9 of the covering report.

The MTFS Summary is attached.

Relevant Portfolio Holder(s)

Councillor Turner – Portfolio holder for Finance IT and Customer

Local Ward Member (if applicable)

All

MTFS Summary

	2018/19	2019/20	2020/21	2021/22	2022/23	Notes
<u>Changes to Base Budget</u>	£'000	£'000	£'000	£'000	£'000	
Employee Incremental Increases	64	59	41	21	1	As per Salaries Estimates
Pay Awards	123	124	125	126	128	1% increase per year
Superannuation Increases	296	302	392	303	303	Includes lump sum increases in 2018/19 to 2019/20 following the triennial review
National Insurance	17	17	17	17	18	Per incremental increases & pay awards
Premises (e.g. Business Rates)	32	43	44	42	35	Increases as per settlement inflation forecasts
Transport (e.g. Fuel)	14	15	16	16	17	Increases as per settlement inflation and Freight Transport Association forecasts
Other Costs (e.g. Inflation, Uplifts)	0	35	0	0	0	General inflation on energy contracts
One Off Budget Items Removed	126	0	0	0	0	Expenditure taken from/income added to budget
Castle House/Former Civic Offices	(100)	0	0	0	0	Transitional holding costs
New Homes Bonus	518	519	347	237	94	Move from 6 years of funding to 4 years
Government Grants	471	527	62	0	0	Per 4 year settlement (Revenue Support Grant)
Business Rates Baseline Funding	(112)	(128)	(131)	(135)	(140)	Per 4 year settlement (Business Rates Baseline)
New Pressures	200	100	100	100	100	2018/19 includes £100k Summons Income (due to increased collection rates)
Fees & Charges & other Income	(114)	(116)	(119)	(121)	(123)	Increases as per settlement inflation forecasts
TOTAL MTFS SHORTFALLS	1,535	1,497	894	606	433	

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1. **MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2022/23**

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance IT and Customer

Ward(s) affected: All

Purpose of the Report

To provide an update on the financial strategy for the Council over the next five years in the light of the national and local financial situation and taking account of the Council's priorities.

Recommendations

- (a) To approve the update to the Medium Term Financial Strategy for 2018/19 to 2022/23.

Reasons

The Medium Term Financial Strategy underpins the whole financial planning structure of the Authority. It is closely aligned to the Council Plan and focuses on targeting its financial resources in line with its stated aims and objectives.

1. **Background**

- 1.1 The Borough Council is committed to delivering high quality services. Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives.
- 1.2 The Medium Term Financial Strategy will be the main vehicle in assessing the Council's financial position, ensuring efficiency in service delivery and targeting resources to agreed priority areas.
- 1.3 In the 2016/17 provisional local government finance settlement, the government stated that it would offer any Council that wishes to take it up, a four-year funding settlement for Revenue Support Grant up to and including 2019/20.
- 1.4 To take advantage of this offer, the Council submitted an efficiency plan to the Government during October 2016, the cornerstone of which, for the Council, is the Medium Term Financial Strategy setting out what the Council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period.
- 1.5 It follows that the Council's efficiency plan, as part of its Medium Term Financial Strategy, has clear links to the Council Plan and where the authority is involved in key partnerships, it also references ongoing and planned transformation projects and programmes that will enable the Council to reduce its costs or generate additional income locally.

2. **Issues**

- 2.1 Local government in general and district councils in particular continue to face the prospect of operating within a severely challenging financial environment. With further large decreases in general government funding confirmed and anticipated, the Council must review the services that it provides and its approach to value for money.

- 2.2 Central Government support is provided in the form of Revenue Support Grant (RSG) and a Baseline Funding amount related to retained Business Rates. The amounts of funding were notified to the Council in December 2016 for the financial years 2016/17 to 2019/20. This shows considerable reductions each year in Revenue Support Grant received by the Council.
- 2.3 Central Government has been consulting on changes to the local government finance system to pave the way for the implementation of 100 per cent business rates retention. For the purposes of the Medium Term Financial Strategy it has been assumed that the Council will be in a cost neutral position once the new system is implemented. However, there can be no guarantee that this will be the case. There was also no reference to business rates retention in the Queen's speech on 21st June 2017.
- 2.4 Housing is an important source of economic growth. For each new-build home, conversion and long-term empty home which has been brought back into use, the Council currently receives New Homes Bonus Grant which is based on the extra Council Tax revenue generated by these homes. It is therefore both economically and financially important to support housing growth.
- 2.5 Following the outcome of the 2015 Spending Review Central Government consulted local authorities on a variety of options for increasing the focus of the New Homes Bonus on delivery of new homes and freeing up resources to be recycled within the local government settlement to support particular pressures, such as adult social care.
- 2.6 The consultation proposals that have been implemented include reductions in the number of years for which the Bonus is paid from the current 6 years to 4 years from 2017/18 onwards.
- 2.7 The purpose of the comprehensive five year Medium Term Financial Strategy is to predict likely budget totals if services are maintained at current levels, by projecting forward the different elements of the 2017/18 budget, such as employee pay or supplies and services, based on assumptions as to likely changes or specific pressures, such as pay increases or price increases or any agreed changes which will affect service levels.
- 2.8 It also illustrates how the Council Plan is driving the medium term financial plan over the next five years. Whilst standing on its own as a strategy, it is an integral part of the Council's overall planning process comprising service delivery plans and the Council Plan.
- 2.9 The Medium Term Financial Strategy identifies significant budgetary shortfalls over the next five years that will need addressing with robust financial and budget strategies. The amounts for each year are set out below:
- 2018/19 £1.535m
 - 2019/20 £1.497m
 - 2020/21 £0.894m
 - 2021/22 £0.606m
 - 2022/23 £0.433m

The document attached as an Appendix shows how these amounts arise. It is not intended to reproduce the whole of the Medium Term Financial Strategy document this year, but for reference last year's document can be accessed via the following link <https://www.newcastle-staffs.gov.uk/sites/default/files/IMCE/YourCouncil/Accounts/201718%20Medium%20Term%20Financial%20Strategy.pdf>.

- 2.10 There have been a small number of changes made to the Medium Term Financial Strategy since its approval in September 2016, resulting in an increase of £0.311m in the funding "gap" to £1.535m for 2018/19. These are set out in the table below:

Change	Amount (£'000's)
Employee Increments and Pay Awards (permanent employment of previous Recycling contractor employees)	46
Business Rates (finalisation of transitional rate relief scheme)	5
Fees and Charges (change to inflationary increase assumption)	70
Summons Costs (shortfall in income due to increased collection rates of Council Tax)	100
Elections (reinstatement of budget for one off saving in 2017/18)	90
Total	311

- 2.11 The Council Leader and the Portfolio Holder for Finance, IT and Customer are members of the Budget Review Group. The Budget Review Group will continue to oversee all aspects of the budget process, including service review and challenge, longer term planning, development of budget options including proposals for savings and increasing income, agreeing consultation arrangements and consideration of feedback and seeking to deliver service models that drive improvement to front-line services whilst offering value for money.
- 2.12 Further budget options developed by the Budget Review Group will be available for consideration by November/December and the Medium Term Financial Strategy and Efficiency Plan will be amended, where necessary, to take account of them. Cabinet will consider these proposals, in the form of a draft budget for 2018/19 at its meeting on 17 January, to enable this to be submitted to the Finance, Resources and Partnerships Scrutiny Committee on 24 January.
- 2.13 The overall budget timetable is as follows:

Event	Body Affected	Date
Scrutiny of MTFS	Finance Resources and Partnerships Scrutiny Committee	5 October
Consideration of MTFS and feedback from FRAPSC	Cabinet	18 October
Initial budget strategy and savings options	Finance Resources and Partnerships Scrutiny Committee	27 November
Draft budget proposals including options approved	Cabinet	17 January
Scrutiny of draft budget	Finance Resources and Partnerships Scrutiny Committee	24 January
Budget proposals recommended for approval by Full Council	Cabinet	7 February
Full Council to approve budget	Full Council	21 February

- 2.14 This report was considered by the Finance Resources and Partnerships Scrutiny Committee at their meeting on 5 October 2017. **FEEDBACK FROM FRAPS**
3. **Proposals**
- 3.1 That Members approve the update to the Medium Term Financial Strategy for 2018/19 - 2022/23.

4. **Reasons for Preferred Solution**

- 4.1 Without a Medium Term Financial Strategy and Efficiency Plan it would be difficult to demonstrate the alignment of resources with the Council Plan. It is also the main vehicle for assessing the Council's position, ensuring efficiency in service delivery and targeting resources to agreed priorities.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 5.1 The Medium Term Financial Strategy and Efficiency Plan identifies the resources to deliver the corporate priorities of the Authority linked to expected outcomes.

6. **Legal and Statutory Implications**

- 6.1 The Medium Term Financial Strategy and Efficiency Plan is not a statutory document but it is considered best practice.

7. **Equality Impact Assessment**

- 7.1 Differential equality impact issues will be identified against the key strategies, policies and functions of the Council and will be considered in producing future service improvements, which will then be reflected within the Council's budgets.

8. **Financial and Resource Implications**

- 8.1 The Medium Term Financial Strategy identifies future years' shortfalls in financial resources which will need to be addressed as part of the Council's budget strategies, including the Efficiency Plan.

9. **Major Risks**

- 9.1 Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer to report on the robustness of the budget. The main risks to the budget include:

- Spending in excess of the budget
- Income falling short of the budget
- Actuals not being in line with the assumptions made e.g. if the pay award was above 1% and not funded by Central Government. In respect of the Borough Council, a 1% pay rise is equivalent to approximately £150,000 after taking account of national insurance and superannuation
- Unforeseen elements, e.g. changes in interest rates

- 9.2 Such risks require regular and careful monitoring and it is essential that the council has sufficient reserves to call on if required, e.g. the council has a general fund balance of £1.20 million and a minimum balance of £0.100m in the Contingency Reserve. In previous years the Chief Finance Officer has believed that the assurance required under Section 25 can be given and, with careful budget planning, robust monitoring and adequate level of reserves, there should be no reasons to alter that view.

10. **List of Appendices**

Appendix - Medium Term Financial Strategy Update 2018/19 to 2022/23.



FINANCE, RESOURCES AND PARTNERSHIPS SCRUTINY COMMITTEE

Date of Meeting	Item	Reason For Undertaking
14 June 2017 (agenda dispatch 6 June 2017)	Finance, Resources and Partnership Scrutiny Committee Work Plan	To discuss the Work Plan and potential topics that Committee Members would like to scrutinise over the forthcoming year
14 September 2017 (agenda dispatch 6 September 2017) (moved to 5 October)	Draft Medium Term Financial Strategy	To review an update on the Medium Term Financial Strategy for 2018/2019 and the following four years, indicating the projected budgets for these years and the shortfall compared to available resources
	Report on the investigation by the Association of Election Administrators into the 8th June Election Process	To review the report and recommendations
1 November 2017 (agenda dispatch 24 October 2017)	Revenue Budget Savings 2018/19	To review progress on the completion of the revenue and capital budgets for 2018/2019 to enable a robust and affordable budget to be approved
	Scale of Fees and Charges	Review of the fees and charges which the Council makes in order to keep them in line with the cost of service provision and to establish the amounts to be included in the 2018/2019 budget
	Finance, Resource and Partnership Scrutiny Committee Work Plan	To discuss the work plan and potential topics that Committee Members would like to scrutinise over the forthcoming year
	Scrutiny of the time taken to answer calls to the Contact Centre including those transferred to the call holding system	Scrutiny Member request

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Date of Meeting	Item	Reason For Undertaking
1 November 2017 (agenda dispatch 24 October 2017)	Scrutiny of the process of how complaints are investigated following first contact via the Web Site	Scrutiny Member request
24 January 2018 (agenda dispatch 16 January 2018)	Draft Treasury Management Strategy 2018/19	
	Revenue and Capital Budgets 2018/2019	To consider the Revenue and Capital Budget 2018/2019 before it is considered by Council
12 March 2018 (agenda dispatch 2 March 2018)	Review of the move to Castle House - specifically the HR implications and workforce development	Scrutiny Member request
13 June 2018 (agenda dispatch 5 June 2018)		

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