

<b>CABINET</b>	<b>AGENDA ITEM No. 3</b>
<b>4 DECEMBER 2017</b>	<b>PUBLIC REPORT</b>

Report of:	Marion Kelly, Interim Director of Resources	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
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## **MEDIUM TERM FINANCIAL STRATEGY 2018/19 to 2020/21**

<b>RECOMMENDATIONS</b>	
<b>FROM: Cabinet Member for Resources</b>	<b>Deadline date: N/A</b>
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Have regard to the consultation feedback received to date and statutory advice detailed in the report when determining the phase one budget proposals, noting that consultation remains open until 30 November 2017, and an addendum will be provided prior to the Cabinet meeting.</li> <li>2. Note the timetable for the phase two consultation and formal approval of the 2018/19 to 2020/21 Medium Term Financial Strategy as detailed at section 5;</li> <li>3. Note that budget proposals considered by Council on the 13 December 2017 will form part of the Medium Term Financial Strategy but will not form part of the second stage of consultation or Council debate on 5 March 2018.</li> </ol>	

### **1. ORIGIN OF REPORT**

- 1.1 This report comes to Cabinet as part of the council's formal budget process as set out within the constitution and as per legislative requirements to set a balanced and sustainable budget for the 2018/19 to 2020/21 period.

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 The report is presented to Cabinet as part of the council's Budget and Policy Framework, which enables Cabinet to consider the feedback from the consultation undertaken to date with residents, partner organisations, businesses and other interested parties, to recommend approval of the budget proposals to set a balanced and sustainable budget for the financial years 2018/19 to 2020/21.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 which states to take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If yes, date for Cabinet meeting	<b>4 DECEMBER 2017</b>
Date for relevant Council meeting	<b>13 DECEMBER 2017</b>	Date for submission to Government Dept.	<b>N/A</b>

### 4. EXECUTIVE SUMMARY

- 4.1 In total since 2010 the council has made significant savings, however this is still not enough and government continues to cut funding to local government. Therefore the city council will be required to make further savings, which may well impact on a range of services, because by law the council has to set a balanced budget.
- 4.2 Savings currently totalling £35.2million over the next three years are still needed to be made - and this is likely to involve some difficult decisions about the services the council is able to provide to residents.
- 4.3 The council has worked incredibly hard to cope with the cuts made to council funding however the challenges we face continue to increase in terms of population growth, the alarming rate that central government funding (Revenue Support Grant) is falling, high levels of deprivation in parts of the city, the increasing demand on high-cost council services and our relatively low levels of reserves
- 4.4 To address this the council has been reviewing all budgets over the three year period of the MTFs to ensure that all known issues have been taken into account. As part of the process care has been taken to fully assess all one off savings and their applicability as the underlying concern has been to make sure budgets are sustainable over time.
- 4.5 Any reserves being used to support the 2018/19 budget have been added back into the position and over the three year period an additional £10million of pressures have been identified. Rebasings pressures include a number of budgets across the council where after careful analysis initiatives will not be delivered and as such it has been prudent to adjust the base budget accordingly.
- 4.6 Demographic and demand pressures includes £1.7million rising to £5.7million in relation to housing homeless families and £0.6million rising to £2.6million by 2020/21 for adult social care. Although there are no expected demand pressures for Children's Services this area should also be flagged as a potential risk.
- 4.7 Initial savings proposals have been tabled and these amount to £8.3million, £6.5million and £4.5million in the respective three year period, resulting in the overall deficit figure reducing to £35million at the end of the three year period.
- 4.8 Full detail of the proposals are set out in the following Appendices to the 20 November Cabinet report and summarised in **Table 1 and 2**. Some of the key headline proposals included are:
- **Rising numbers of homeless households** - Over the past two years the fastest growing financial pressure on the council has been the dramatic and unprecedented rise in homeless households in the city. Similar increases are being seen across the UK. Peterborough has seen a 200 per cent rise in demand, this has meant that the council is supporting 328 families in temporary accommodation, creating a rising budget pressure of £1.7million in 2018/19.
  - **Rising demand on adult social care services** - This service is facing unprecedented financial pressures resulting from reducing budgets, rising costs of care, increasingly complex needs and an ageing population. Growth in Peterborough's population between 2016 and 2036 will be 12.9 per cent, and is anticipated to be highest among older age groups, with predicted increases of 159 per cent in over 85s, 75.8 per cent in the 75-84 age group and 45.6 per cent in residents 65-

74. Therefore an investment in 2018/19 and future years is proposed to manage increasing costs and demand on these services.

- **The Better Care Fund (BCF)** is, in part, used to offset the reduction in government grants to the local authority, ensuring the council can continue to provide vital services for those who need its care and support. Therefore as BCF is continuing the council can offset funding totalling £1.7million against the council's budget in each of the next two years. This is the same process that took place in 2017/18.
- **Peterborough Highway Services** - Peterborough Highway Services is a ten year partnership with Skanska to provide highway maintenance services. The council is currently in discussions with a number of councils to allow them access to the Peterborough Highway Services contract. This will allow these councils to contract Skanska using the city council's framework which will save them money on procurement costs. For allowing access to the framework there will be a fee due to the city council. Skanska will also pay the city council an annual fee. In addition, further efficiencies have been identified in the Peterborough Highway Services budget generating an annual saving of £0.340million from 2018/19.
- **Corporate Resources budget review** - A review of budgets held by the Resources directorate has identified a number of savings that do not result in changes to council services. This review has also identified previous savings, or income targets, that need to be updated. In total this review has identified a saving of £3.221million for 2018/19.
- **People and Communities budget review** - Ahead of the 2018/19 budget setting process there has been a comprehensive review of directorate budgets. This review has looked at changes in legislation, refreshing demographics and other changes required to services. The review has highlighted an ongoing annual funding pressure of £0.776million across the council's largest directorate - People and Communities - which includes services such as Children's Services, adult social care and education.
- **Agile working** - Previously, in the 2016/17 budget setting process, a £0.5million savings target was set against the roll-out of agile working across the council. However it is now clear that the benefits from agile working are more improvements to staff flexibility, work/life balance and an increased ability for officers to cope with growing workloads as demands on services increase. The council is now proposing to remove this saving which creates an ongoing pressure of £0.5million.
- **Estimated 2017/18 council tax surplus** - There will be growth in council tax income for the current financial year above predictions because of the city's rising population and construction of new homes. This has identified that the council can expect to receive a further £1.005million in 2017/18, which can be rolled forward to protect services during 2018/19.

**Table 1- Budget Summary position**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
2017/18 MTFS Gross Expenditure	443,728	450,948	461,447
2017/18 MTFS Income	(296,449)	(298,044)	(297,548)
<b>2017/18 MTFS Net Budget</b>	<b>147,279</b>	<b>152,904</b>	<b>163,899</b>
<b>Total Funding</b>	<b>(132,492)</b>	<b>(131,658)</b>	<b>(135,046)</b>
<b>2017/18 MTFS Budget Gap</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>
Add back use of Grant Equalisation Reserve	4,250		
<b>Budget Gap without the Use of Reserves</b>	<b>19,037</b>	<b>21,246</b>	<b>28,853</b>

<b>Phase 1</b>			
Rebasing the Budget and Pressures	2,390	2,333	2,218
Demographic and Demand Pressures	2,279	4,112	8,460
Legislative and Other Changes	188	197	205
<b>Revised Budget Gap</b>	<b>23,894</b>	<b>27,888</b>	<b>39,736</b>
Budget Reductions	(8,194)	(6,528)	(4,526)
<b>Revised Deficit after Accounting for Phase One Budget Pressures and Reductions</b>	<b>15,700</b>	<b>21,360</b>	<b>35,210</b>
<b>Incremental Budget Gap</b>	<b>15,700</b>	<b>5,660</b>	<b>13,850</b>

**Table 2- Individual budget pressures and reductions**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
CCTV upgrade project	(29)	(28)	(27)
Commercial Property Rental Income	(150)	(150)	(150)
SEND Funding update	144	144	144
Demand Management in Adults Social Care	604	1,442	2,616
Verge Parking	22	22	22
Rising Number of Homeless Households and Housing Needs	1,735	2,660	5,764
Estimated Council Tax surplus	(1,005)	-	-
METAL	50	50	-
Corporate Resources Budget Review	(3,221)	(2,666)	(2,342)
Coroner Service Budget	70	75	80
Agile Working Pressure	500	500	500
Legal Services Pressure	94	94	94
Pupil Referral Unit Budget Pressure	239	239	239
St George's Hydrotherapy Pool	14	2	2
People and Communities Senior Management Restructure	(180)	(180)	(180)
People and Communities Budget Review	776	776	776
Better Care Fund	(1,933)	(1,933)	(244)
Peterborough Highway Services - contract efficiencies	(340)	(340)	(340)
Peterborough Highway Services - commercial opportunities	(300)	(175)	(175)
Academisation	(149)	(125)	(105)
Mausoleum units sale	(64)	(64)	(64)
Public Health Budget	(208)	(223)	(247)
Environmental Health Food Safety	94	94	94
Planning Services	(100)	(100)	(100)
<b>Grand Total</b>	<b>(3,337)</b>	<b>114</b>	<b>6,357</b>

## 5. CONSULTATION

- 5.1 Cabinet's approach to seek feedback on phase one budget proposals was outlined within the 20 November 2017 Cabinet report.
- 5.2 The Budget Consultation questions were outlined within the Budget Consultation document in **Appendix F to the 20 November Cabinet report**. This formed part of the hard copies available and the online survey.
- 5.3 Final decisions on phase one proposals are to be approved and recommended to Council on 13 December 2017, taking into consideration all of the consultation feedback received by that date
- 5.4 The opportunity to provide feedback on the phase one proposals have been in the public domain since 10 November 2017, confirmed by Cabinet on 20 November 2017 and will run until 30 November. The budget conversation received to date includes 28 responses via the online survey.
- 5.5 Given the timing of the agenda despatch for this meeting, it is not possible to include feedback from all consultation in this report. Further feedback received, will be included as an addendum to this report, and will be publically available prior to Cabinet on 4 December 2017.
- 5.6 The Council will look to repeat the consultation approach with the phase two proposals released on 5 January 2018 and recommended by Cabinet for approval by Council on 7 March 2018. This timeline is outlined in the following table:

	<b>Phase 1</b>	<b>Phase 2</b>
Consultation start date	10 November 2017	05 January 2018
Cabinet	20 November 2017	15 January 2018
Budget Joint Scrutiny Committee	29 November 2017	08 February 2018
Cabinet	04 December 2017	26 February 2018
Consultation close date	30 November 2017	22 February 2018
Council	13 December 2017	07 March 2018

### **Stakeholder groups**

- 5.7 The following stakeholder groups have been contacted to gather feedback on the budget, to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and council priorities:
- Joint Budget Scrutiny Committee
  - Discussion with the trade unions
  - Discussion with the business community
  - Borderline Peterborough Local Commissioning Group
  - Peterborough Housing Partnership
  - Disability Forum
  - Connect Group
  - Schools Forum
  - Parish Councils
  - Peterborough Community Assistance Scheme
  - Youth Council
  - Interfaith Council
  - Muslim Council of Peterborough
  - Older Peoples Partnership board
  - Carers Board
  - Churches Together

- Cambridgeshire Police and Crime Commissioner
- Cambridgeshire Fire and Rescue Service
- The Hospital and the CCG's

## **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 Following the release of the first phase of budget proposals to address the financial gap, and outlining Peterborough's challenges and successes, Cabinet is to consider the results of the consultation feedback received to date, to approve and recommend to Council prior to the formal budget approval process the phase one budget proposals. The approval of phase one budget proposals will enable the Council to implement savings at the earliest opportunity, either under Director Delegation, Cabinet Member Decision Notice or a further report to Cabinet.
- 6.2 The Council must set a balanced budget for 2018/19 within the financial resources it will have next year and the feedback received will help inform Cabinet in considering budget proposals within the second phase.
- 6.3 These budget proposals will be included as an addendum to the Medium Term Financial Strategy 2018/19 to 2020/21, noted as arrived by Council on 13 December 2017, but will not be debated again by Council on 7 March 2018

## **7. REASON FOR THE RECOMMENDATION**

- 7.1 The Council must set a lawful and balanced budget. The approach outlined in this report work towards this requirement.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 No alternative option has been considered as the Cabinet is responsible under the Constitution for initiating Budget Proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11 March annually.

## **9. IMPLICATIONS**

### **Elected Members**

- 9.1 Members must have regard to the advice of the Chief Finance (Section 151) Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.
- 9.2 Section 106 of the Local Government Finance Act 1992 applies whereby it is an offence for any Members with arrears of council tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned declare at the outset of the meeting they are in arrears and will not be voting on the decision for that reason.

### **Legal Implications**

- 9.3 In terms of the Council's executive arrangements, the adoption of the Council's Budget is a role shared between the Cabinet and the Council, whereby the Cabinet (Leader) is responsible for formulating the budget proposals and full Council is responsible for then approving (or not) those proposals and setting the budget and council tax requirement.
- 9.4 For the remainder of the year, the principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot through the budget overrule an executive decision as to how

to spend money, but the Budget will require the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authorities budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside the Budget is required to have approval of the Council before the Leader and the Cabinet can make that decision.

- 9.5 When it comes to making its decision on 7 March 2018, the Council is under a legal duty to meet the full requirements of Section 31A of the Local Government Finance Act 1992 which includes the obligation to produce a balanced budget.
- 9.6 The principle of fairness applies to consultation on the budget proposals, both consultation required under s65 of the Local Government Finance Act 1992 and more generally as proposed here, which operates as a set of rules of law. These rules are that:
- Consultation must be at a time when proposals are still at a formative stage;
  - The proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
  - Adequate time must be given for consideration and response; and
  - The product of consultation must be conscientiously taken into account in finalising any statutory proposals.
- 9.7 Added to which are two further principles that allow for variation in the form of consultation which are:
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and
  - The demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare application for a future benefit.

### **Equalities Impact Assessments**

- 9.8 All budget proposals published in the first phase of the budget process have been considered with regards to equalities issues and where appropriate equality impact assessments have been completed and available on the council's website.

## **10 BACKGROUND DOCUMENTS**

- 10.1 The following links to the items which went to cabinet on 20 November 2017:

Medium Term Financial Strategy 2018-19 to 2020-21

<http://democracy.peterborough.gov.uk/documents/s32847/7.%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix A – Phase 1 Budget Pressures

<http://democracy.peterborough.gov.uk/documents/s32839/7.%20Appendix%20A%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix B – Phase 1 Savings Proposals

<http://democracy.peterborough.gov.uk/documents/s32840/7.%20Appendix%20B%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix C – 2018/19 MTFs detailed position

<http://democracy.peterborough.gov.uk/documents/s32841/7.%20Appendix%20C%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix D – 2018/19 MTFS by department and service

<http://democracy.peterborough.gov.uk/documents/s32842/7.%20Appendix%20D%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix E – Capital Programme Schemes

<http://democracy.peterborough.gov.uk/documents/s32843/7.%20Appendix%20E%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

Appendix F – Budget Consultation Document

<http://democracy.peterborough.gov.uk/documents/s32844/7.%20Appendix%20F%20-%20Medium%20Term%20Financial%20Strategy%202018-19%20to%202020-21%20Consultation.pdf>

## **11 APPENDICES**

- 11.1 Medium Term Financial Strategy 2018-19 to 2020-21- 20 November Cabinet Report
  - Appendix A – Phase 1 Budget Pressures
  - Appendix B – Phase 1 Savings Proposals
  - Appendix C – 2018/19 MTFS detailed position
  - Appendix D – 2018/19 MTFS by department and service
  - Appendix E – Capital Programme Schemes
  - Appendix F – Budget Consultation Document
  - Appendix H – Consultation feedback