

JOINT MEETING OF THE SCRUTINY COMMITTEES	AGENDA ITEM No. 4
22 JANUARY 2024	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and S151 Officer
Cabinet Member(s) responsible:	Councillor John Howard, Deputy Leader and Cabinet Member for Corporate Governance and Finance
Contact Officer(s):	Emma Riding, Service Director Financial Management & Deputy s151 Officer Jill Evans, Service Director Corporate Finance & Deputy S151 Officer

DRAFT BUDGET 2024/25 AND MEDIUM TERM FINANCIAL STRATEGY 2024-2027

RECOMMENDATIONS	
FROM: Cabinet Member for Finance and Corporate Governance	Deadline date: 12 January 2024
<p>It is recommended that the Joint Meeting of Scrutiny Committees reviews and considers:</p> <ol style="list-style-type: none"> 1. The draft Medium Term Financial Strategy 2024/27 outlined in Appendix A - MTFS 2024-27 which includes the key financial assumptions, strategic direction and estimated budget gaps in future years. 2. The proposed draft Budget for 2024/25, outlined in Appendix B - Budget Report 2024-25 which includes: <ol style="list-style-type: none"> a. Funding and Council Tax Summary, which includes a proposed Council Tax increase of 4.99% in 2024/25, 2025/26 and 2026/27. b. Detailed Revenue budgets and proposal detail c. The Draft Capital Budget (Programme) d. Section 25 robustness statement 3. The feedback from the budget consultation summarised in section 4 of this report and outlined in Appendix C- Budget Consultation Feedback 4. The Reserves commitments outlined in section 2 of the draft budget report and the draft Reserves Strategy and Policy outlined in Appendix D- Reserves Strategy & Policy which sets the future direction of travel and planned use of reserves. 5. The draft Treasury Management Strategy outlined in Appendix E - Treasury Management Strategy, which has the fundamental roles of managing external investments, Ensure debt is prudent and economic, outlining the Prudential Indicators and ensuring that decisions comply with regulation 6. The draft Capital and Investment Strategy outlined in Appendix F - Capital and Investment Strategy 2024-27 which manages its assets and investment resources to help achieve the strategic priorities of the Council. 7. The outline Asset Management Plan (AMP) as set out in Appendix G - Asset Management Plan, which sets out principles for managing the Council's assets in the most efficient and effective manner and the direction of travel for future years while a more detailed and refreshed AMP is developed. 8. Appendix H - Sales, Fees, & Charges Policy and Appendix I- Sales Fees and Charges Schedules 	

1.0 ORIGIN OF REPORT

1.1 This report comes to the Meeting of Joint Scrutiny Committees as part of the Council's process for developing a Medium Term Financial Strategy (MTFS) and budget setting process.

2.0 PURPOSE AND REASON FOR REPORT

2.1 Purpose

This report comes to the Joint Meeting of Scrutiny Committees as part of the Council's formal budget setting process. Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 12 February for consideration.

The presentation of the Budget for 2024/25 and MTFS to the Joint Meeting of the Scrutiny Committees is set out in the Council's constitution under the Budget Policy Framework section 2.6 "As part of the consultation process, the Cabinet shall formally consult on the budget proposals with all scrutiny committees at a joint meeting on these proposals".

2.2 Background

The Budget for 2024/25, Medium Term Financial Strategy 2024/25-2026/27 and its associated strategies, forms a key part of the Council's Performance and Improvement Framework. The Budget Report (Appendix B) sets out the Revenue and Capital Budgets for 2024/25, and the MTFS (Appendix A) aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years. Preparation of an MTFS is good financial practice. It's an important part of understanding the Council's financial challenges and risks, its financial resilience, and sets out the strategy to deliver long term financial sustainability and viability. The key objectives of the MTFS are:

- To ensure that effective financial planning and management contributes to the Council achieving the corporate priorities
- To ensure that the Council is financially resilient, stable and sustainable for the future
- To maximise the income from Council Tax, Business Rates, and Fees and Charges to support the priorities of the Council
- To continue to improve value for money – managing our people and money more efficiently and effectively to continue to improve value for money, standardise, streamline and share best practice, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services

This approach also follows our Budget Principles which underpin the Council's budget decisions and seek to limit the impact of budget cuts on the city's most vulnerable residents:

- We'll continue to manage budgets carefully, with control on expenditure ensuring the best possible services and strive to obtain value for money for the taxpayer.
- We'll be responsible and strive to become a financially sustainable Council by developing a robust rolling three-year Medium Term Financial Strategy
- We'll produce a Medium Term Financial Strategy which supports our net zero carbon objectives and helps us create a Council which is environmentally as well as financially sustainable
- We'll set a direction of travel to improve the Council's financial health and resilience by increasing reserves balances and reducing our borrowing where appropriate. This will be outlined within our annual Reserves Policy and Capital Strategy

2.3

Executive Summary

This report outlines the latest forecast position over the life of the Medium-Term Financial Strategy (MTFS) based on a set of financial assumptions which have been updated to provide an accurate reflection of the financial challenge facing the council. The revised position outlines a **balanced position in 2024/25**, a significant improvement on the **£6.2m** financial challenge reported in the Quarter 2 update in November. Given the economic climate, the scale of the challenge has been no surprise, and officers have been planning for it and developing strategies as early as possible.

The updated MTFS position, taking account of the latest funding updates and the strategic direction of the Council, is summarised in Table 1 below, outlining a breakdown of how the gap changes each financial year.

Table 1: Budget Gap	2023/24	2024/25	2025/26	2026/27
Funding	(202,634)	(218,579)	(228,711)	(238,921)
Net Revenue Expenditure (NRE)	202,634	218,579	231,976	245,855
Budget Gap	-	-	3,265	6,934
Aggregated Budget Gap breakdown	2023/24	2024/25	2025/26	2026/27
2024/25	-	-	-	-
2025/26	-	-	3,265	3,265
2026/27	-	-	-	3,669
MTFS Q3 – Jan 24		-	3,265	6,934
MTFS Q2 - Nov 23	-	6,177	8,627	13,752
MTFS Q1 - Sept 23	-	5,101	6,100	10,508

Appendix A outlines the full MTFS update which includes details on the following:

- Revised expenditure and funding assumptions
- Strategic Direction and Key Transformation Programmes for 2024/25- 2026/27
- National Context and Risks

Three officer-led Portfolio Boards have been established to deliver transformation on key works streams enabling the Council to meet its aims outlined in Our City Priorities. These Portfolio Boards are:

- Economy & inclusive Growth; to grow the economy attracting well paid jobs, enable more affordable homes, ensure Peterborough is attractive with a healthy environment.
- Prevention, Independence and Resilience; to better understand our community and links, and to focus on young people and those with social care needs.
- Creating a sustainable future city council, which enables the governance to ensure the council's priorities are met and a sustainable budget is delivered.

Further details of the programmes being progressed by these boards are included within section 6 of Appendix A.

2.4

Final Budget Report – Expected Updates

This report outlines a draft budget to enable Joint Scrutiny to have early sight of the proposals, which will be finalised in advance of Cabinet on 12 February 2024, to reflect the most up to date estimates, or the actions agreed at this meeting. At this time the known expected updates include:

- Any changes as a result of the publication of the Final Local Government Finance Settlement (expected February).
- The final NNDR forecast, following completion of the NNDR1 form.
- Final Public Health Grant allocations for 2024/25
- Council Tax Resolution including confirmation of the parish precepts.

- Drainage and flood levies
- Cambridgeshire and Peterborough Combined Authority (CPCA) Levy - to be set at the CPCA board on 31 January 2024.
- Dedicated Schools Grant and the Schools Budget 2024-25
- Budget Virement Policy
- Equality Impact Assessments
- Carbon Impact Assessments

2.5 Dedicated Schools Grant and the Schools Budget 2024-25

The Local Authority retains a statutory duty to annually set the schools budget for all schools in Peterborough (Maintained and Academy schools). The majority of the funding for Education comes through the Dedicated Schools Grant (DSG) which totals £303m for 2024/25.

Officers have worked with the Schools Forum, who are the representative group of education providers in the City, to develop budget proposals including draft school level budgets. The local funding arrangements operate within the context of national requirements and guidelines, but we do have some discretion to appropriately target funding at priorities and pressures within the City. Schools Forum are meeting on the 15 January 2024 to consider these final budget proposals.

The final budget requires formal council approval, and as such this will be included within the final budget report to Council on 21 February 2024.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	12 February 2024
Date for relevant Council meeting	21 February 2024	Date for submission to Government Dept.	N/A

The following timetable outlines the key meeting dates in relation to the MTFS and the Budget for 2024/25:

Timescales	Update
10 July 2023 - Cabinet	MTFS Quarter 1 Update ✓
13 November 2023 - Cabinet	MTFS Quarter 2 Update ✓
4 December 2023 - Cabinet	Budget Consultation Launch ✓
22 January 2024 - Joint Scrutiny	Draft Budget 2024/25 and MTFS 2024/2027 Report (this report)
12 February 2024 - Cabinet 21 February 2024 - Council	Final Budget and MTFS 2024/25 including the associated strategies <ul style="list-style-type: none"> • MTFS 2024/2027 • Budget 2024/25, including: <ul style="list-style-type: none"> ○ Council Tax resolution ○ Revenue Budget ○ Capital Budget ○ Section 25 (robustness) Statement • Reserves Strategy • Treasury Management • Capital Strategy • Asset Management Plan

In addition to the timetable above, all budget proposals including savings, investment and revised financial assumptions and consultation feedback are considered within the following groups:

- **Budget- Corporate Leadership Team (CLT)**- made up of the council's corporate directors and finance officers as support.
- **Cabinet Policy Forum (CPF)**- informal meeting of Cabinet.
- **Financial Sustainability Working Group (FSWG)**- Cross-party working group focussed on supporting the delivery of financial sustainability for the council. During the year this group has convened on a monthly basis to consider the Council's financial position and develop proposals to support the Council's budget position.
- **Independent Improvement and Assurance Panel (IIAP)**- who are experts in specific fields of local government to challenge, scrutinise and advise on our budget proposals to ensure they are robust and provide best value.

CORPORATE PRIORITIES

The Budget and MTF5 forms a key part of the Council's Performance and Improvement Framework, and aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years from 2024/25 to 2026/27.

This therefore supports all the council's priorities, but forms a key element of the council's budget setting process, therefore it is strongly geared towards enabling the council to deliver on the following priority:

- Supported by a Sustainable Future City Council - adjust how we work, serve and enable, informed by strong data and insight capability and led by a culture of strong leadership.

4.0 CONSULTATION

4.1 Budget Consultation

On 4 December Cabinet launched a budget consultation to seek the views of residents, businesses, stakeholders and service users. The Consultation took place via the following methods:

- Web-based form on the council website, which included ten multiple choice and free text questions to gather the thoughts and views of readers.
- Social media was used to reach out to as many people as possible, directing them to the details and web form.
- Hard copies of the Budget Consultation could be requested.
- Key stakeholders and community groups were contacted with the Budget Consultation details and were offered the opportunity to have a briefing.

The feedback received from the consultation will be considered by and reported to this meeting of Joint Scrutiny Committee on 22 January 2024, and Cabinet on 12 February 2024, before formally proposing a final budget for 2024/25 to Council on 21 February 2024.

Feedback Received

The Council received 132 responses to the online survey, in addition to receiving a separate submission from the Cambridgeshire and Peterborough Integrated Care System. All responses have been included within Appendix C, with the following points summarising the feedback received:

- Overall, 74% of residents agree or strongly agree we should invest in digital and automation
- 66% of residents agree or strongly agree with us protecting services for the city's most vulnerable
- Most residents would rather us generate additional income to balance the budget with most expressing that reducing or changing services would be their least preferred option
- Just over half of the residents that responded would prefer that Council tax was not increased by the

maximum 4.99%

- Most submissions agree that there is a lack of information regarding fostering processes and benefits, with some suggesting better promotion through social media and community groups, advertising and publishing anonymised case studies would help, and emphasising the benefits for the children, foster families and the society. People also suggested that streamlining the application process, increasing the pay and ongoing support would make fostering more attractive. All of the feedback is valuable and will be used to inform the review of the foster service offer which is underway.

Budget Simulator

Additionally, the council launched a Budget Simulator tool on its website for a six-week period from 19 September to 31 October 2023. The simulator was set up in an easy-to-use format, allowing users to gain a greater understanding of what we spend our money on, and how reducing expenditure or investing in services has consequences, or benefits for the council and residents. Users also had the opportunity to provide comments and ideas. During this period the simulator attracted 342 responses, an 83% increase on last year, with the following key points:

- People wanted to broadly protect, with reductions of 2.1 per cent or less, Community safety and neighbourhood services, Education and children's services, Cleansing, waste and recycling, Transport and roads.
- Large reductions of 7.5% or more were proposed in Community engagement and cohesion, Back-office services, Growing the city, City centre and events and Customer services.
- Community activities and growing the city do not appear to be as important to the people that completed the survey. Similarly, customer services and back-office functions are not as important, perhaps as these are not things the residents experience or see the value of in the services they receive as they are not visible.
- Interestingly, people wanted to, on average, increase spend on Public Health but that may have been skewed as there was not an option to reduce it as this funding is ringfenced by Government and cannot be spent on anything else.
- On average people wanted to increase council tax by 2.42 per cent. This was on top of the 4.99 per cent increase that was approved by members at the Full Council meeting in March 2023 and would require a referendum with the public to implement.

The Budget Simulator has previously been highly commended by the council's Independent Improvement and Assurance Panel (IIAP). The following statement is an extract;

“Public engagement has been through the web-based budget simulator tool which has had a significantly higher level of response than normal consultation arrangements. The Council should be commended on this initiative which has highlighted to the community the very real challenge in balancing a complicated budget.”

5.0 ANTICIPATED OUTCOMES OR IMPACT

- 5.1 The release of this draft MTFS 2024/27 and budget 2024/25, outlines the proposed budget and strategic approach to addressing the financial gap in future years.

Cabinet launched a budget consultation which started on 4 December and closed on 7 January 2024. Partner organisations, businesses and other interested parties have been able to feedback what council services matter most. Cabinet will review feedback from the consultation alongside any recommendations from the Joint meeting of Scrutiny Committees at the Cabinet meeting scheduled for 12 February 2024, before making a final recommendation to Council on 21 February 2024.

The Council must set a balanced budget for 2024/25 within the financial resources it will have next year

6.0 REASON FOR THE RECOMMENDATION

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

7 ALTERNATIVE OPTIONS CONSIDERED

7.1 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.

8.0 IMPLICATIONS

Legal Implications

8.5 When it comes to making its decision on 21 February 2024, 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.

8.9 By virtue of section 25, Local Government Act 2003, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (CFO), as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence, that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered, and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings. Where the CFO makes a judgement that the council is unable to set or achieve a balanced budget, or there is an imminent prospect of this they have a responsibility to issue a section 114 notice (s114) of the Local Government Act 1988.

8.10 Human Resources implications

Whilst it is anticipated that there will be some staffing implications as part of this budget, much of the management focus will be looking at transformation of our operating model and aligning business areas to the requirements as set out within the newly adopted Corporate Plan.

As always, it is the aim of the council to try and minimise any compulsory redundancies and the impact on our service delivery. In the first instance there are a number of elements which the council considers first which are looking for redeployment opportunities, deleting vacant posts, restricting recruitment (*considering service delivery*), natural wastage / turnover and reducing or eliminating overtime (*providing service delivery is not compromised*). Where there are staffing implications, the Council will seek voluntary redundancies as appropriate to minimise compulsory redundancies and where this is unavoidable, appropriate outplacement support will be considered.

8.11 Equality Impact Assessments

All budget proposals published in this budget process are being considered with regards to equalities issues, and where an Equality Impact Assessment (EIA), are required these will be completed and included within the final report for Cabinet on 12 February 2024.

8.12 Carbon Impact Assessments

All major budget proposals published in this budget process are being considered with regards to the carbon impact. The Carbon Impact assessment is underway and will be included within the final report for Cabinet on 12 February 2024

9.0 BACKGROUND DOCUMENTS

[Quarter 1 MTFS 2024-2027 report](#)

[Quarter 2 MTFS 2024-2027 report](#)

[Budget 2024/25 Consultation Document](#)

[Report of the Independent Improvement and Assurance Panel- 6 December 2023 Council](#)

[Peterborough Improvement Plan](#)

[Sustainable Future City Council Strategy 2022-25](#) and [Our City Priorities](#)

10.0 APPENDICES

- 11.1 Appendix A – Medium Term Financial Strategy 2024/2027
- Appendix B- Revenue and Capital Budget 2024/25
- Appendix C- Budget Consultation Feedback
- Appendix D- Reserves Strategy and Policy
- Appendix E- Treasury Management Strategy Statement (TMSS)
- Appendix F- Capital and Investment Strategy 2024/2027
- Appendix G- Asset Management Plan
- Appendix H- Sales Fees and Charges Policy
- Appendix I- Sales Fees and Charges Schedule