

<b>CABINET</b>	<b>AGENDA ITEM No. 7</b>
<b>20 NOVEMBER 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	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director Financial Services	Tel: 01733 452520 Tel: 01733 384564

## **MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2020/21 CONSULTATION**

RECOMMENDATIONS	
<b>FROM: Cabinet Member for Resources</b>	<b>Deadline date: N/A</b>
<p>It is recommended that Cabinet approves the phase one budget proposals, outlined in Appendix C and D, as the basis for public consultation. This includes a 4.99 per cent council tax increase, as built into the 2017/18 Medium Term Financial Strategy.</p>	

### **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 requires Cabinet to initiate and propose budget proposals to set a balanced and sustainable budget for the financial years 2018/19 to 2020/21. There is a legal requirement to set a balanced budget for 2018/19. The purpose of this report is to:
- Recommend that Cabinet approve the first phase of budget proposals for consultation to contribute towards closing the budget gap, which reaches £40million by 2020/21.
  - Outline the approach for the remaining budget process
  - Outline the financial challenges facing the council in setting a sustainable and balanced budget for 2018/19
- 2.2 The council is facing a very serious budget challenge due to increasing demands for services and government grants including RSG reducing from £55million in 2013/14 to £10million in 2019/20.
- 2.3 In agreeing a balanced budget for 2017/18 one-off resources of £19.7million were used, £7.2million of reserves and £12.5million of one-off capital receipts. Over the medium term ongoing savings will need to be identified to cover this amount in addition to the grant reductions and service pressures.
- 2.4 Although the council has an adequate level of reserves for 2018/19 it will not in 12 months' time unless

significant savings are identified.

- 2.5 The council has £25.6million of useable reserves, £8.2million of which is committed, and the general fund balance of £6million. The remaining balance of £11.4million includes the Grant Equalisation Reserve. These are lower than the average percentage of net expenditure compared to other councils.
- 2.6 The council has a large amount of fixed costs in its budget, for example capital financing charges and the pension deficit contribution.
- 2.7 The council has an estimated budget gap of £24million before savings on its 2018/19 budget, £40million to 2020/21.
- 2.8 Efficiencies and one-off reductions of £8.3million have been identified for 2018/19 leaving £15.7million of additional savings to be identified.
- 2.9 The development and delivery of a fundamental review of the council's service offer and how the council operates is crucial to deliver a sustainable position from 2018/19 onwards. However, it will not be possible to deliver a fully balanced budget in 2018/19 without the use of reserves. Therefore the council is moving to a three-year Medium Term Financial Strategy (MTFS) which will need to show how the council will achieve an ongoing, sustainable, position.

### 3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If yes, date for Cabinet meeting	<b>20 NOV 17 &amp; 4 DEC 17</b>
Date for relevant Council meeting	<b>13 DEC 17</b>	Date for submission to Government Dept.	<b>N/A</b>

### 4. **BACKGROUND**

- 4.1 This report sets out the process being followed for the delivery of the three year Revenue (2018/19-2020/21) and 10 Year Capital Programmes (2018/2019-2027/28) for the council. As with previous years the budget process is divided into two distinct phases. This report sets out the outcomes for the first phase of the process along with the following:

- An outline of the overall process to be followed and associated timescales;
- The overall context for the budget and previous performance in Peterborough;
- Revenue funding assumptions;
- The existing Medium Term Financial Strategy;
- New revenue pressures and savings proposals included within phase one;
- Capital programme assumptions;
- Possible initiatives coming to phase two of the process.

#### 4.2 **2018/19-2020/21 MTFS Process**

The MTFS process is divided into two phases:

Phase one which is contained within this report, and, sets out the work that has been taking place in terms of reviewing all base assumptions and initial savings proposals. Subject to Scrutiny feedback and comments from residents, partner organisations, businesses and other interested parties, Cabinet will recommend budget proposals to council on 13 December 2017 to implement at the earliest opportunity.

Phase two which will be recommended to Cabinet on 15 January 2018 will set out:

- Any changes in funding/requirements from the Local Government Settlement;
- New savings proposals required to balance the budget for 2018/19 and to help close the budget gaps in following years.

Proposals will be agreed by Cabinet at its meeting on 26 February and then will be recommended to Council on 7 March for approval.

#### 4.3 **Budget context**

Since the government's austerity programme began in 2010 the amount of funding that all councils receive has fallen at an alarming rate.

The main central government grant, the Revenue Support Grant (RSG), which supports a range of services delivered by the council has reduced by 80 per cent over a seven year period. To some extent the loss has been offset by a share of National Non-Domestic Rates (NNDR) since 2013.

This is the challenge which has faced the city council and all local authorities in recent years - a challenge that shows no sign of reducing. The council has cut back on the services that it has an option to provide and is now faced with the difficult task of having to provide the services that it legally has to, which residents rely upon, with an ever reducing budget.

In 2013/14 the council received £55million in RSG and this will reduce to £15million in 2018/19 and £10million in 2019/20. When you consider that it costs the council £46million every year to provide Adult Social Care Services for the city, it's easy to see the size of the challenge.

Other funding streams, such as the New Homes Bonus which financially rewards councils for housing growth in their area, have also been reduced.

In balancing the 2017/18 budget, £19.7million of one off funding was used that will need to be replaced by ongoing, sustainable savings in 2018/19 that add to the pressure of reducing grant.

At the same time demand on council services and the city's population has increased at an unprecedented rate with no additional funding forthcoming from government. Demands on services such as:

- A 200 per cent rise in the number of homeless families requiring temporary accommodation in just the last two years. As of the end of September 2017, the city council was supporting 328 households in temporary accommodation. The situation Peterborough faces is the same for councils across the country because of a national shortage of social housing, changes to the way benefits are paid and private landlords supporting fewer tenants on benefits. The impact on the council's budget is huge as the council has a legal duty to provide housing for all those who meet the criteria for support. So far this financial year the cost of this is £1.6million.
- At the end of August 2017 the council was supporting 414 adults in residential or nursing care homes and 2,012 adults were supported to live independently in their own home. In the past three years the council has seen an increase of 7.3 per cent and 2.1 per cent on these services. The Chancellor of the Exchequer announced within his budget speech in July 2015 that the National Living Wage would be phased in between April 2016 and April 2020. The introduction of this is having an enormous cost effect on council homecare services, generating a £1.6million budget pressure by 2020/21.
- Additional children coming into care. The council is currently supporting 373 children in care, and in 2011/12 was supporting 340, an increase of 9.7 per cent. The cost per week for a child in care ranges between £350 and £3,500, dependant on whether they are being cared for in-house by a foster carer or in a residential placement, the latter being significantly more expensive.

- The need to create extra school places for a school population that has increased by 13 per cent between 2013-2017, which is the equivalent to an additional 81 classes of 30 pupils each (2,424 students).

#### 4.4 **Growing pressures on council finances**

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.

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.

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 as explained below:

- **Demand on services** - Demand growing at unprecedented rate, due to population increase and complexity of care and support needed over long periods of time.
- **Population** – Peterborough is one of the fastest growing council areas in the country. Between 2001 and 2011 the population increased by 17.7 per cent to 183,600. In 2016 the city's population was estimated at 198,100.
- **Revenue Support Grant (RSG)** - As with the rest of local government the Council's RSG is falling at an alarming rate. The government's funding formula does not take into account today's level of demand on services and population data.
- **Deprivation** - Peterborough has some of the most deprived areas in the UK, ranking the 14th highest deprived unitary authority area. This brings increased demand for service provision, creating budget pressures. This is highlighted by the upward trend in the number of households becoming homeless and needing temporary accommodation.
- **Council tax income levels** - Although the council has protected residents from annual council tax rises it has increased our budget gap. By not raising council tax for a number of years this has reduced the amount of money the council has to spend on services. Peterborough has one of the lowest average council tax rates per dwelling. For example, if the council charged the average unitary authority council tax per dwelling then an additional £16million would be generated to support services.
- **The capital programme** is large and ambitious and if delivered the revenue costs of servicing the debt will increase on an annual basis.
- **Reserves** – The council's General Fund minimum balance is £6million, Grant Equalisation Reserve is £7.8million and other earmarked reserves are £3.6million. In addition there are earmarked reserves of £8.2million which are already committed. These are lower than the average percentage of net expenditure compared to other councils. Earmarked reserves are funds which are kept or built up to meet a known or predicted need.
- **Lack of clarity from government on future funding for councils** - There is great uncertainty

amongst councils about how they will be funded going forward. Legislation that aimed to answer this question, the Local Government Finance Bill, was dropped following the General Election earlier this year.

#### 4.5 **Delivering services for our residents**

The council continues to see an unprecedented demand for services and it remains fully committed to supporting those most in need.

The council has minimised the need for cuts in services in recent years and continues to provide a wide range of services for residents:

- At the end of August 2017 the council was supporting 373 children in care - an increase of almost 10 per cent since 2011/12
- During 2016/17 there were 2,755 referrals to Children's Social Care and 3,193 social care assessments were completed
- The council maintains 578 miles of road, over 350 bridge structures, 24,000 street lighting columns, 719 miles of footpaths and 155 miles of off-road cycle ways. Since 2012/13 the council is now responsible for an additional 12 miles of cycle routes (9 per cent rise), 23 miles of road network (3 per cent rise)
- The city has over 200 playgrounds, four parks and open spaces, two BMX tracks and seven skate parks
- At the end of August 2017 the council was supporting 414 adults in residential or nursing care homes and 2,012 adults were supported to live independently in their own home. In just the past three years the council has seen an increase of 7.3 per cent and 2.1 per cent on these services.
- More than 7,000 households have received help from the council's Care and Repair service in the past 12 months - adapting older and disabled people's homes, for example installing grab rails and even building extensions
- At the end of September 2017 the council was supporting almost 330 homeless households in the city by providing temporary accommodation. Following national welfare benefit changes and private landlords supporting fewer tenants on benefits this figure has increased from 97 households being supported just two years ago
- The council's planning team processes more than 1,400 planning applications every year
- A Selective Licensing scheme launched in December 2016 to improve standards of accommodation in the private rented sector and tackle rogue landlords
- During 2016/17 the council's Public Health team commissioned:
  - health visitor checks for over 3,000 new babies
  - health checks for cardiovascular risk for over 5,000 adults aged 40-74
  - 23,000 appointments for contraception and sexual health services
  - drug and alcohol treatment services for over 1,500 people
  - and helped over 600 people to stop smoking
- The Healthy Peterborough campaign generated 127,252 page views on its dedicated website - providing evidence-based advice on how to stay healthy for longer, with links to local events and services

#### 4.6 **Successes**

However even during the most challenging circumstances the city council has ever faced it has remained committed to its priorities and Peterborough has made huge strides in recent years. These successes include:

- Over the past five years the council has invested £127.7million into building, extending and improving schools; £48.6million of this was met from council resources.
- 88 per cent of city pupils attend a school rated good or outstanding by Ofsted
- Attracting significant external funding to support the growth of the city and the regeneration of the city centre
- The council, as part of a joint venture, has led the comprehensive £120million Fletton Quays redevelopment project. This includes investment in an arts hub on site.
- Opportunity Peterborough assisted 14 businesses moving into the city, creating 1,903 jobs.
- A total of 2,685 jobs were created in the city in 2016/17
- Unemployment levels fell to 1,775 (1.4 per cent), over the same period the national rate went up from 1.8 per cent to 1.9 per cent.
- Developed a successful partnership with CityFibre to develop the city's full fibre networks, offering internet speeds 100 times faster than the UK average.
- Set up Vivacity which has increased the leisure and cultural offer in the city
- All the council's libraries remain open with extended opening hours. The council has also funded improvements to the city's museum and sports facilities and a new swimming pool at Hampton.
- Partnered with a highly-respected energy company to offer residents competitive energy tariffs saving city households a combined £1.5million since 2015.
- Constructed an Energy Recovery Facility which diverts up to 99 per cent, 85,000 tonnes annually, of non-recyclable domestic waste from landfill
- Completed a number of major highway projects to support the city's growth including Junction 20 of the Paston Parkway, Fletton Parkway and the Bourges Boulevard Corridor
- A new innovative approach to keeping children and families safe, the Family Safeguarding Service, will be piloted in Peterborough thanks to a successful bid for £2.6million from the Department for Education
- Jointly commissioned a new Integrated Lifestyle service with the NHS, which helps people reduce their risk of serious illness by changing to healthier behaviours.
- Launched the SaferPeterborough Prevention and Enforcement Service and established two Public Space Protection Orders to combat anti-social behaviour in the city
- Supported a devolution deal for Cambridgeshire and Peterborough which has already resulted in a multi-million investment to help establish an independent university in the city and support to build 200 much-needed affordable homes.
- One of the best areas of the country for housing stock growth - with more than 4,600 new homes built between 2011-16. To support this further the council, working with Cross Keys Homes, has set up company to build more homes in the city.
- Invested in community facilities such as The Green Backyard and Dementia Resource Centre.

#### 4.7 **Supporting the council's residents through lower council tax**

Council tax has risen over the past two years in Peterborough, primarily to keep up with the increasing demand on the council's adult social care services due to the city's growing elderly population. The population for the aged over 65 category increased by 16 per cent between 2010 and 2016. This directly relates to increased spending on providing care home placements and supporting people in their own home. In just the past three years the council has seen an increase of 7.3 per cent and 2.1 per cent on these services.

However the council has made a concerted effort to keep council tax low to support residents who may also be facing difficult financial circumstances. To that end, council tax was frozen in four out of the past

seven years and means that Peterborough residents are paying one of the lowest council tax rates for a unitary authority in the country.

Residents in Peterborough pay £123 a year less in council tax than the average across other unitary authority councils (based on Band D).

#### 4.8 Revenue funding assumptions

**Table 1** sets out the funding assumptions agreed during the 2017/18 MTFS process:

- General council tax is assumed to increase at 1.9 per cent per year throughout the life of the MTFS.
- The full Adult Social Care Precept of 3 per cent will be levied in 2018/19 only. This would make the total Council tax increase in 2018/19 4.99 per cent, within referendum limit;
- Council tax base is increased to reflect the growth of the city, this equates to an average of 1,000 new homes built each year. There are a number of variables also taken into consideration for the tax base such as council tax support, council tax benefit and the banding of properties, of which Peterborough is largely weighted towards band A and B properties.
- NNDR are assumed to increase at 2.8 per cent in 2018/19, 3.5 per cent in 2019/20 and 2.1 per cent in 2020/21;
- RSG is assumed to reduce by 25 per cent of 2017/18 levels in 2018/19, and 32 per cent over 2018/19 levels in 2019/20

**Table 1 – 2017/18 MTFS Funding analysis as at March 2017**

	2018/19 £000	2019/20 £000	2020/21 £000
Council Tax	72,553	74,966	77,361
National Non-Domestic Rates *	44,883	46,446	47,439
Revenue Support Grant	15,056	10,246	10,246
<b>Total Funding</b>	<b>132,492</b>	<b>131,658</b>	<b>135,046</b>

\*If S31 grants were added to this, then this figure would agree to the figure in Table 2, these have not been included as they are know figures rather than assumptions.

#### 4.9 Existing Medium Term Financial Strategy

A full review has been carried out by service departments on the makeup of the base budgets contained in the 2017/18 MTFS for the 2018/19 to 2020/21 financial years.

**Table 2** sets out the council’s gross expenditure and income budgets over this period as well as the makeup of the growth and savings initiatives approved at council on 8 March 2017. This has formed the starting point for the work that is being carried out on the 2018/19 MTFS.

**Table 2 - 2017/18 MTFS Budget**

	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000
<b>CORPORATE FUNDING</b>				
National Non-Domestic Rates (inc section 31 Grants)	(42,911)	(45,275)	(46,854)	(47,834)
Revenue Support Grant	(19,821)	(15,056)	(10,246)	(10,246)
Council Tax	(68,361)	(72,553)	(74,966)	(77,361)
New Homes Bonus	(6,548)	(5,122)	(4,544)	(3,991)
Improved Better Care Fund	(354)	(2,986)	(5,345)	(5,345)
Additional funding for Adult Social Care	(3,523)	(2,260)	(1,121)	-
2017-18 Adult Social Care Support Grant	(797)	-	-	-
<b>TOTAL CORPORATE FUNDING</b>	<b>(142,315)</b>	<b>(143,252)</b>	<b>(143,076)</b>	<b>(144,777)</b>
<b>PLANNED EXPENDITURE</b>				
<b>Net Service Expenditure</b>	<b>124,044</b>	<b>135,730</b>	<b>135,395</b>	<b>138,221</b>
Pay Award	401	405	409	413
Inflation	1,331	1,313	1,363	1,859
Pressures	9,988	1,703	2,800	3,453
Departmental Budget Reductions	(6,386)	(1,601)	(522)	(792)
One Off Items	6,371	(2,154)	(1,224)	(1,120)
<b>NET SERVICE EXPENDITURE</b>	<b>135,749</b>	<b>135,396</b>	<b>138,221</b>	<b>142,034</b>
Treasury Management	12,434	25,567	24,775	30,270
Contribution to/from (-) Reserves	(7,194)	(4,250)	0	0
Parish Precepts	713	713	713	713
Drainage Board Levy	613	613	613	613
<b>TOTAL CORPORATE EXPENDITURE</b>	<b>6,566</b>	<b>22,643</b>	<b>26,101</b>	<b>31,596</b>
<b>TOTAL PLANNED EXPENDITURE</b>	<b>142,315</b>	<b>158,039</b>	<b>164,322</b>	<b>173,630</b>
<b>DEFICIT/(SURPLUS)</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>

#### 4.10 **New revenue pressures and savings proposals included within phase one**

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.

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.

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.

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.

Full detail of the proposals are set out in the following Appendices and summarised in **Table 3 and 4:**

Appendix A – Phase 1 Budget Pressures

Appendix B – Phase 1 Savings Proposals



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 3- 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>

The following appendices outline further details on the budget position:

Appendix C- 2018/19 MTFS detailed position

Appendix D- 2018/19 MTFS by department and service

**Table 4- Individual budget pressures and reductions**

	2018/19 £000	2019/20 £000	2020/21 £000
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>

#### 4.11 **Capital Programme assumptions 2018/19-2027/28**

The council's capital programme is viewed over a 10 year period to ensure correct stewardship of assets and efficient use of budgets. The council is proactive in attracting external funding for as many schemes as is possible. An officer-led Capital Review Group has been set up to oversee the council's capital requirements. In the past the council has had a very aspirational capital programme and in reality delivery has been in the magnitude of £80million per annum of schemes in recent years. This delivery level is reflected in the revised programme.

The present programme has been reviewed and **Table 5** below sets out the programme for the 10 year period split by Rolling Programme, One Off Schemes and Invest to Save Schemes.

**Appendix E** gives more detail on schemes detailed within the Asset Investment Programme Budget for 2018/19 - 2027/28

**Table 5**

Year	Rolling Programme £000	Core Programme £000	Invest to Save Programme £000	Total Spend £000
2018/19	28,820	99,495	23,485	151,800
2019/20	17,497	53,426	17,550	88,473
2020/21	17,262	13,197	-	30,459
2021/22	17,665	1,840	-	19,505
2022/23	16,946	700	-	17,646
2023/24	15,184	700	-	15,884
2024/25	15,473	700	-	16,173
2025/26	16,172	700	-	16,872
2026/27	16,172	700	-	16,872
2027/28	16,172	700	-	16,872

Any approved capital programme, depending on external resources, will require funding from council resources.

#### 4.12 **Strategic approach to closing the budget gap**

The council will continue to review its budget pressures. The current budget gap contains a pressure of £5.8million for additional homelessness costs over three years. The gap does contain a direct pressure in excess of £4million of debt charges over five years to fund the additional circa £80million of borrowing over and above government grant to fund school places.

In order to close the remaining budget gap, the council will seek to:

- Become more commercial - identify more opportunities to generate revenue within the city even if it means borrowing capital to do so within the proposed restrictions included within the new prudential code, i.e. these must have a benefit to the council's purpose and cannot purely be for yield.
- Deliver services more efficiently and innovatively. For example, The Adolescent and Children's Trust (TACT) now manages all the council's fostering and adoption services. The partnership aims to reduce reliance on higher cost independent fostering and residential placements as well as provide improved training and 24/7 support for Peterborough foster carers. Sharing of services with neighbouring councils in the way already in place in areas such as trading standards, planning and children and adult services.
- Maximise external funding to deliver projects in the city. Examples of this already include the Family Safeguarding Service which is being piloted in Peterborough thanks to a successful bid for £2.6million from the Department for Education. The council can also maximise its use of s106 planning agreements.

Lastly the council will need to propose a series of budget reductions. Some of these will be in phase two of the budget, but it is anticipated that significant cuts will be proposed for 2019/20 in next year's budget process.

## 5 **CONSULTATION**

- 5.1 Cabinet has been working over a period of five months and several meetings with the Cross-Party Budget Working Group to seek views on all Cabinet budget proposals, including the opportunity to make alternative suggestions. As part of these meetings, the Budget Working Group explored options to commence consultation at the earliest opportunity.

The budget process will have two phases for Cabinet to put forward budget proposals, recommending

these proposals to two separate Council meetings. The first meeting held in December will be to consider the first phase of budget proposals. The second meeting will be the formal process to set out a lawful and balanced budget for the remaining budget proposals to be published on 5 January 2018 and recommended by Cabinet for approval by Council on 7 March 2018. This timeline is outlined in the following table:

	Phase 1	Phase 2
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

## 5.2 **Stakeholder groups**

The following stakeholder groups will be contacted and offered a briefing on the budget position during the phase one consultation period, to enable residents, partner organisations, businesses and other interested parties to provide 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

5.3 Hard copies of this report and all appendices including the phase one budget proposals and the Budget Consultation document will be available in all libraries and Town Hall and Bayard Place receptions. The council will also receive responses via an on-line survey on its website.

A copy of the phase one budget proposals will be published on the website, and will be available to all staff to enable them to provide responses.

The council will also promote the Budget Consultation through the local media and through the council's Facebook and Twitter accounts to encourage as many people as possible to have their say.

The council will look to repeat this approach with the phase two proposals to be released in early January 2018.

The Budget Consultation questions are outlined within the Budget Consultation document in **Appendix F**. This will form part of the hard copies available and the online survey.

## **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 seeking the opinions of all residents, partner organisations, businesses and other interested parties to understand which council services matter most. 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.

## **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 None.

## **11 APPENDICES**

- 11.1 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

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