

<b>JOINT MEETING OF SCRUTINY COMMITTEES</b>	AGENDA ITEM No. 4
<b>29 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	
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**MEDIUM TERM FINANCIAL STRATEGY 2018/19 to 2020/21**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM: Cabinet Member for Resources</b>	<b>Deadline date: N/A</b>
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers 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> <p>Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 4<sup>th</sup> December for consideration..</p>	

**1. PURPOSE AND REASON FOR REPORT**

- 1.1 This report comes to the Joint Meeting of Scrutiny Committees as part of the council's formal budget setting process.
- 1.2 This report is for Joint Meeting of Scrutiny Committees to consider under the Terms of Reference 3.2 (a):  
*Help the Council and the Executive to develop its budget and policy framework and service Budgets;*
- 1.3 At the Cabinet meeting on 20<sup>th</sup> November 2017, as part of the council's Budget and Policy Framework, Cabinet will 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. And as part of that report the recommendations for consideration at this meeting are 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.

**2 BACKGROUND**

- 2.1 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.

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. Although the council has an adequate level of reserves for 2018/19 it will not in 12 months' time unless significant savings are identified.

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.

The council has a large amount of fixed costs in its budget, for example capital financing charges and the pension deficit contribution.

The council has an estimated budget gap of £24million before savings on its 2018/19 budget, £40million to 2020/21.

Efficiencies and one-off reductions of £8.3million have been identified for 2018/19 leaving £15.7million of additional savings to be identified.

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.

## **2.2 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 1 and 2:**

**Table 1- Budget Summary position**

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

	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>

### 3 CONSULTATION

3.1 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:

	<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

### 3.2 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 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

3.3 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 insite, 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.

#### **4 ANTICIPATED OUTCOMES OR IMPACT**

- .4.1 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.

#### **5 REASON FOR THE RECOMMENDATION**

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

#### **6 ALTERNATIVE OPTIONS CONSIDERED**

- 6.1 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 11th March annually.

#### **7 IMPLICATIONS**

##### **Elected Members**

- 7.1 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
- 7.2 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**

- 7.3 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.
- 7.4 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.

- 7.5 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.
- 7.6 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.
- 7.7. 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**

- 7.8 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.

## **8 BACKGROUND DOCUMENTS**

- 8.1 The following links to the items which went to cabinet on 20<sup>th</sup> 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>

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