

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 4
28 NOVEMBER 2018	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Director of Corporate Resource	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
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MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2021/22-TRANCHE TWO

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Resources	Deadline date: Cabinet Meeting 3 December 2018
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers the following updates within the Medium Term Financial Strategy 2019/20 to 20021/22- Tranche Two - Cabinet Report 15 October 2018 outlined in Appendix 1.</p> <ol style="list-style-type: none"> 1. The Tranche Two service proposals, outlined in Appendix E, within the attached MTFS report; 2. The updated budget assumptions; 3. The revised capital programme approach; 4. The Reserves position; 5. Future strategic direction for the Council; <p>Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 3 December 2018 for consideration.</p>	

1. ORIGIN OF REPORT

1.1 This report comes to Joint Meeting of Scrutiny Committees 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 2019/20-2021/22.

2. PURPOSE AND REASON FOR REPORT

2.1 Purpose

At the Cabinet meeting on 15 October Cabinet formally initiated and proposed service proposals and updated assumptions to set a balanced and sustainable budget for the financial years 2019/20 to 2021/22. There is a legal requirement to set a balanced budget for 2019/20. The purpose of that report is to:

- Recommend that Cabinet approve the Tranche Two service proposals for consultation.
- Recommend that Cabinet approve the budget assumptions to update the Medium Term Financial Strategy (MTFS), to ensure estimates reflect the most up to date information available.
- Outline the financial challenges facing the council in setting a sustainable and balanced budget for MTFS 2019/20-2021/22.
- Outline the progress and development on the delivery of the shared services programme with Cambridgeshire County Council and other partners. The delivery of this programme will allow the council to work differently and more efficiently, which will unlock financial benefits to enable the council to continue to provide the services which are important to Peterborough residents.
- Outline the approach the Council is taking to close the budget gap over the three year

budget planning horizon to deliver a sustainable budget.

- Outline potential avenues the Council is considering pursuing to ensure future budget sustainability.

2.2 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 3 December 2018 for consideration

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	3 DECEMBER 2018
Date for relevant Council meeting	12 DECEMBER 2018	Date for submission to Government Dept. (<i>Please specify which Government Dept.</i>)	N/A

4. Executive Summary

At Council held on 25 July 2018 Tranche One of the 2019/20 MTFS was agreed, with deficits of £10.2m, £20.0m and £22.3m to be identified for 2019/20, 2020/21 and 2021/22 respectively. Tranche Two of the 2019/20 MTFS process has identified additional pressures and savings, reducing the budget deficits each year to £3.0m, £18.1m and £20.7m. the following table summarises the current budget position over each Tranche.

Overall 2019/20 MTFS Position by Tranche

	2019/20 £000	2020/21 £000	2021/22 £000
Budget Gap as reported in MTFS 2018/19	12,712	19,317	16,926
Service Pressures and Investment			
Tranche 1	1,692	4,562	5,463
Tranche 2	4,224	3,696	3,668
Service Pressures and Investment sub-total:	5,916	8,258	9,131
Budget Position before Savings and Additional income	18,628	27,575	26,057
Savings and Additional Income			
Tranche 1	(4,177)	(3,841)	(61)
Tranche 2	(11,418)	(5,641)	(5,308)
Savings and Additional Income sub-total:	(15,595)	(9,482)	(5,369)
Final Budget Gap	3,033	18,093	20,688
Incremental Budget Gap	3,033	15,060	2,595

In addition to these deficits, detailed work is also under way to deliver the Shared Services Savings targets of £4.5m in 2019/20 and a further £4.5m in 2020/21. Further detail on this transformation programme is outlined in section 5.6.

The move to a truly sustainable budget will require a reduction of the “One off” savings, as by nature, these are not repeatable. Within this Tranche of the budget process the Council is proposing to include additional capital receipts of £6.5m within the budget in 2019/20, this is a result of a review of the Council's asset disposal programme. Table 2 sets out the use of ‘one off’ savings included within the budget, gradually reducing, to a position in 2020/21, where the council is no longer relying on this funding option to support the budget.

Table 2: Non repeatable One Off Savings

Non Repeatable One Off Savings	Previous Year 2017/18	Current Year 2018/19	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22
	£000	£000	£000	£000	£000
Capital Receipts	12,738	2,922	10,639	-	-
MRP Re-Provision	-	3,700	-	-	-
Council Tax Surplus	173	1,188	-	-	-
Use of Reserves	7,194	4,231	-	-	-
Total	20,105	12,041	10,639	-	-

As the council has used capital receipts from the sale of properties (assets) to support the budget for a number of years, the remaining value of assets is relatively low. Especially with some of the higher value assets being sold in recent years. This now leaves the council with little flexibility to use capital receipts in the future to support the budget.

The 2018/19 budgetary control position as at the end of August 2018, is forecasting an overspend of £6.5m. This overspend is largely isolated in one area, children’s services, which saw a report come to Cabinet at the meeting on 23 July 2018, highlighting the full extent of the demand pressures, although there are a number of other key areas of overspend to be aware of. These are as follows:

- Demand within Children’s Services £4.5m
- Demand within Adults Services £0.8m
- Peterborough Serco Strategic Partnership -Transformation costs, Business support and variable costs £2.0m
- Amey contract extension £1.0m
- Parking Services £0.6m
- ICT £0.5m
- Volumes within the Coroners service £0.2m

These pressures are currently being mitigated in part by the one-off use of capital receipts. This is a result of the Council exceeding the level of receipts included within the budget, which for the current year is £2.9m, as highlighted in Table 2. The August 2018 position is outlined in detail within the Budgetary Control report to Cabinet (15 October 2018) meeting.

Together with the budget proposals included within the MTFs report, the Council is also working towards the shared services programme, an update on the progress towards achieving this is also outlined in section 5.6 of the report.

5.2 Tranche Two Budget Position 2019/20-2021/22

The following table sets out the demand and savings proposals in Tranche Two of the 2019/20 budget process. The major items included within these proposals are:

- Children's Social Care Demand Pressure
- Reduction in the level of Subsidised Transport.
- The use of additional Capital Receipts in 2019/20

	2019/20 £000	2020/21 £000	2021/22 £000
Budget Gap as reported in MTFS 2019/20 Tranche 1	10,227	20,038	22,328
MTFS 2019/20-2021/22 budget changes:			
Pay and Pensions	(40)	(40)	(40)
Inflation and cost changes	540	147	(250)
Demographic and volumetric service demand	2,798	2,161	3,163
Grant and legislative changes	0	0	0
Efficiencies	(146)	(146)	(146)
Capital financing Changes	0	0	0
Service proposals (savings and additional income)	(3,356)	(3,577)	(3,877)
Revised Budget Gap	10,023	18,583	21,178
Funding changes	(490)	(490)	(490)
One-off resources (including capital receipts)	(6,500)	0	0
Use of reserves	0	0	0
Final Budget Gap	3,033	18,093	20,688
Incremental Budget Gap	3,033	15,060	2,595

The following appendices of the MTFS report outline further details on the budget position and the proposals:

- Appendix A- 2019/20-2021/22 Tranche Two MTFS Detailed Budget Position (a) and the Net and Gross budget position for 2019/20 (b), of the MTFS Report.
- Appendix E- The Budget Consultation Document, of the MTFS Report.
- Appendix F- Equality Impact Assessments (where applicable), of the MTFS Report.

The following table details all of the proposals included within Tranche Two, and the financial implications for the three years covering 2019/20- 2021/22

2019/20- 2021/22 Tranche Two budget proposals

	2019/20 £000	2020/21 £000	2021/22 £000
Demographic and volumetric service demand	2,798	2,161	3,163
Housing Needs	(223)	(32)	(32)
Children's Social Care Pressure	3,200	2,700	2,700
Adult Social Care Demand Pressure	(179)	(507)	495
Efficiencies	(146)	(146)	(146)
Integrated Offender Management Administration	(30)	(30)	(30)

HR- Supplies and Services and Salary cost saving	(22)	(22)	(22)
Road Safety Projects- integrated across PCC and CCC	(20)	(20)	(20)
Public Health Staffing	(74)	(74)	(74)
Inflation and cost changes	540	147	(250)
Inflation- removal of general inflation	(368)	(733)	(1,102)
Resources- Inflation Removal	(50)	(50)	(50)
Mitigation of the iCASH Pressure	(66)	(66)	(66)
ICT - Change in Strategic Direction	1,024	996	968
Pay and Pensions	(40)	(40)	(40)
Christmas Shut down	(40)	(40)	(40)
Service proposals (savings and additional income)	(3,356)	(3,577)	(3,877)
Hospital - virtual panel	(100)	(100)	(100)
Self Funders	(100)	(150)	(150)
Best use of resources within a personal budget to meet needs	(100)	(100)	(100)
Block purchasing - Nursing Beds	(150)	(150)	(150)
National Living Wage	0	(300)	(300)
Charging for post reablement support	(10)	(10)	(10)
Reduction in funding of a CCG / PCC post	(25)	(25)	(25)
Virtual School	(25)	(25)	(25)
Term time only working	(5)	(5)	(5)
Schools Infrastructure Team	(21)	(21)	(21)

Anti Social Behaviour Team	(36)	(36)	(36)
PES / Community Safety Operating Model	(350)	(350)	(350)
P&C Review of Senior Management Capacity	(100)	(100)	(100)
Development of Care Suites across Peterborough	(100)	(200)	(200)
Older People Day Services	(30)	(30)	(30)
Sensory Equipment- budget reduction	(30)	(30)	(30)
Schools Attendance- Fines Income	(10)	(10)	(10)
Home to School Transport- Catchment Areas	(29)	(50)	(50)
Targeted Youth Support Service- increased activity	(25)	(25)	(25)
Community Capacity- Gladstone Park Transfer	(37)	(37)	(37)
Community Capacity- Community Asset Transfer (CAT) Programme	(52)	(52)	(52)
St George's Hydrotherapy Pool- Vivacity Transfer	(58)	(58)	(58)
Bridge Maintenance	(250)	0	(300)
Gully Maintenance	(50)	(50)	(50)
Street Lighting Maintenance	(365)	(365)	(365)
Relocate visitor information centre to Town Hall	(42)	(42)	(42)
Patching Maintenance (corresponding capital change)	(300)	(300)	(300)
Peterborough Highways Services (PHS)- Staffing	(160)	(160)	(160)
Housing & Strategic Planning- Increased income target	(50)	(50)	(50)
Supported Living- Review Provider Rate	(50)	(50)	(50)
Monitoring of Homecare Contracts (Framework Provider review)	(250)	(250)	(250)

Environment Capital- Remove vacant post	(31)	(31)	(31)
PCAS- contract negotiation	(30)	(30)	(30)
Deliver improved performance by the Adult Social Care Team	(200)	(200)	(200)
Direct Payments- Off Framework Provider Review	(35)	(35)	(35)
Subsidised Transport	(150)	(150)	(150)
Funding changes	(490)	(490)	(490)
Increased Council Tax Collection	(490)	(490)	(490)
One-off resources (including capital receipts)	(6,500)		
Capital Receipts	(6,500)		
Grand Total	(7,194)	(1,945)	(1,640)

7. CONSULTATION

7.1

Cabinet have been working on the budget proposals and this has included meeting with the Cross-Party Budget Working Group to seek views on all budget proposals, including the opportunity to make alternative suggestions.

Tranche Two will be the second of the three Tranches, as part of the newly introduced rolling budget setting process. The Tranche Two budget proposals were published on 5 October 2018 and will be recommended by Cabinet for approval by Council on 12 December 2018. The timeline for the 2019/20 budget process is outlined in the following table

2019/20 Budget Consultation timetable

	Tranche Two	Tranche Three
Consultation start date	05/10/2018	25/01/2019
Cabinet	15/10/2018	04/02/2019
Budget Joint Scrutiny Committee	28/11/2018	12/02/2019
Audit Committee (to approve revised Capital Programme and Prudential Indicators)	N/A	11/02/2019
Cabinet	03/12/2018	25/02/2019
Consultation close date	10/12/2018	04/03/2019
Council	12/12/2018	06/03/2019

These proposals will be considered in terms of their impact on service provision to user. Proposals which require additional consultation will be allocated time frames appropriate to the level of consultation required. This will ensure stakeholder and resident's feedback is received and considered prior to the Council meeting.

7.2 **Methods of consultation**

Hard copies of the budget consultation document (Appendix E) will be available in all libraries and Town Hall and Bayard Place receptions. The Council will also seek to raise awareness of the budget proposals via use of social media on Facebook and Twitter, and aim to make the presentation more visual and easier to understand via the use of information graphics.

The Council has published the budget consultation document on the website and on the internal intranet site 'insite' for residents and staff to view and provide responses via an online survey.

The stakeholder groups outlined in the following table have been contacted and offered a briefing on the budget position during the Tranche Two budget consultation period, to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and Council priorities:

Stakeholder Groups and events

Forum/Group	Meeting Date	Presenter
Connect Group (Churches Together)	05/10/2018	Adrian Chapman and Gillian Beasley
Disability Forum	27/11/2018	Fiona McMillan
Peterborough Community Assistance Scheme (PCAS)	14/11/2018	Ian Phillips
Discussion with Trade Unions Joint Consultative Forum (JCF)	10/10/2018	Peter Carpenter and Mandy Pullen
Youth Council	06/11/2018	Emma Riding
Parish Council	20/11/2018	Peter Carpenter
Joint Scrutiny of Budget meeting	28/11/2018	Peter Carpenter
Schools Forum	07/11/2018	Jon Lewis
Peterborough Living Well Partnership	24/10/2018	Oliver Hayward/Caroline Townsend
Joint Mosques Group	21/11/2018	Adrian Chapman and Gillian Beasley
Interfaith Council	16/11/2018	Adrian Chapman
Health Care Executive	18/10/2018	Liz Robin

**final date to be confirmed*

8. ANTICIPATED OUTCOMES OR IMPACT

- 8.1 Following the release of Tranche Two of the 2019/20 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 2019/20 within the financial resources it will have next year and the feedback received will help inform Cabinet in considering budget proposals.

Therefore approval will enable the Council to undertake consultation on its budget plans for 2019/20 and the MTFS covering the period 2019/20- 2021/22.

Cabinet will have a further opportunity to review feedback on the proposals and the MTFS on 3 December 2018, before making a final recommendation to Council on 12 December 2018.

9. REASON FOR THE RECOMMENDATION

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

10. ALTERNATIVE OPTIONS CONSIDERED

- 10.1 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.

11. IMPLICATIONS

Elected Members

- 11.1 Members must have regard to the advice of the Chief Financial (Section 151) Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.
- 11.2 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

- 11.3 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.
- 11.4 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.
- 11.5 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.
- 11.6 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.
- 11.7 It should be noted that the consultation to be undertaken as a result of this report is on the Budget proposals, and consequently the Cabinet's general approach to the savings requirements, and not on the various decisions to take whatever actions that may be implicit in the proposals and later adoption of that budget, each of which may or may not require their own consultation process.
- 11.8 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.

Once a s114 notice has been served the council has 21 days to meet and consider the report. During the 21 days the council must not incur any new expenditure unless the CFO has specifically authorised the spend.

This suspension of spending will trigger external scrutiny from the council's auditors. However, failure to act when necessary could result in the council losing its financial independence with its powers potentially passed to commissioners appointed by government.

Human Resources

- 11.9 In order to improve outcomes and manage demand on services, Tranche Two of the budget will continue to drive efficiencies and build on successful joint working with Cambridgeshire County Council to date. There is an ongoing programme of transformation which will consider sharing, integration and the alignment of services, where this makes sense.

There are 8 proposals which will incur staffing implications. Within these proposals are a number of initiatives to develop efficiencies of services. At this point in time the full detail of the staffing implications are yet to be determined. Whilst staff will be impacted in these areas, the number of redundancies are anticipated to be low and where possible, minimised through the deletion of vacant posts.

The council's approach to minimising any compulsory redundancies will be the same as in previous years. The council continues to consider ways in which to protect jobs and our policies support this. In accordance with the council's redundancy policy, redeployment opportunities will be sought in the first instance, which could also include opportunities which may exist in Cambridgeshire County Council.

Equality Impact Assessments

- 11.10 All budget proposals published in Tranche Two 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. These have also been included within Appendix F - Equality Impact Assessments, of the MTFs report.

12. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

12.1 Tranche One Cabinet Report- [Budget Book- Cabinet 16.07.2018](#)

13. APPENDICES

13.1 Appendix 1- [Medium Term Financial Strategy 2019/20 to 20021/22- Tranche Two - Cabinet Report 15 October 2018](#)

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