

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 4
18 DECEMBER 2019	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Director of Corporate Resource	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Finance	
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MEDIUM TERM FINANCIAL STRATEGY 2020/21 to 2022/23- TRANCHE ONE

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Resources	Deadline date: Cabinet Meeting 20 December 2019
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers the following updates within the Medium Term Financial Strategy 2020/21 to 2022/23- Tranche One 4 November Cabinet Report outlined in Appendix 1.</p> <ol style="list-style-type: none"> 1. The Tranche One service proposals, outlined in Appendix C, 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 20 December 2019 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 2020/21- 2022/23.

2. PURPOSE AND REASON FOR REPORT

2.1 Purpose

At the Cabinet meeting on 4 November Cabinet formally initiated and proposed service proposals and updated assumptions to set a balanced and sustainable budget for the financial years 2020/21 to 2022/23. There is a legal requirement to set a balanced budget for 2020/21. The purpose of that report is to:

- Recommended that Cabinet approves the Tranche One service proposals for public consultation.
- Recommend that Cabinet approves the updated budget assumptions, to be incorporated within the Medium Term Financial Strategy 2020/21 – 2022/23. These are outlined in section 5.2 and 5.3.
- Outline the additional resourcing required to deliver the outlined proposals, and the revised reserves position, in order to achieve future financial benefits.
- Outline the revised capital programme.
- Outline the approach the Council is taking to close the budget gap over the three year budget planning horizon to deliver a sustainable budget.

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 20 December for consideration.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	20 December 2019
Date for relevant Council meeting	15 January 2020	Date for submission to Government Dept. (Please specify which Government Dept.)	N/A

4. Executive Summary

At Council held on 6 March 2019, the 2019/20-2021/22 MTFS was approved. This MTFS set a balanced budget for 2019/20 whilst estimating budget gaps of £18.4m and £20.0m which required additional savings to be identified in 2020/21 and 2021/22 respectively in order to balance those financial years.

In summary, Tranche One of the 2020/21 MTFS process updated the financial position for the next and future years which are summarised in the revised budget position outlined in Table 1 below, with further detail shown in within section 5.2 and within Appendix 1.

Table 1: Budget position Summary

	2020/21 £000	2021/22 £000	2022/23 £000
Budget Gap as reported in the MTFS 2019/20	18,409	20,056	18,721
Tranche One - MTFS 2020/21- 2022/23 budget changes	(12,908)	(13,160)	(13,287)
Revised Budget Gap*	5,501	6,896	5,434

*- note that part of the budget changes represent departmental targets and proposals which are still subject to finalisation

The final position for the 2018/19 financial year was an overspend of £2.1m. This position was achieved through the use of £17.5m of one-off funding solutions, as outlined in Table 3. The achievement of a balanced position has continued in to 2019/20, with a £5.5m overspend being forecast in the April Budgetary Control Report reported to Cabinet on 10 June.

In July the Corporate Management Team (CMT) implemented a series of financial management controls designed to reduce the forecast overspend by enhancing the level of scrutiny applied to all expenditure activities to minimise non-essential spend. These controls include:

- a panel to review all recruitment and agency requests;
- business case requirement for all expenditure in excess of £10k;
- service based Heads of Finance providing additional scrutiny and challenge of the business cases in excess of £10k with regular review from the Chief Finance (section 151) Officer;
- more recently all expenditure over £1k requiring Chief Finance (section 151) Officer approval;
- a review of the effectiveness and operation of financial and human resource controls across the organisation;
- a thorough review of the appropriateness and robustness of all current budget assumptions.

As previously noted the Council's finance team have conducted a thorough review of all current budget assumptions. This resulted in a series of virements to re-profile the current years budget to reflect the Council's actual financial position. This exercise identified that the 2019/20 budget pressure was estimated to be £6.085m, with the ongoing underlying budget pressure of £9.764m. CMT agreed for directors to identify additional savings proposals to ensure that expenditure is within

the Councils cash limits. The savings targets have been set at the ongoing pressure value, in order to achieve financial sustainability for the Council's future year's budget, by contributing to the total amount available in reserves. The overall approach and amendment to service budgets was reported to and approved by Cabinet at the meeting held on 23 September [\(Item 9\)](#) and by Council at the meeting on 16 October [\(Item 9\)](#).

Work continues with Budget Holders, Managers and Directors working collaboratively with the finance team to review specific expenditure types and to reduce any non-essential (non-business critical) expenditure. The most recent forecast position for 2019/20 as per the September Budgetary Control Report is a £5.8m projected overspend, which incorporates the achievement to date to meet the departmental savings targets, and the £3.6m reserves contribution which was agreed as part of the plan to rebuild resilience, and newly identified pressures including:

- Great Eastern Run £0.155m – through the cancellation of the race, due to suspicious activity close to the race course;
- Homelessness £0.513m – due to increased demand for temporary accommodation;
- Home to School Transport £0.166m- as the forecast reflects the contract changes for Academic Year 2019/20;
- Peterborough Serco Strategic Partnership, Annual Delivery Plan (ADP) & Business Transformation Variable costs £0.307m- ADP which is currently costing the Council £0.065m per month will create an adverse variance against the budget unless costs are switched off or charged to a budgeted project, this is currently under review;
- Energy for Waste Plant- £.0240m reduction in wholesale electricity prices;

On 9 October the Treasury announced an increase in the interest rate for the Public Works Loan Board (PWLB) by one percentage point, meaning the typical rate for a loan is now 2.8% instead of 1.8%. This effects the rate at which the Council is able to borrow money to fund capital investments, and therefore will increase costs for financing capital investment. The action by the Treasury is designed to discourage councils from borrowing to fund "risky" multimillion valued property investments, however it has been reported by the Local Government Association that *"This 1% PWLB rate increase could cost councils an extra £70m a year for borrowing to be undertaken in the next year"*.

Further detail on the progress against the savings targets is outlined within the Budgetary Control Report- September 2019, also reported to Cabinet on 4 November. Table 2 outlines 2019/20 directorate targets and the savings identified to date. More work is under way across the Council to ensure that it delivers to the £9.7m target by the end of the financial year:

Table 2: Management of the forecast overspend by directorate summary - 2019/20

Directorate	Savings Target £000	Identified Savings £000	Remaining Target £000
Business Improvement	47	(47)	0
Chief Executives	120	(119)	1
Customer & Digital Services	562	0	562
Governance	298	(185)	113
People & Communities	5,876	(2,152)	3,724
Place & Economy	1,530	(879)	651
Public Health	226	(238)	(12)
Resources	1,105	(1,105)	0
Total	9,764	(4,725)	5,039

The Council outlined plans in the previous financial years to move towards a truly sustainable budget, by reducing reliance on the one-offs funding solutions. A challenging financial environment remains with demand for services increasing and service costs rising whilst funding from government reduces. In 2019/20 the Council budgeted to use £10.6m of capital receipts to balance the budget. As further budget pressures emerge alongside acknowledging the time required to implement new

saving proposals, there is the need to ensure there is resilience with the level of reserves the Council holds, and therefore the Council plans to utilise the one off benefit of £1.4m from the sale of further assets through the generation of capital receipts. **This has not yet been factored in to the table above but could bring the remaining balance of the in year savings target down to £3.6m.**

The Council is working collaboratively with Grant Thornton to develop and implement savings proposals to balance the budget and create a more financially sustainable future. The following table outlines the one offs used in recent years, planned and unplanned.

Table 3: Non repeatable One Off Savings

Non Repeatable	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital Receipts	12,738	2,922	10,639	-	-
MRP Re-provision	-	3,700	-	-	-
Council Tax Surplus	173	1,188	201	-	-
Planned Use of Reserves	7,194	4,231	3,084	-	-
Total	20,105	12,041	13,924	-	-
In year Use of Reserves (overspend reported in the 2018/19 outturn Report)	-	2,119	-	-	-
In year increased Use of Capital Receipts*	-	3,298	-	-	-
Total	20,105	17,458	13,924	-	-

**Note- this table does not account for the £1.4m of additional asset sales being explored in the current financial year*

5.2 Tranche One Budget Position 2020/21-2022/23

Table 4 sets out the demand and savings proposals in Tranche One of the 2020/21 budget process. The major items included within these proposals are:

- Changes to the Serco Contract;
- Reviewing care packages and promoting independence;
- Reviewing the Special Educational Needs (SEN) transport provision;
- Reduction in the use of agency staffing;
- Review of Human Resources (HR) processes and policies;
- Reshaping a number of back office services;
- Funding changes because of the Spending Review 2019.

Further detail in respect of the savings proposals is outlined within Table 5 and within appendix 1.

Table 4: Tranche One Budget Summary Position 2020/21-2022/23

	2020/21 £000	2021/22 £000	2022/23 £000
Budget Gap from 2019/20 MTFS	18,409	20,056	18,721
Pressures- from 2020/21 onwards - note 1	5,370	5,370	5,370
Budget Profiling Pressure - note 2	9,764	9,764	9,764
Revised Budget Gap	33,543	35,190	33,855
Building on successful transformation	(2,312)	(2,367)	(2,367)
Contract And Commercial	(1,167)	(1,278)	(1,278)
Changing services to reflect the council of today	(1,305)	(2,155)	(2,205)
Redesign of Service	(1,234)	(1,430)	(1,430)
Reduction of Provision	(1,061)	(1,061)	(1,011)
Using our assets	(646)	(586)	(586)
Budget Gap - Tranche One	25,818	26,313	24,977
Items proposed and to be finalised in Tranche Two:			
Spending Review 2019 and Corporate Savings (Per Council Tax base and LG Finance Settlement)	(9,068)	(8,119)	(8,216)
Changing services to reflect the council of today (Changes to the Serco Contract and HR Controls)	(5,866)	(5,915)	(5,945)

Redesign of Service (Review of school transport costs)	(501)	(501)	(501)
Budget Re-profiling savings (identified - Capital Financing restructuring) - <i>note 3</i>	(878)	(617)	974
Budget Re-profiling savings (to be identified) - <i>note 3</i>	(4,004)	(4,265)	(5,856)
Final Budget Gap - Tranche One	5,501	6,896	5,434

Table 5: 2020/21- 2022/23 Tranche One budget proposals

Proposal	2020/21 £000	2021/22 £000	2022/23 £000
Building on successful transformation	2,312	2,367	2,367
Review of care packages to promote independence	1,749	1,749	1,749
Dimming of street lighting between 9pm and 5am	100	100	100
Revised Services for low level support for older people discharged from hospital	45	45	45
Revised funding for Peterborough Community Assistance Scheme	418	473	473
Changing services to reflect the council of today	7,171	8,070	8,150
Changes to the Serco contract	4,536	4,536	4,536
HR Controls	1,487	1,536	1,566
Place and Economy directorate shared services progression	139	195	195
Reshaped Human Resources Function	450	663	663
Reshaping of departments and further shared services	483	1,061	1,111
Support provided for members	76	79	79
Contract And Commercial	1,167	1,278	1,278
Removal of unused project budget for road safety	30	30	30
Facilities management service costs within the Schools PFI	168	168	168
Joint commissioning of our Healthy Child Programme	541	541	541
Joint commissioning of our Integrated Lifestyle Services	80	100	100
Realignment of drug and alcohol budget	40	40	40
Reduction in the repair and maintenance budget through commercial review	80	80	80
Self-funding of Lifeline service after six weeks	57	124	124
Revised Extra Care Contract	47	71	71
City College Peterborough	74	74	74
Revised Stay Well in Winter campaign	50	50	50
Corporate Savings	2,200	1,970	2,040
Council Tax Base & Collection Fund	600	370	440
Inflation (Pension & Electricity)	1,600	1,600	1,600
Redesign of Service	1,735	1,931	1,931
Deprivation of Liberties Safeguards (DoLS) assessments	107	159	159
PAMS – reduction in outsourcing of assessments	22	22	22
Recommissioning children’s centre contracts	100	200	200
Redesigned commissioning team through shared working	60	60	60
Reduction in agency staff in children’s social care	173	217	217
Reduction in NHS Health Checks budget due to low uptake	55	55	55
Removal of social care lead practitioner post	50	50	50
Removal of vacant housing case worker post	40	40	40
Reshaping community and safety directorate	127	127	127
Restructure and remodelling of the Prevention and Enforcement Service (PES)	380	380	380
Review of school transport costs	501	501	501
Review of security and cleaning at Sand Martin House	120	120	120
Reduction of Provision	1,061	1,061	1,011
Prioritising street cleansing work	129	129	129
Reduction in discretionary youth services budget	516	516	516
Reduction in response time to non-hazardous fly tipping	59	59	59
Vivacity	357	357	307
Spending Review	6,868	6,149	6,176
Additional 1% Council Tax	783	817	844
Additional Social Care Funding	3,308	3,308	3,308
Continuation of IBCF (3 year ASC grant)	1,121	1,121	1,121
Homelessness	279	279	279
Public Health and Better Care Fund (NHS)	419	419	419

Revenue Support Grant increase at (Current CPI- 2%)	205	205	205
Continuation of Tackling Troubled Families	753	0	0
Using our assets	646	586	586
Changing frequency of property condition surveys	67	67	67
Increase in income from council-owned commercial units	23	23	23
Introducing auto-scale product	45	45	45
Move from Educate system to Synergy	60	0	0
Reduction in property contingency budget	126	126	126
Vivacity People's Network support maintenance budget reduction	6	6	6
Income generation and business rates from Sand Martin House	319	319	319
Grand Total	23,160	23,412	23,539

6. CONSULTATION

6.1 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 One will be the first tranche of the 2020/21 budget process. The Tranche One budget proposals will be published on 25 October 2019 and will be recommended by Cabinet for approval by Council on 15 January 2020. The timeline for the final budget tranche is outlined in Table 6.

Table 6: 2020/21 Budget consultation timetable

	Tranche One
Consultation start date	25/10/2019
Cabinet	04/11/2019
Budget Joint Scrutiny Committee	18/12/2019
Cabinet	20/12/2019
Consultation close date	13/01/2020
Council	15/01/2020

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

6.2 Methods of consultation

Hard copies of the budget consultation document, are available in all libraries and the Town Hall and Sand Martin House receptions. The Council has also sought to raise awareness of the budget proposals via use of social media on Facebook and Twitter and aims 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 Table 7 have been contacted and offered a briefing on the budget position during the Tranche One budget consultation period, to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and Council priorities:

Table 7: Stakeholder groups and events

Groups and Stakeholders we are consulting with	Officer Lead
Trade Unions Joint Consultative Forum (JCF)	Peter Carpenter and Mandy Pullen
Joint Scrutiny of Budget meeting	Peter Carpenter
Members of Parliament- Shailesh Vara and Lisa Forbes	John Holdich and Pete Carpenter
Parish councils	Peter Carpenter
Connect Group – Churches Together	Adrian Chapman and Gillian Beasley
Cambridgeshire and Peterborough Combined Authority	Cllr John Holdich
Opportunity Peterborough Bondholders	Steve Cox and Cllr John Holdich
Greater Peterborough City Leaders Forum	Gillian Beasley
Peterborough Disability Forum	Adrian Chapman
Age Concern UK	Adrian Chapman
Cambridgeshire Police	Wendi Ogle-Welbourn
Peterborough Civic Society	Steve Cox
Cohesion and Diversity Forum	Adrian Chapman
Joint Mosques Group	Adrian Chapman and Gillian Beasley
Interfaith Council	Adrian Chapman and Gillian Beasley
Peterborough Youth Council	John Holdich and Gillian Beasley
Peterborough Living Well Partnership	Liz Robin
Health Care Executive	Liz Robin and Wendi Ogle-Welbourn
School unions	Jon Lewis
Schools Forum	Jon Lewis

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 Following the release of Tranche One of the 2020/21 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 2020/21 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 2020/21 and the MTFS covering the period 2020/21- 2022/23.

Cabinet will have a further opportunity to review feedback on the proposals and the MTFS on 20 December 2019, before making a final recommendation to Council on 15 January 2020.

8. REASON FOR THE RECOMMENDATION

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

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 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.

10. IMPLICATIONS

Elected Members

- 10.1 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.

10.2 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

10.3 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.

10.4 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.

10.5 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.

10.6 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.

10.7 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.

10.8 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

- 10.9 In order to deliver Tranche One of the budget as outlined in this document, it is anticipated that some posts across the council will be affected. It is estimated at this stage that there may be a headcount reduction of up to 75 people of a total workforce of 1,244, some of which could occur during 2019/2020 whilst others may happen during 2020/2021.

It is the aim of the council to try to minimise compulsory redundancies and the impact on service delivery. This will be achieved, wherever possible, by seeking redeployment opportunities, the deletion of vacant posts, restrictions on recruitment (taking into account service delivery), natural wastage / turnover and reducing or eliminating overtime, (providing service delivery is not compromised). Where staff are affected, the Council will seek voluntary redundancies as appropriate to minimise compulsory redundancies and where this is unavoidable, appropriate outplacement support will be considered.

Equality Impact Assessments

- 10.10 All budget proposals published in Tranche One 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 D - Equality Impact Assessments of the MTFS report.

Carbon Impact Assessments

- 10.11 All budget proposals published in Tranche One of the budget process have been considered with regards to the carbon impact and where appropriate carbon impact assessments have been completed. At this stage these are initial drafts and will be finalised ahead of Council on 15 January 2020.

The draft Carbon Impact assessments have been collated in tabular form and included within Appendix E of the MTFS report.

11. BACKGROUND DOCUMENTS

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

- 11.1 None

12. APPENDICES

- 12.1 Appendix 1- [Medium Term Financial Strategy 2020/21 to 2022/23- Tranche One 4 November Cabinet Report](#)

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