

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 4
11 NOVEMBER 2020	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Director of Corporate Resource	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2023/24-PHASE ONE

RECOMMENDATIONS	
FROM: Cabinet Member for Finance	Deadline date: 30 November 2020 Cabinet meeting
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers the following updates within the Medium Term Financial Strategy 2021/22-2023/24, which is within the outlined in Appendix 1.</p> <ol style="list-style-type: none"> 1. The Budget Position for 2021/22-2023/24 2. The Phase One service proposals, outlined in Appendix C, within the attached MTFS report; 3. The strategic financial approach taken by the Council; 4. The forecast reserves position, and the statutory advice of the Chief Finance Officer outlined in Section 6, The Robustness Statement, of the attached MTFS report; 5. The revised capital programme; <p>Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 30 November 2020 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 budget for 2021/22.

2. PURPOSE AND REASON FOR REPORT

2.1 Purpose

At the Cabinet meeting on 30 November Cabinet will formally consider the budget proposals included within the Medium Term Financial Strategy, to set a balanced budget for the financial years 2021/22. There is a legal requirement to set a balanced budget for 2021/22. The purpose of that report is to:

- Recommend that Cabinet approve the Phase One service proposals;
- 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 impact of C-19 and other financial challenges facing the Council, in setting balanced budget for the MTFS 2021/22-2023/24;
- Outline the strategic approach and actions taken by the Council to deliver a balanced budget in 2021/22.

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 30 November for consideration

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	30 November 2020
Date for relevant Council meeting	9 December 2020	Date for submission to Government Dept. (<i>Please specify which Government Dept.</i>)	N/A

4. Executive Summary

At Council held on 4 March 2020, the MTFs 2020/21-2022/23 was approved, setting a balanced budget for 2020/21, whilst at the same time outlining budget gaps in excess of £14m from 2021/22 onwards, which would require the Council to make further savings in order to balance the budget in future years.

As outlined within the 2020/21 MTFs, the Council has been operating in challenging financial circumstances for a number of years and unless immediate action was taken to reduce the costs of its operations markedly in the medium term, expenditure was estimated to exceed income with extremely limited recourse to reserves.

Against this backdrop, the Council was awarded a Capitalisation Direction following an application in March 2020 to the Ministry of Housing, Communities and Local Government (MHCLG). This was to enable the Council to implement radical restructuring and service changes to deliver a sustainable budget. Through this application, it was recognised that the Council's reserves balances were very low and needed to be protected in order for the Council to have the ability to invest in transformational change that would bring radical restructuring and service change and maintain some financial resilience for unforeseen events.

As part of the Capitalisation Direction, the Council committed to an intensive six-week period of investigative and service review work to be used to inform the development of a new operating model. This work led by Cabinet and the Corporate Management Team and was facilitated by experts from Grant Thornton and the Local Government Association. By March 2020, £11.9m of savings from restructuring and service change had been identified for more detailed business case development for implementation in this financial year and to close the opening £14.2m 2021/22 budget deficit. Towards the end of March 2020, the Government announced a lockdown of the Country due to the Covid-19 pandemic and the impact of this, and the comprehensive response the Council was required to make, impacted on the identified savings of £11.9m to an estimated £2.7m for delivery. Responding to the pandemic has seen the needs of vulnerable adults and children increase, increased support to adult providers of care, decrease in the ability to achieve additional income planned and decreases in receipts of the payments owed to the council. The Council has experienced an increase on the demand on corporate services to support the activities required to support services during the pandemic. This has been in the form of redeployment of employees to increase the operational capacity of service delivery and an increased need for communications and analytical work overall.

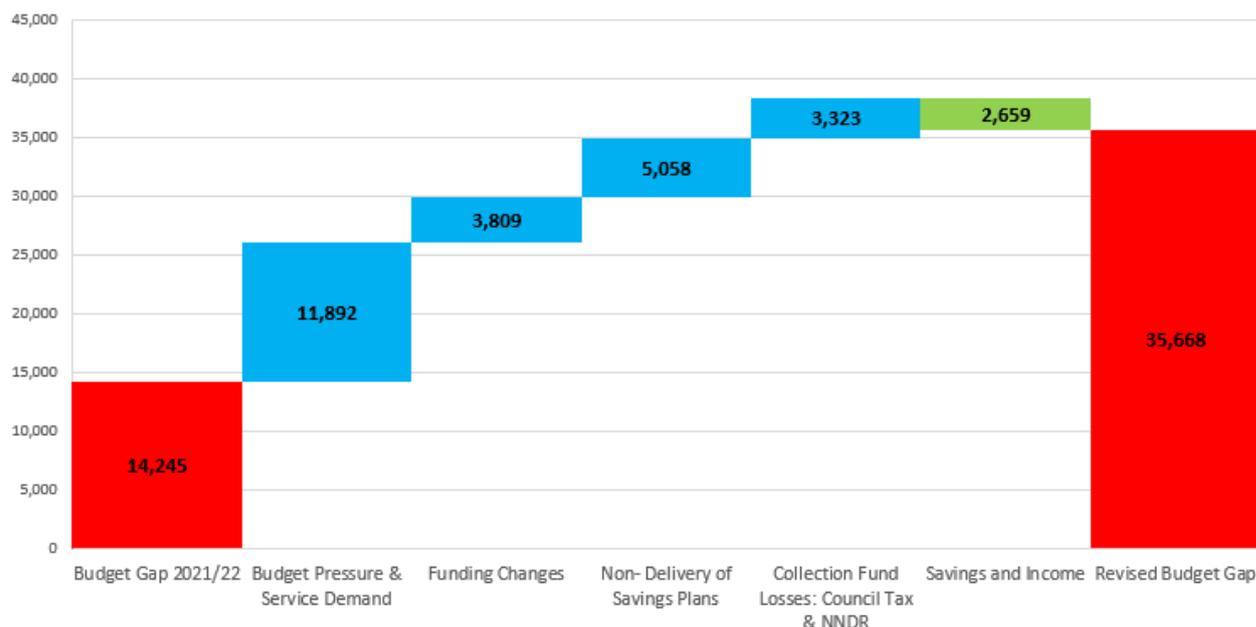
The C-19 pandemic has created other strains on the Council's income and expenditure budgets. As a result, the Council is faced with an estimated budget gap of £35.7m in 2021/22. This report outlines this financial position, and the revised assumptions. Due to the significant levels of uncertainty in the Council's operating environment, the assumptions reflect the most up to date information available at this time and as such may be subject to change in Phase Two of the budget.

The proposed estimated budget position for 2021/22 is summarised in chart 1 below, with further detail shown in Table 1 to this report.

Chart 1: Budget position Summary

Estimated 2021/22 MTFS budget gap

Existing budget gap **£14.2 m** + pressures **£24.1m** - new savings **£2.7m** = revised budget **gap of £35.7m**



The Councils financial and operating position is covered in more detail in sections 4.3. and 4.4, of the attached MTFS Report.

5 Phase One Budget Position 2021/22- 2023/24 Overview

The proposed budget position is summarised within Table 1, with Table 2 setting out the proposals included within this Phase One of the MTFS 2021/22. The major items included within these proposals are:

- Collection Fund deficits and reduced income base for both NNDR and Council Tax
- Additional costs associated with the delivery of Adult and Children's Social Care Services
- Additional costs associated with Aragon Direct Services

Table 1: Phase One Budget Summary Position 2021/22-2023/24

	2021/22	2022/23	2023/24
	£000	£000	£000
Budget Gap from 2020/21 MTFS (Table 3, section 5.1)	14,245	14,808	14,609
Budget Pressure & Service Demand	11,892	12,649	15,168
Funding Changes	3,809	3,515	3,165
Non-Delivery of Savings Plans*	5,058	4,978	4,978
Collection Fund Losses: Council Tax & NNDR	3,323	3,323	3,323
Revised Budget Gap Subtotal	38,327	39,273	41,243
Savings and Income	(2,659)	(2,659)	(2,659)
Revised Budget Gap	35,668	36,614	38,584

*Broken down within table 5

Table 2 details all proposals included within this Phase One, and the financial implications for the three years covering 2021/22-2023/24 and Table 3 outlines the RAG profile of the current savings plans for 2021/22.

Table 2: 2021/22-2023/24 Phase One budget proposals

	2021/22 £000	2022/23 £000	2023/24 £000
Budget Pressure & Service Demand	11,892	12,649	15,168
People & Communities	8,167	9,524	12,143
Care Homes Team investment	73	30	-
Children's- Family Safeguarding	700	700	700
Children's Placements	2,000	2,000	2,000
Adult Social Care- Market sustainability	5,147	4,480	4,815
Adult Social Care- Cost Drivers and Demography review	-	2,314	4,628
Think Communities Investment	247	-	-
Place & Economy	2,000	1,900	1,800
Aragon Direct Services (Peterborough Ltd)	1,500	1,500	1,500
Reduction in Income from sale of electricity from Energy from Waste plant Energy from Waste	500	400	300
Resources	1,725	1,225	1,225
Pay Award- 2.75% in 2020/21	725	725	725
Peterborough Serco Strategic Partnership Control- Budget adjustment	500	500	500
Increase in Sundry Bad Debt Provision- due to the economic impact of the C-19 Pandemic	500	-	-
Collection Fund Losses: Council Tax & NNDR	3,323	3,323	3,323
Funding	3,323	3,323	3,323
Council Tax Collection Fund Deficit- Spread over three years	934	934	934
Business Rates Collection Fund Deficit- Spread over three years	2,389	2,389	2,389
Savings and Income	(2,659)	(2,659)	(2,659)
Capital Financing Costs	(367)	(367)	(367)
Capital Financing Capital Programme Review- Reduction in Capital Financing Costs	(367)	(367)	(367)
Customer & Digital Services	(711)	(711)	(711)
Changes within the ICT Service	(711)	(711)	(711)
People & Communities	(421)	(421)	(421)
Reduce spend on virtual School	(80)	(80)	(80)
Use of Dedicated School Grant (DSG) to fund school related overheads	(250)	(250)	(250)
Disability Forum infrastructure	(32)	(32)	(32)
Reduction of Posts within Adults and Safeguarding	(59)	(59)	(59)
Place & Economy	(944)	(944)	(944)
Brown Bin Fee increase	(190)	(190)	(190)
Peterborough Highway Services	(316)	(316)	(316)
Westcombe Engineering	(100)	(100)	(100)
Housing Service	(238)	(238)	(238)
Sustainable Growth Strategy Savings	(100)	(100)	(100)
Resources	(161)	(161)	(161)
Commercial Property Portfolio	(35)	(35)	(35)
Core Property Contract	(96)	(96)	(96)
Reduction in Security	(30)	(30)	(30)
Public Health	(55)	(55)	(55)
Public Health Falls Prevention Funding	(40)	(40)	(40)
Public Health – Removal of Head of Public Health Intelligence post	(15)	(15)	(15)
Funding Changes	3,809	3,515	3,165

Funding	3,809	3,515	3,165
Council Tax Base Reduction	1,304	1,360	1,360
NNDR income Base Reduction	1,005	1,005	1,005
Increase in Bad Debt Provision - Business Rates	1,000	750	500
Increase in Bad Debt Provision - Council Tax	500	400	300
Total	16,365	16,828	18,997

Non-delivery of savings plans

The Council reviews the progress against the delivery of savings plans monthly at an officer led Corporate Programmes and Finance Board. The position outlined within Table 3 is the most recent position reported to this board. It highlights that £5.1m of existing savings plans were identified at high risk, meaning a high proportion or the full saving was unlikely to be achieved. These include saving plans in respect of:

- Managing Adult Social Care costs and demand, which are no longer possible due to the strain C-19 has placed on these budgets.
- Rental income expected as a result of leasing further floor space at Sand Martin House, which have been unachievable due to the social distancing, an increase in businesses working from home and the general climate experienced in the wider UK economy.
- Home to school transport savings, which are unachievable due to the additional transport requirements to ensure social distancing and additional costs of PPE and other measures to minimise the spread of the C-19.
- A reduction in the cost of business support, which has not been achieved during the pandemic due to the additional capacity required to support the Councils response to C-19.

Table 3: RAG Rating of the Current Savings plans in 2021/22

Directorate	Total identified £000	Green £000	Amber £000	Red £000
Business Improvement and Development	251	118	133	-
Chief Executives	421	421	-	-
Customer and Digital Services	239	159	-	80
Funding	4,286	4,286	-	-
Governance	180	180	-	-
Place and Economy	2,639	2,434	205	-
Resources	5,842	2,328	340	3,174
Capital Financing	993	548	445	-
People and Communities	7,042	1,889	3,349	1,804
Public Health	1,049	699	350	-
Cross Directorate	2,355	82	2,273	-
Total	25,297	13,144	7,095	5,058

6. CONSULTATION

- 6.1 Phase One will be the first Phase of the 2021/22 budget process. The updated budget position was published on 16 October 2020. Consultation feedback will then be considered by Cabinet on 30 November, before recommended for approval by Council on 9 December 2020. The timeline for Phase One of the budget process is outlined in Table 4.

Table 4: 2021/22 Budget consultation timetable

	Phase One
Consultation start date	16/10/2020
Cabinet	26/10/2020
Budget Joint Scrutiny Committee	11/11/2020
Cabinet	30/11/2020
Consultation close date	07/12/2020
Council	09/12/2020

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 (Appendix C of the attached MTFS report) will be available on request. The budget consultation document has been published on the website and on the internal intranet site 'InSite' for residents, businesses and staff to view and provide responses via an online survey. The Council will also seek to raise awareness of the budget proposals via use of social media.

The stakeholder groups outlined in Table 5 have been contacted and offered a virtual briefing on the budget position during the consultation period, to enable residents, partner organisations, businesses and other interested parties to feedback on budget.

Table 5: 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 Paul Bristow	John Holdich and Pete Carpenter
Parish councils	Adrian Chapman
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 Phase One 2021/22 MTFS, which outlines budget proposals to address the financial gap and the financial challenges facing the Council. Cabinet will review the MTFS and the feedback received from the Joint Meeting of the Scrutiny Committee (held on 11 November) at the meeting on 30 November and make a recommendation to Council on 9 December 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 Phase One of the budget, it is anticipated that there will be less than 5 FTE reductions. It is always the aim of the Council to try and minimise compulsory redundancies and the impact on our service delivery. This will be achieved, wherever possible, by seeking redeployment opportunities, the deletion of vacant posts, restrictions on recruitment (considering 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 Phase One of the budget process have been considered with regards to equalities issues and where appropriate equality impact assessments have been completed and will be made available on the Council's website. These have also been included within Appendix F - Equality Impact Assessments, of the attached MTFS report.

10.11 Carbon Impact Assessments

All budget proposals published in Phase One of the budget process have been considered with regards to the carbon impact and where appropriate carbon impact assessments have been completed. These have been included within Appendix G – Carbon Impact Assessments, of the attached 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 2021/22-2023/24](#)