

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 4
17 NOVEMBER 2021	PUBLIC REPORT

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

MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2024/25 - PHASE ONE

RECOMMENDATIONS	
FROM: Cabinet Member for Finance	Deadline date: 29/11/2021
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers the following Medium Term Financial Strategy 2022/23-2024/25, which is outlined in the attached Cabinet report dated 25 October 2021 at Appendix 1:</p> <ol style="list-style-type: none"> 1. The Budget Position for 2022/23-2024/25 2. The Phase One service proposals, outlined in Appendix B, 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 29 November 2021 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 2022/23.

2. PURPOSE AND REASON FOR REPORT

2.1 At the Cabinet meeting on 29 November 2021 Cabinet will formally consider the budget proposals included within the Medium-Term Financial Strategy, to set a balanced budget for the financial years 2022/23. There is a legal requirement to set a balanced budget for 2022/23. 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 2022/23-2024/25;

- Outline the strategic approach and actions taken by the Council to deliver a balanced budget in 2022/23.

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 29 November 2021 for consideration

3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	29 November 2021
Date for relevant Council meeting	08 December 2021	Date for submission to Government Dept. <i>(Please specify which Government Dept.)</i>	N/A

4. **BACKGROUND AND KEY ISSUES**

4.1 **Executive Summary**

At Council held on 3 March 2021, the MTFs 2021/22-2023/34 was approved, setting a balanced budget for 2021/22. This budget was set with reliance placed on the receipt of £13.7m of Exceptional Financial Support (EFS) from government. The offer of exceptional support was in the form of an agreement in principle to a Capitalisation Direction (borrowing to fund revenue expenditure) that is conditional on a series of actions. These actions include the development of a budget which secures the Council's financial sustainability and two government procured assurance reviews being completed. CIPFA was appointed by the Department for Levelling Up, Housing and Communities (DLUHC) for the financial assurance review and Andrew Flockhart for the governance assurance review with both reviews to be completed over Summer and final reports expected to be published in October 2021.

The MTFs 2021/22-2023/34 also outlined budget gaps of £26.8m in 2022/23, rising to £28.9m from 2023/24 onwards. With the scale of the financial challenge in future years remaining, the Council must make further savings and service reductions to balance the budget in future years.

This report outlines the Phase One MTFs plans to reduce the budget gap by £9m, £6.5m of savings proposals and £3.2m of funding changes with £0.7m of newly identified budget pressures. This leaves a remaining gap of £17.8m in 2022/23, rising to £21.1m by 2023/24.

Although this report outlines proposals that reduce the Council's budget gap, more challenging decisions will be required to deliver financial sustainability. The Council will review its key corporate strategy with a view to refocusing priorities. This will provide greater clarity and a framework to inform the allocation of the Council's resource envelope. Alongside a refocused strategy, action plans are being developed in key saving opportunity areas. Officers, Cabinet and the Financial Sustainability Working Group will be progressing the development of proposals in these key areas over the coming months. The specific areas include:

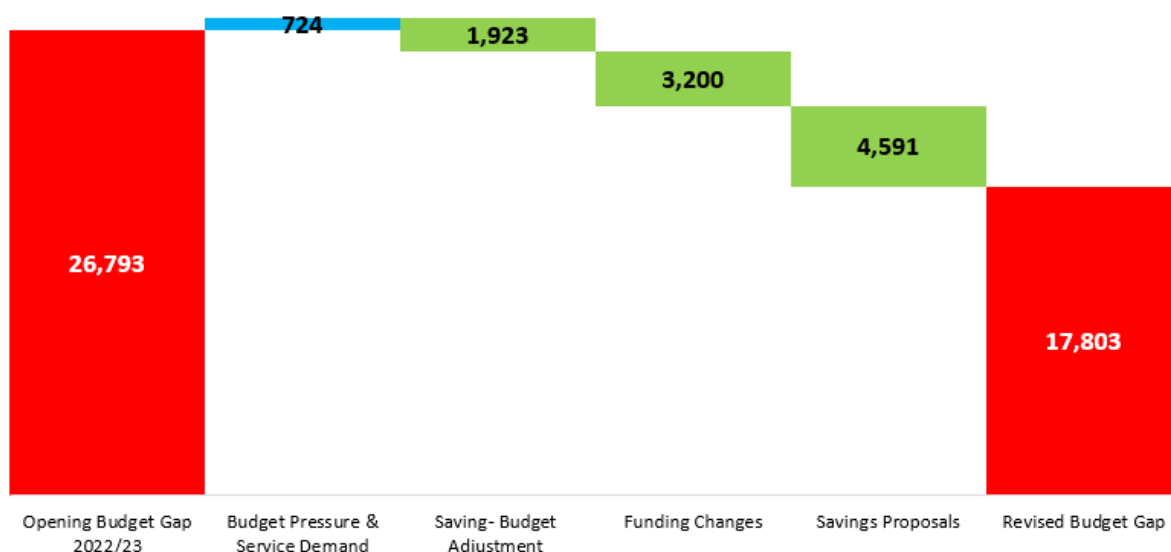
- **Asset sales**
- **Capital programme reduction**
- **Forensic review of all service expenditure**
- **Contract review**

4.2 **Budget Position**

The Council has started the budget setting process for 2022/23 with an opening gap of £26.8m. This Phase One MTFs plans to reduce the budget gap by £9m, £6.5m of savings proposals and

£3.2m of funding changes with £0.7m of newly identified budget pressures. This leaves a remaining gap of £17.8m in 2022/23 rising to £21.1m by 2023/24.

2022/23 MTFS budget gap- Phase One



The Council's financial and operating position is covered in more detail in sections 5.2 and Appendix B of the attached MTFS Report.

4.3 Phase One Budget Position

The following tables summarise the budget position and detail of all proposals included within this Phase One, and the financial implications for the three years covering 2022/23-2024/25.

Budget Summary Position- Phase One

	2022/23	2023/24	2024/25
	£000	£000	£000
Budget Gap from 2021/22 MTFS	26,793	28,910	27,735
Budget Pressure & Service Demand	724	915	979
Revised Budget Gap	27,517	29,825	28,714
Saving- Budget Adjustment	(1,923)	(1,923)	(1,923)
Funding Changes	(3,200)	(2,700)	(2,450)
Savings- Outline Business Case	(4,591)	(4,128)	(3,891)
Budget Gap	17,803	21,074	20,450

Phase One Budget Proposals

	2022/23	2023/24	2024/25
	£000	£000	£000
Budget Pressure & Service Demand	724	915	979
Chief Executive Position (Single Authority not shared)	115	115	115
Coroners- Rising Demand	100	100	100
Insurance Premiums	100	100	100
Sandmartin House Inflation	-	191	255
Social Care Levy - 1.25% increase	409	409	409
Funding Changes	(3,200)	(2,700)	(2,450)
Business Rates Pool (estimate)	(2,200)	(2,200)	(2,200)
NNDR Income Base (estimate)	(1,000)	(500)	(250)
Savings	(4,591)	(4,128)	(3,891)
Bad Debt Provision Review	(500)	-	-

Hydrotherapy pool	(50)	(50)	(50)
Reduce the Capital Programme	(2,245)	(2,017)	(1,780)
Aragon Service Reduction	(221)	(221)	(221)
Aragon- Income Generation	(130)	(130)	(130)
Review the NPS and Property Contract	(300)	(300)	(300)
Serco- Business Support	(651)	(651)	(651)
Serco- Automation of Revenues and Benefits	(100)	(100)	(100)
Serco- Customer Services	(200)	(200)	(200)
Serco- Inflation and Current year recurring saving	(129)	(129)	(129)
Corporate Capacity Review	-	(190)	(190)
Review of Economic Development	(65)	(140)	(140)
Saving- Budget Adjustment	(1,923)	(1,923)	(1,923)
Archiving	(18)	(18)	(18)
Better Care Fund Uplift - 2021/22	(420)	(420)	(420)
Energy Recovery Facility- Improved Energy Pricing	(500)	(500)	(500)
ICT Service Savings	(175)	(175)	(175)
Reduction in stray dog contract	(10)	(10)	(10)
Review Mental Health Management Fees	(50)	(50)	(50)
Aragon- Budget Adjustment	(750)	(750)	(750)
Total	(8,990)	(7,836)	(7,285)

5. CONSULTATION

5.1 Phase One will be the first Phase of the 2022/23 budget process. The updated budget position was published on 15 October 2021. Consultation feedback will then be considered by Cabinet on 29 November 2021, before recommended for approval by Council on 8 December 2021. The timeline for budget process is outlined in the following table.

Budget Timetable

Meeting	Phase One	Phase Two
Budget Consultation Starts	15/10/2021	21/01/2022
Cabinet	25/10/2021	31/01/2022
Joint Scrutiny	17/11/2021	09/02/2022
Cabinet	29/11/2021	21/02/2022
Budget Consultation closes	06/12/2021	28/02/2022
Council	08/12/2021	02/03/2022

This will ensure stakeholder and resident's feedback is received and considered prior to the Council meeting

5.2 Methods of consultation

Hard copies of the budget consultation document (Appendix B of the MTFs report) will be available on request. The budget consultation document has been published on the website and on the internal intranet site 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 the following table 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.

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	Cllr Wayne Fitzgerald and Pete Carpenter
Parish councils	Adrian Chapman
Connect Group – Churches Together	Adrian Chapman and Gillian Beasley
Cambridgeshire and Peterborough Combined Authority	Cllr Wayne Fitzgerald
Opportunity Peterborough Bondholders	Steve Cox and Cllr Wayne Fitzgerald
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	Cllr Wayne Fitzgerald and Gillian Beasley
Peterborough Living Well Partnership	Jyoti Atri
Health Care Executive	Jyoti Atri and Wendi Ogle-Welbourn
School unions	Jon Lewis
Schools Forum	Jon Lewis
Peterborough Pensioners Forum	Debbie McQuade and Oliver Hayward

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Following the release of MTFs Phase One 2022/23-2024/25 report, which outlines budget proposals and strategic approach to addressing the financial gap and the financial challenges facing the Council.

Cabinet will review the consultation feedback and the feedback of the Joint Meeting of the Scrutiny Committee (held on 17 November 2021) at the meeting on 29 November 2021, before making a final recommendation to Council on 8 December 2021.

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 Financial (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.

When it comes to making its decision on 2 March 2022, 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.

The principle of fairness applies to consultation on the budget proposals, both consultations 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 considered in finalising any statutory proposals.

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.

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 balancing the budget, 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.

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 these 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.

Modifications to the Guidance

In June 2020, the Chartered Institute of Public Finance and Accountancy (CIPFA) confirmed amendments to the guidelines in wake of the C-19 pandemic to allow Councils under budgetary pressure as a result of the pandemic time and space to explore alternatives to freezing spending via issuing a s114 notice.

The temporary modifications to guidance proposed by CIPFA would mean that it should not normally be necessary for a s114 notice to be issued while informal discussions with government are in progress. The modifications include the following two additional steps:

- At the earliest possible stage, a CFO should make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming s114 requirement.
- The CFO should communicate the potential unbalanced budget position due to C-19 to MHCLG at the same time as providing a potential a s114 scenario report to the Cabinet and the external auditor.

Human Resources

- 9.3 The savings set out in this Phase One of the budget are expected to have minimal impact on headcount reduction for the Council at this stage. As with any staffing implications, it is the aim of the council to try and minimise any compulsory redundancies and the impact on our service delivery. In the first instance there are a number of elements which the council considers first which are looking for redeployment opportunities, deleting vacant posts, restricting recruitment (considering our 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

- 9.4 All budget proposals published in Phase One of the budget process have been considered with regards to equalities issues, and where an Equality Impact Assessment (EIA), has been required these have been completed and compiled within Appendix E- Equality Impact Assessments, of the attached MTFS report.

Carbon Impact Assessment

- 9.5 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 F – Carbon Impact Assessments of the attached MTFS report.

10. BACKGROUND DOCUMENTS

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

- 10.1 [Medium Term Financial Strategy Phase Two- 2021/22- 2023/24: Budget Cabinet 23 February 2021, item 5](#)
[Budgetary Control Report – May 2021: 12 July 2021 Cabinet, item 9](#)
[Budget Monitoring Report Final Outturn Report – 2020/21: 21 June 2021 Cabinet, item 10](#)

11. APPENDICES

- 11.1 [Appendix 1: Medium Term Financial Strategy 2022/23-2024/25](#)