



# Full Council

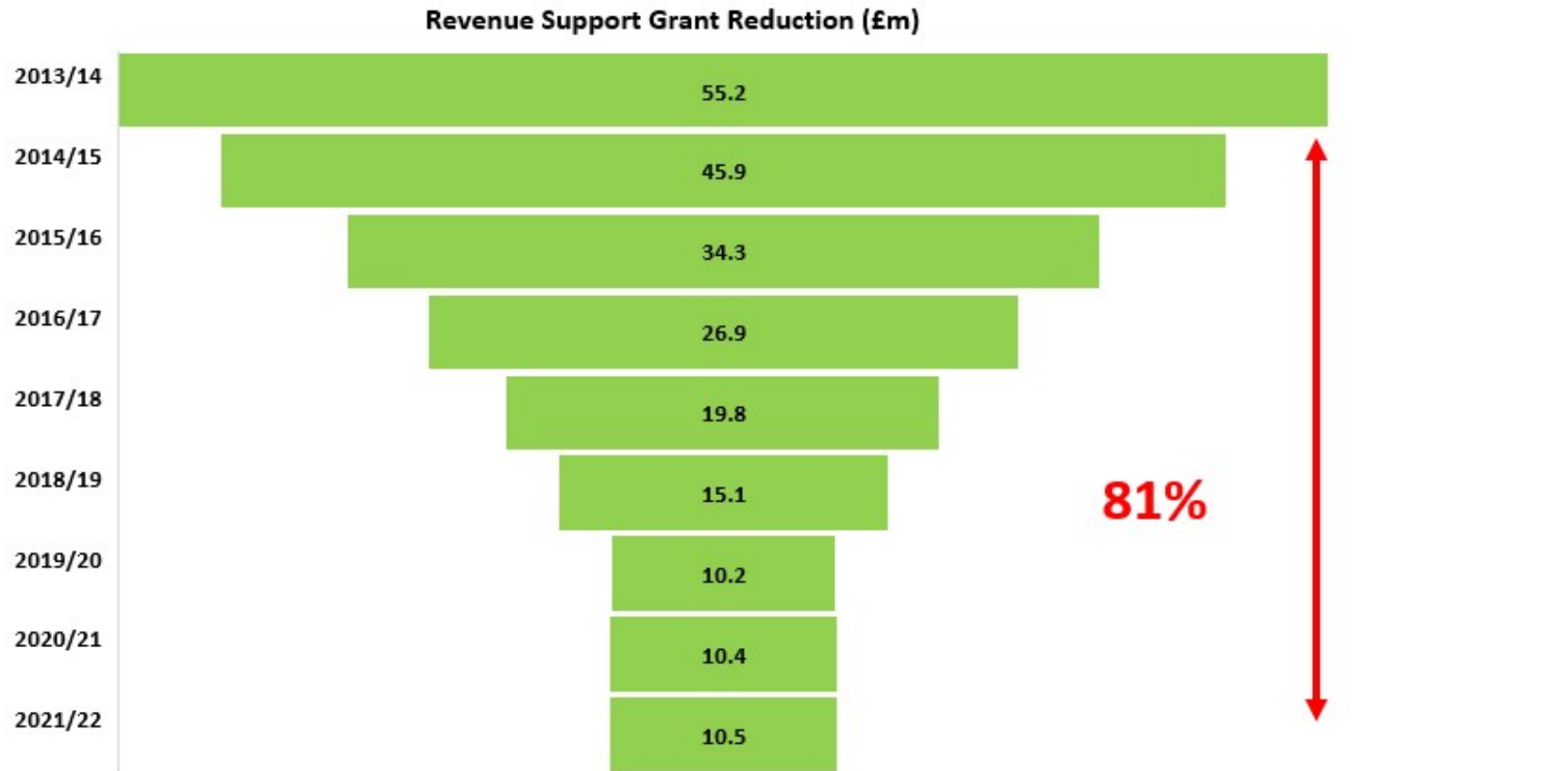
16 December 2021

# Financial analysis of past decisions

Analysis starts in 2018 where the following factors were impacting on Council finances:

- Government funding reductions during austerity which means to date we have lost **£45m of RSG since 2013/14, taking the grant from £55m down to £10m**

# Revenue Support Grant reduction

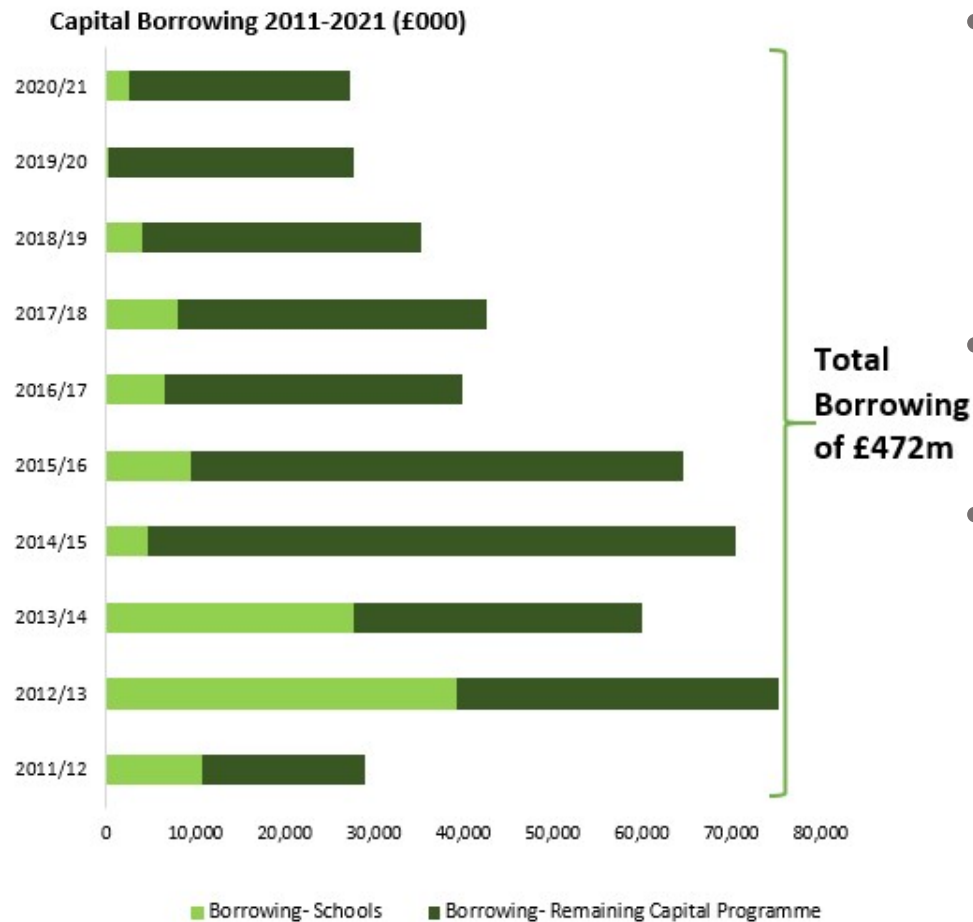


# Financial analysis of past decisions

- Significant increases in population – e.g. schools build programme to provide school places placed a strain on capital budget.

**Since 2011/12 the Council has funded over 40% (£113.4m) of schools' capital expenditure. This includes capital borrowing of £2.5m last year.**

# Capital borrowing



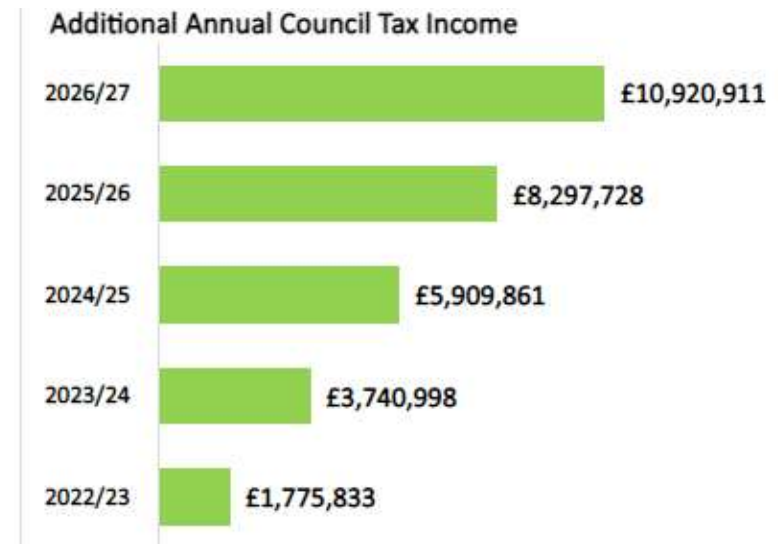
- Since 2011 the Council has spent £836m on its capital programme, including £283m on schools.
- 56% of that was funded through borrowing
- This is £113.4m borrowing just on schools

# Financial analysis of past decisions

- Council Tax Freeze Grants were taken to keep council tax low to protect vulnerable residents who were feeling the effects of austerity- **the Council would have had £9.1m additional income this year.**

# Council Tax

- Council Tax was frozen in 2011/12, 2012/13, 2013/14 and 2015/16 and replaced with the Council Tax Freeze Grant
- Peterborough is £131.59 (8.9%) lower than the average Council Tax Band D for authority
- Since 2016/17 Council has approved in successive budgets the full Council Tax raise
- The chart shows the benefit of an additional 2% over the referendum limit of 1.99%
- However, this approach would need government support or a referendum
- DLUHC reviews advised against this approach and a referendum would cost £250k to hold



# Financial analysis of past decisions

- Significant need in our city putting pressure on statutory services such as schools and education, housing, adults, and children

## What we spend on council services:

The figures below show how we plan to spend our £423.4m 2021/22 gross expenditure budget

- **Regeneration, Planning and Environmental Services**
- **Children's Social Care**
- **Highways and Road Improvements**
- **Communities, Parking and Regulatory Services**
- **Waste Disposal and Street Cleaning**
- **Public Health**
- **Schools and Education**
- **Parks and Open Spaces**
- **Housing Benefit**
- **Housing Needs**
- This money can only be spent on Housing Benefit
- **Recreation, Culture, Leisure and Libraries**
- **Cemeteries, Cremation and Registrars**
- **Capital Financing**
- **Adult Social Care**
- **Support Charges and Other Costs**





# Financial analysis of past decisions

- The Council's financial strategy at that point was to use a reserve specifically established to plug any financial gaps to protect services to residents, so that the Council could transform and respond to reduced funding.

# These factors meant that by 2018...

Low council tax levels

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High capital borrowing

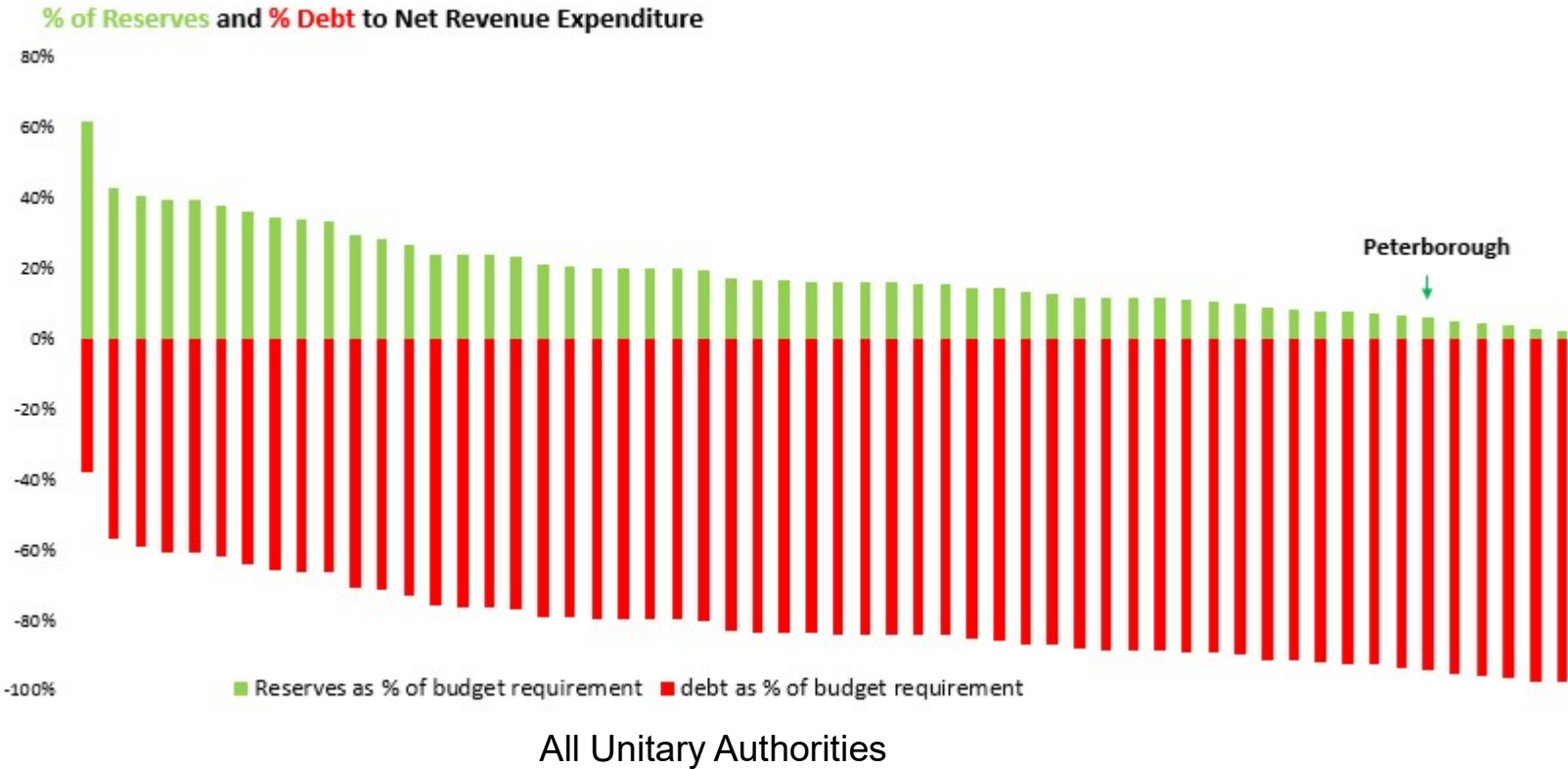
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Protection of services through use of reserves

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**Bankruptcy and Section 114 notice, unless a different course was taken.**

# Capital debt and Reserves comparison



55

# External Challenge

- The Council has been given credit in independent reports for bringing in external challenge to in response to this context.
- In late 2018, two experts in Adults and Children Services worked with us on actions to take in those services and their work was published
- In 2019, Grant Thornton worked with officers to bring in challenge and ideas from other councils.
- External expertise helped the Council to adopt a different approach and develop a three-year plan.

# New Approach

Three-year plan was identified as follows:

- **Year 1 2019/20** – reduction in spending measures to reduce spending and some redesign of services;
- **Year 2 2020/21** – continuance of the measures to allow revision of corporate strategy and the comprehensively revise its MTFS and operating model for services there by creating an affordable and sustainable position.
- **Year 3 2021/22** – adoption of Corporate Strategy & MTFS and introduction of new sustainable operating model.

# Government Representations

- In light of the three-year plan, the Council approached Government, setting out its challenges.
- The commitment in the three-year plan to move to financial sustainability by 2021/22 meant the Council was able to gain our first capitalisation direction.
- Government would not have given the Council this if there was no plan at this stage.

# Progress against the three-year plan

## Year 1- 2019/20

- Reduced projection overspend of £9.5m to a small underspend- through efforts of staff by holding vacancies and introduction of improved spending controls
- Significant reductions in agency spend
- Benchmarking shone a light on high areas of spend and reductions were made
- Adults and Children – introductions of new ways of working to reduce demand on services and the introduction of the Family Safeguarding model

# Progress against the three-year plan

## Year 2- 2020/21

- Plans in place by February 2020 to bring forward measures in 2020/21 to close the £14m gap by £11m of proposals
- Those plans would have been placed before Council in June 2020 as the final part of the work to allow the new MTFs, Corporate Strategy and Operating model for the Council to be introduced in 2021.
- In year 2 the pandemic hit, out of the £11.9m savings identified we were able to include £4.3m in the MTFs. We continue to review the remaining proposals, but many are not now deliverable because the pandemic has changed our operating context.



# Impacts of the pandemic and discussions with Government

- Additional stress on budgets mitigated by COVID funding.
- Indicated to Government we may need further exceptional support in 2021/22 which triggered the independent reports.
- As Job Retention Scheme and COVID Local Support Grant extended in 2021, which delayed and slightly flattened peak of demand we are not looking for exceptional support in year.
- However, we are using COVID reserves to balance in-year and we have recently put a moratorium on spend to reduce the reserves we use in this year.

# Lessons Learnt 1

- Taking the Council Tax Freeze Grants to avoid raising council tax for residents at a time of austerity has created £9m gap
- Since 2016/17 the Council has maximised council tax increases.
- There should always be extreme caution when using one-offs such as selling assets and using reserves to balance the budget
- More determined action to reduce capital borrowing and spend in the capital programme should have been taken at the beginning of this financial year, with capital spend more closely linked to managing demand and growth.

## Lessons Learnt 2

- Our risk attitude and approach to funding projected demand should be reviewed - holding higher risk corporately would mean less funding allocated to service budgets in advance of demand.
- Three-year plan, which included initiatives developed with external experts, should have been restarted earlier in this financial year, particularly work on contracts, assets, and non-statutory spend areas.
- More support for Members to effectively challenge through Audit and Scrutiny – for example on the areas above.

# Themes of the Improvement Plan

- Theme 1 – Financial Sustainability
- Theme 2 – Service Reviews
- Theme 3 – Governance and Culture