

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 4
9 FEBRUARY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance	
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MEDIUM TERM FINANCIAL PLAN 2022/23 PHASE TWO

RECOMMENDATIONS	
FROM: Cabinet Member for Finance	Deadline date: 21 February 2022
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers the following updates within the Medium-Term Financial Plan (MTFP) 2022/23-, which is outlined within Appendix 1.</p> <ol style="list-style-type: none"> 1. The budget position for 2022/23 2. The Phase Two service proposals, outlined in Appendix B, within the attached MTFP report 3. 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 4. The strategic financial approach taken by the Council 5. The revised capital programme <p>Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 21 February 2022 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 21 February Cabinet will formally consider the budget proposals included within the Medium-Term Financial Plan, to set a balanced budget for 2022/23. There is a legal requirement to set a balanced budget for 2022/23. There is a legal requirement to set a balanced budget for 2022/23. The purpose of this report is to:

- Recommend that Cabinet approve the Phase Two budget proposals
- Ask Cabinet to agree that the Medium-Term Financial Strategy is necessarily delayed until September 2022, as proposed in the Improvement Plan that was approved by Council on 16 December 2021
- Outline the financial challenges facing the Council in setting a balanced budget over the medium term
- Outline the tactical 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 21 February for consideration.

3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	21 February 2022
Date for relevant Council meeting	2 March 2022	Date for submission to Government Dept. (Please specify which Government Dept.)	N/A

4. **BACKGROUND AND KEY ISSUES**

4.1 **Executive Summary**

At Council held on 8 December 2021, the Medium-Term Financial Strategy (MTFS) 2022/23-2024/25 Phase One was approved, outlining a revised budget gap of £17.8m in 2022/23, rising to £20.5m at the end of 2024/25. This required the Council to make further savings in order to set a legally balanced budget in 2022/23.

The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserves balances. Despite all of this the Council has continued to perform well, providing vital services to its 200,000+ residents, whilst at the same time managing demand and keeping expenditure low.

Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial challenges and since the summer of 2019 have implemented an enhanced series of expenditure controls. The recently [published report](#) from CIPFA, on behalf of the Department for Levelling-Up, Housing and Communities (DLUHC), should be seen as the position statement for the Council, and the basis of the December 2021 approved Improvement Plan.

The Council's negotiations with DLUHC (formally MHCLG) are well documented and resulted in Capitalisation Directions to support balanced budgets in the years covering for 2020-22. For 2021/22 in order to set a legal balanced budget the Council was reliant on the receipt of exceptional support from Government. That exceptional support was conditionally provided in the form of a Capitalisation Direction which would enable the Council to borrow monies to fund revenue expenditure. As last year's budget report stated '***The Council has no recourse to alternative options. Without receipt of the exceptional support, the Council is not able to set a legal budget which is the requirement of Full Council.***'

Last year's report to Cabinet on the MTFS stated that '*The Council has been operating in challenging financial circumstances for several 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.*' The budget proposed for 2022/23 reflects the parlous state of the Council's finances and is a necessarily tough budget, both in terms of having to propose a Council Tax increase and some reductions to services. However, more positively, the Council has been able to protect most services, and particularly all of those that provide care to our most vulnerable residents.

In setting the proposals for a legal and balanced budget for 2022/23, the following four overriding objectives have been considered:

1. **To protect front-line services as much as possible**
2. **To avoid long-term borrowing to pay for day-to-day expenditure**

3. To protect and improve the reserves position

4. To avoid short-term decisions that would result in increased costs in the medium term

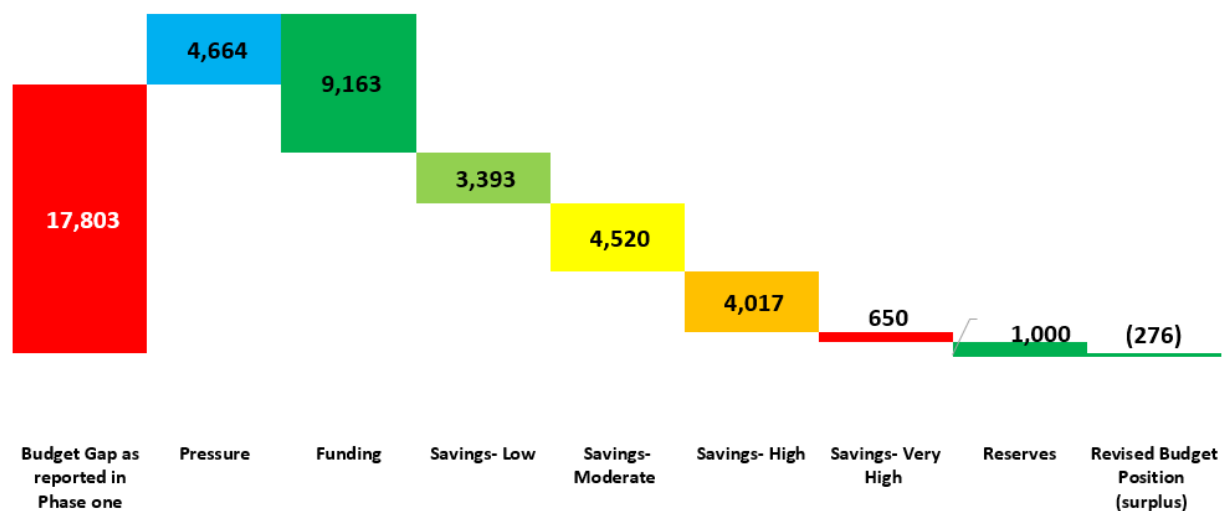
The Council is at a critical stage. Its financial stability is not guaranteed, and the future is uncertain. That is why tackling the finances and budget is being completed in a two-stage approach:

- **Stage One** - A tactical budget for 2022/23, which goes as far as possible to getting the appropriate balance between the four objectives outlined above and contained within this report
- **Stage Two** - A new Medium Term Financial Strategy (MTFS), that requires a fundamental review of how this Council operates, including deciding what services we can afford in addition to our statutory minimum and how services are delivered, how income is maximised, and how to invest in the City without compromising our very future

This MTFP focuses almost entirely on stage one. Stage two, the development of an MTFS, is already underway, but will take time. The new MTFS will be presented to Cabinet in September, for consideration by Council in December. It is conceivable that the new MTFS may result in some changes to the 2022/23 approved spending plans, but cannot and will not affect Council Tax levels.

The proposed changes in 2022/23, from Phase One MTFS to Phase Two MTFS, are summarised in the following chart, with further detail shown in this report and Appendix 1- the full MTFP Cabinet report from 31 January.

Phase Two Budget Position- 2022/23 (£000)



The following table summarises the overall budget position for both Phases One and Two, starting with the opening budget gap of £26.8m as identified within the 2021/22 MTFS.

Budget Position Summary - 2022/23 (Phases One & Two combined)

	2022/23
	£000
Budget Gap from 2021/22 MTFS	26,793
Budget Pressures & Service Demand	5,125
Revised Budget Gap	31,918
Savings	(18,831)
Funding Changes	(12,363)
Reserves	(1,000)
Budget Surplus*	(276)

**holding for further budget adjustments as a result of refining estimates and detailed plans and consideration of consultation feedback. If this is not needed there will be a contribution to the reserves position in line with the overarching financial strategy.*

4.2

Phase Two Budget Proposals 2022/23- 2024/25

The following tables summarise the budget position and detail of all proposals included within this Phase Two MTFP 2022/23.

Budget Summary Position- Phase Two

	2022/23£ 000
Budget Gap	
Budget Gap as reported in Phase one	17,803
Pressure	4,664
Funding	(9,163)
Savings:	
Low	(3,393)
Moderate	(4,520)
High	(4,017)
Very High	(650)
Reserves	(1,000)
Revised Budget Position (surplus)*	(276)

**holding for further budget adjustments as a result of refining estimates and detailed plans, and consideration of consultation feedback. If this is not needed it will contribute to the reserves position in line with the overarching financial strategy.*

Phase Two budget proposals

	2022/23 £000
Pressures	
Adult Social Care- Lifelines	124
Adult Social Care- Market sustainability and Demand	1,869
Adult Social Care Reforms	535
Adult Social Care- Review Backlog	225
Chief Executive Personal Assistant (PA)	50
Clare Lodge- Loss of Income	480
Equality Diversity & Inclusion Joint Role	50
Home to School Transport	486
Housing Enforcement- selective licensing	217
Housing- Temporary Accommodation Pressure-TA Pressure mitigation	178
HR Resource – Capacity	37
Loss of Parking Income	413
Total	4,664

	2022/23 £000
Savings	
Low	(3,393)
Adult Social Care- Interim Bed Review	(120)
Aragon Direct Services	(41)
CCTV	(25)
City College Peterborough- Use of Surplus Balances	(1,000)
Communities Grant Income	(250)

Disband Tourist Information Centre (TIC) team	(73)
ICT Savings	(342)
Pension Costs	(41)
Review Inflation assumptions	(172)
Review of Constitutional Services	(85)
Review of Planning Services	(30)
Serco	(92)
Supporting Families (previously Tackling Troubled Families) continuation	(753)
Unauthorised Encampments	(10)
Transport Levy	(226)
Peterborough Highways Services (PHS)	(133)
Moderate	(4,520)
Adult Social Care- Direct Payments	(87)
Adult Social Care- Front Door	(250)
Adult Social Care- Hospital Discharges	(419)
Adult Social Care- Increased Technology Enabled Care	(100)
Adult Social Care- Reablement	(200)
Citizens' Advice Peterborough	(20)
City Centre Events	(69)
City College Peterborough- Operating Model Review	(500)
Culture & Leisure- Delivery of savings on services	(1,431)
ICT Savings	(550)
Reduction in Tree Management	(250)
Serco- Business Support	(250)
Solar Roof Top Asset Portfolio	(394)
High	(4,017)
Capital Programme Reduction- Revenue impact	(750)
Children Social Care- increased income	(500)
Children Social Care- inhouse fostering	(372)
Contracts and Procurement Saving	(1,700)
Redesign of Communities and Place departments	(316)
Regulatory Services	(135)
Review Energy from Waste (EfW) Budget Assumption	(244)
Very High	(650)
Adult Social Care- Increased Income	(400)
Children Social Care- reunification	(250)
Total	(12,580)

The total package of savings and income can be further analysed into the following:

Category	Recurring savings £000	One-off savings £000	Total saving in 2022/23 £000
Income Generation	(1,926)	-	(1,926)
Contract Efficiencies	(2,109)	-	(2,109)
Use of Technology & Process Efficiencies	(696)	-	(696)
Demand Management	(1,798)	-	(1,798)
Reduction or change in service offer	(3,244)	(250)	(3,494)
Other	(1,557)	(1,000)	(2,557)
Total	(11,330)	(1,250)	(12,580)

Full budget details are outlined in the MTFS report in Appendix 1.

5. CONSULTATION

- 5.1 Hard copies of the budget consultation document 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 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.

5.2 Stakeholder groups and events

Groups and Stakeholders we are consulting with	Lead Officer/Member
Discussion with Trade Unions Joint Consultative Forum (JCF)	Kirsty Nutton and Mandy Pullen
Joint Scrutiny of Budget meeting	Cecilie Booth
MP Paul Bristow	Wayne Fitzgerald
MP Shailesh Vara	Wayne Fitzgerald
Parish councils	Adrian Chapman
Connect Group – Churches Together	Adrian Chapman
Cambridgeshire and Peterborough Combined Authority	Cllr Wayne Fitzgerald
Opportunity Peterborough Bondholders	Steve Cox/ Cllr Wayne Fitzgerald
Greater Peterborough City Leaders Forum	Wendi/Matt
Peterborough Disability Forum	Oliver Hayward
Age Concern UK	Oliver Hayward
Cambridgeshire Police	Matthew Gladstone/Wendi Ogle-Welbourn
Peterborough Civic Society	Steve Cox
Cohesion and Diversity Forum	Adrian Chapman
Joint Mosques Group	Adrian Chapman
Interfaith Council	Adrian Chapman
Peterborough Youth Council	Cllr Wayne Fitzgerald & Matthew Gladstone/Wendi Ogle-Welbourn
Peterborough Living Well Partnership	Jyoti Atri
Health Care Executive	Jyoti Atri /Charlotte Black
Healthwatch Partnership Boards	Oliver Hayward
School unions	Jon Lewis
Schools Forum	Jon Lewis
Peterborough Pensioners Forum	Oliver Hayward

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 The release of MTFP Phase Two 2022/23 report, 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 on the proposals and the MTFP at the meeting on 21 February 2022, before making a final recommendation to Council on 2 March 2022.

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

Legal Implications

- 9.1 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.

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 COVID-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 COVID-19 to MHCLG at the same time as providing a potential a s114 scenario report to the Cabinet and the external auditor.

Human Resources

Whilst it is anticipated that there will be some staffing implications as part of this budget, much of the management focus will be looking at how the Operating Model needs to change in order to meet the needs moving forward and to ensure any staffing impact is minimised.

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 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.

Equalities Implications

9.2 Equality Impact Assessments

All budget proposals published in this 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 G- Equality Impact Assessments of the MTFP document.

Carbon Impact Assessment

- 9.3 All budget proposals published in this budget process have been considered with regards to the carbon impact and where appropriate carbon impact assessments (CIA) have been completed. These have been summarised within Appendix H– Carbon Impact Assessments of the MTFP document.

In some instances, proposals are in the early stages of development and until detailed plans are available the carbon impact cannot be determined. These have been identified as ‘unknown’ at this stage but will be reviewed once detailed plans are available.

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](#)
[Medium Term Financial Strategy Phase One- 2022/23 - 2024-25 - Budget Cabinet 25 October 2021, item 5](#)
[Budgetary Control Report - August 2021 - Budget Cabinet 25 October 2021, item 6](#)
[Budgetary Control Report - September 2021 - Cabinet 15 November, item 8](#)
[Budgetary Control Report- October 2021 - Cabinet 29 November 2021, item 6](#)
[Council Tax Base 2022/23 and Collection Fund Declaration 2021/22 - Cabinet 10 January 2022, item 9](#)
[Budgetary Control Report - November 2021 - Cabinet 10 January 2022, item 10](#)
[CIFPA Financial Review Report - on behalf of DLUHC](#)
[Andrew Flockhart Governance Review- on behalf of DLUHC](#)

11. APPENDICES

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

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