

JOINT MEETING OF SCRUTINY COMMITTEES	AGENDA ITEM No. 4
23 JANUARY 2023	PUBLIC REPORT

Report of:	Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth, Executive Director of Corporate Services and S151 Officer Patricia Phillipson Interim Director: Financial Services & DS151	Tel. 452520

DRAFT BUDGET 2023/24 AND MEDIUM TERM FINANCIAL STRATEGY 2023-2026

RECOMMENDATIONS	
FROM: Cabinet Member for Finance and Corporate Governance	Deadline date: 13 January 2023
<p>It is recommended that the Joint Meeting of Scrutiny Committees reviews and considers:</p> <ol style="list-style-type: none"> 1. The draft Medium Term Financial Strategy 2023/26 outlined in Appendix A- Medium Term Financial Strategy 2023/2026, which includes the key financial assumptions, strategic direction and estimated budget gaps in future years. 2. The proposed draft Budget for 2023/24, outlined in Appendix B- Revenue & Capital Budget 2023/24 which includes: <ol style="list-style-type: none"> a. Funding and Council Tax Summary, which includes a proposed Council Tax increase of 4.99% in 2023/24 and 2024/25. b. Detailed Revenue budgets and proposal detail c. Detailed Capital Budget (Programme) d. Section 25 robustness statement 3. The feedback from the budget consultation summarised in section 4 of this report and outlined in Appendix C- Budget Consultation Feedback 4. The Reserves commitments outlined in section 2 of the draft budget report and the draft Reserves Strategy and Policy outlined in Appendix D- Reserves Strategy & Policy which sets the future direction of travel and planned use of reserves. 5. The Equality Impact Assessments outlined in Appendix E- Equality Impact Assessments, which have been completed for all major budget proposals 6. The Carbon Impact Assessments outlined in Appendix F- Carbon Impact Assessments, which have been completed for all major budget proposals 7. The draft Treasury Management Strategy outlined in Appendix G- Treasury Management Strategy, which has the fundamental roles of managing external investments, outlining the Prudential Indicators, ensuring debt is prudent and economic, and that decisions comply with regulations. 8. The draft Capital and Investment Strategy outlined in Appendix H- Capital and Investment Strategy 2022-25, which manages its assets and investment resources to help achieve the strategic priorities of the Council. 9. The proposed Schools Budget as set out in Appendix I- The Schools Budget 2023/24 	

1.0 ORIGIN OF REPORT

1.1 This report comes to the Meeting of Joint Scrutiny Committees as part of the Council’s process for developing a Medium Term Financial Strategy (MTFS) and budget setting process.

2.0 PURPOSE AND REASON FOR REPORT

2.1 Purpose

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 13 February for consideration.

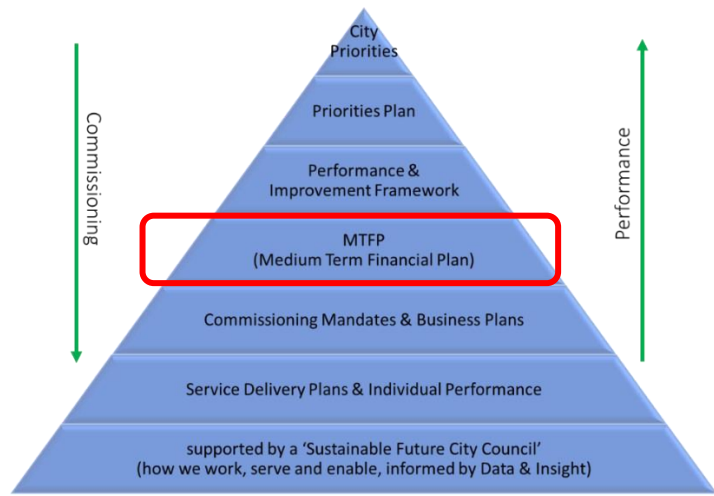
The presentation of the Budget for 2023/24 and MTFS to the Joint Meeting of the Scrutiny Committees is set out in the Council’s constitution under the Budget Policy Framework section 2.6 “As part of the consultation process, the Cabinet shall formally consult on the budget proposals with all scrutiny committees at a joint meeting on these proposals”.

2.2 Background

The Budget for 2023/24, Medium Term Financial Strategy 2023/24-2025/26 and its associated strategies, forms a key part of the Council’s Performance and Improvement Framework. The Budget Report (Appendix B) sets out the Revenue and Capital Budgets for 2023/24, and the MTFS (Appendix A) aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years. Preparation of an MTFS is good financial practice. It’s an important part of understanding the Council’s financial challenges and risks, its financial resilience, and sets out the strategy to deliver long term financial sustainability and viability. The key objectives of the MTFS are:

- To ensure that effective financial planning and management contributes to the Council achieving the corporate priorities
- To ensure that the Council is financially resilient, stable and sustainable for the future
- To maximise the income from Council Tax, Business Rates, and Fees and Charges to support the priorities of the Council
- To continue to improve value for money – managing our people and money more efficiently and effectively to continue to improve value for money, standardise, streamline and share best practice, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services

The following diagram sets out the overall approach and translates this into tangible activity through a single Performance & Improvement Framework.



The [City Priorities](#) and new [Sustainable Future City Council](#) documents, both signed off by city council members, set out the proposed direction of travel for the council and how it will deliver long-term improvements and meet the changing needs of residents in the next three years.

2.3

Overview- Future Sustainable Council

The financial landscape in which the council is operating has been constantly changing. Peterborough's rapidly rising population means that demand for services has increased faster than the average. The Covid-19 pandemic has had a lasting impact as significant spending pressures arising from built up demand and increased complexity of care packages came to fruition.

Added to this, there is an ongoing War in Ukraine, which has seen the Council and other local authorities step up to the mark to support refugees settle safely in the UK. Furthermore, the council now faces rising inflation, which is driving up the cost of delivering services. Like many households and businesses, the council faces increased energy costs and rising costs of pay for its own staff and those who deliver services on its behalf such as care workers. At the same time, the funding the council receives from Government and from Council Tax has not kept pace, with increasing demand for the services the council provides. All of these factors combined has created the perfect storm.

In July, Cabinet considered the council's forecast budget for 2023/24; this identified a forecast budget gap of approximately £9.5m, based on the latest funding and inflationary assumptions available at the time. However, since then the economic picture has vastly changed with inflation and interest rates continuing to grow. This meant in October, due to unprecedented levels of inflation, a nationally agreed pay award for staff creating at least an additional £2m pressure and the council expecting to receive less than originally anticipated from its membership of the Cambridgeshire Business Rates Pool, forecasts indicated that the council's financial challenge could be as high as £21.7m. Given the economic climate the scale of the challenge has been no surprise, and officers have been planning for it and developing strategies as early as possible to meet the very steep challenge, this has included:

- Working closely with councillors as part of our cross-party Financial Sustainability Working Group, to develop budget saving ideas and explore ways to support the council to achieve financial sustainability.
- Working with the Independent Improvement and Assurance Panel, who are experts in specific fields of local government to challenge, scrutinise and advise on our budget proposals to ensure they are robust and provide best value.
- Managing inflation has been a crucial part of our plan, and the Council has taken steps to ensure we maintain a tight grip on these pressures, by:
 - Insourcing the procurement team and using some additional external specialist procurement expertise.
 - Reviewing all contracts to ensure they reflect best value and meet established needs.
 - Reviewing all expenditure budgets, whilst at the same time maintaining a tight grip and control on expenditure.

- Establishing an inflation reserve to mitigate and smooth any immediate pressures

The Corporate Leadership Team have been working closely with cabinet and all members to identify ways that we can make savings and transform service delivery. This includes:

- Continuing to look for ways to reduce spend and get a better deal from those organisations relied on to provide services.
- Continuing to transform the way the Council delivers services, doing things differently in a way that improves outcomes, doing more for less or have somebody else doing it cheaper.
- Reducing the capital programme. The asset disposal programme has reduced the risk of future interest rates exposure and our cost of borrowing by selling surplus assets.
- Stopping 'non vital' services or charging more - as part of this The Council must consider its statutory obligations to those who need help and support the most.

Additionally, the Local Government Provisional Finance Settlement has confirmed additional funding for Adult Social Care, and the Council Tax referendum limits of 4.99% in 2023/24 and 2024/25. This report assumes the Council will set Council tax at the maximum referendum limit, inline with the budget principles approved, and set out within our consultation document.

These actions have enabled the Council to propose a balanced budget for 2023/24, with a gaps of £0.5m in 2023/24 and £1.1m 2025/26 remaining.

The following table outlines at a high level the forecast budget gap over the life of the MTFs:

	2023/24	2024/25	2025/26
People Services	111,108	116,877	120,400
Corporate Services	67,144	74,256	76,115
Place & Economy	24,093	26,054	27,216
Public Health	(314)	(332)	(332)
Total Net Revenue Expenditure	202,031	216,855	223,399
Funding	(202,032)	(216,323)	(222,315)
Estimated Budget Gap	(0)	532	1,084

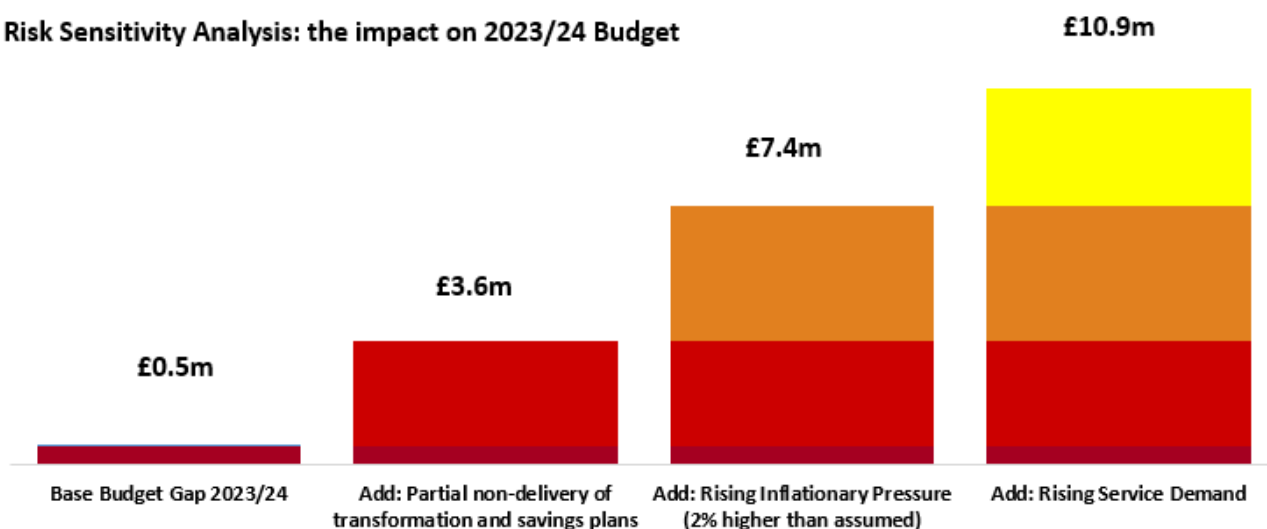
It's important to remember that the financial operating context for the Council, like many other local authorities, remains challenging with uncertainties in the future relating to funding levels due to Adult Social Care and Funding reforms. Notwithstanding the following national issues, driving up the cost of services:

- The continuation of national strikes across a number of sectors and the knock-on impact on Council services.
- Rising rates of inflation and interest, and the effect this has on our cost of Services and borrowing.
- Increasing demand for Council services, resulting from a rising population, complexity of need, cost of living crisis and changes to policy and government direction, eg focus on hospital discharges.

Although the Council has a financial strategy which is close to a balanced position over the next three years, as outlined above there are still a number of risks to manage, some of which are externally driven and beyond the Councils control. There is a high dependency on the Council to continue with the significant financial improvements it has made this year and continue to manage expenditure levels within its funding envelope, deliver preventive and early intervention measures to contain demand and successfully deliver the programme of savings and transformation plans.

The following chart demonstrates what the impact could be to the budget position as a result of these pressures becoming more challenging to manage, and how they could quickly compound and change the position if they are all effected.

Risk Sensitivity Analysis: the impact on 2023/24 Budget



2.4 Final Budget Report – Expected Updates

This report outlines a draft budget to enable Joint Scrutiny to have early sight of the proposals, which will be finalised in advance of Cabinet on 13 February 2023, to reflect the most up to date estimates, or the actions agreed at this meeting. At this time the known expected updates include:

- Any changes as a result of the publication of the Final Local Government Finance Settlement.
- The final NNDR forecast, following completion of the NNDR1 form.
- Public Health Grant allocations for 2023/24
- Council Tax Resolution including confirmation of the parish precepts.
- Drainage and flood levies
- Cambridgeshire and Peterborough Combined Authority (CPCA) Levy- to be set at the CPCA board on 25 January 2023.
- Asset Management Plan
- Budget Virement Policy

2.5 Dedicated Schools Grant and the Schools Budget 2023-24

The Local Authority retains a statutory duty to annually set the schools budget for all schools in Peterborough (Maintained and Academy schools). The majority of the funding for Education comes through the Dedicated Schools Grant (DSG) which totals £277m for 2022/23.

Officers have worked with the Schools Forum, who are the representative group of education providers in the City, to develop budget proposals including draft school level budgets. Briefings have also been held with Headteacher groups and information shared with Governors / Trusts. The local funding arrangements operate within the context of national requirements and guidelines, but we do have some discretion to appropriately target funding at priorities and pressures within the City. Schools Forum are meeting on the 18 January 2023 to consider these final budget proposals.

The final budget requires formal council approval, and as such this will be included within the final budget report to Council on 22 February 2023, with Appendix I outlining the proposed deployment of the DSG.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	13 February 2023
Date for relevant Council meeting	22 February 2023	Date for submission to Government Dept.	N/A

The following timetable outlines the key meeting dates in relation to the MTFS and the Budget for 2023/24:

Timescales	Update
11 July 2022- Cabinet	MTFS Quarter 1 Update ✓
17 October 2022- Cabinet	MTFS Quarter 2 Update ✓
5 December 2022 - Cabinet	Budget Consultation Launch ✓
23 January 2023 - Joint Scrutiny	Draft Budget 2023/24 and MTFS 2023/2026 Report (this report)
13 February 2023 - Cabinet 23 February 2023 - Council	Final Budget and MTFS 2023/24 including the associated strategies <ul style="list-style-type: none"> • MTFS 2023-2026 • Budget 2023/24, including: <ul style="list-style-type: none"> ○ Council Tax resolution ○ Revenue Budget ○ Capital Budget ○ Section 25 (robustness) Statement • Reserves Strategy • Treasury Management • Capital Strategy • Asset Management Plan

In addition to the timetable above, all budget proposals including savings, investment and revised financial assumptions and consultation feedback are considered within the following groups:

- **Budget- Corporate Leadership Team (CLT)**- made up of the council’s corporate directors and finance officers as support.
- **Cabinet Policy Forum (CPF)**- informal meeting of Cabinet.
- **Financial Sustainability Working Group (FSWG)**- Cross-party working group focussed on supporting the delivery of financial sustainability for the council. During the year this group has convened on a monthly basis to consider the Councils financial position and develop proposals to support the Councils budget position. The Budget which has been recommended within this report includes proposals put forward by members of the opposition and agreed collectively by this group. Including the following Proposals:
 - Charging for electric car points- implemented in November 2022 (Liberal Democrat proposal)
 - Delivering Revenue from Council buildings/assets- included as part of the property and Asset proposals (Liberal Democrat Proposal)
 - Focus on Procurement- generating procurement savings and buying local, with a procurement expert now working with the Council working on a strategy, having already insourced the Procurement team from 31 October 2022 (Labour Proposal)
 - Inclusion of Eco Homes as an invest to save bid in the Capital Programme (Green proposal)
 - Focus on planting wildflowers and biodiversity (Green Proposal)
- **Alternative Budget Working Group**- This was established during 2021, with the Chief Finance Officer meeting with the group leaders on a monthly basis to consider alternative budget proposals. Suggestions made by this group were subsequently recommended to FSWG, and these meetings have now stopped.

- **Independent Improvement and Assurance Panel (IIAP)**- who are experts in specific fields of local government to challenge, scrutinise and advise on our budget proposals to ensure they are robust and provide best value.

CORPORATE PRIORITIES

The Budget and MTFs forms a key part of the Council's Performance and Improvement Framework, and aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years from 2023/24 to 2025/26.

This therefore supports all the council's priorities, but forms a key element of the council's budget setting process, therefore it is strongly geared towards enabling the council to deliver on the following priority:

- Supported by a Sustainable Future City Council - adjust how we work, serve and enable, informed by strong data and insight capability and led by a culture of strong leadership.

4.0 CONSULTATION

4.1 Budget Consultation

On 5 December Cabinet launched a budget consultation to seek the views of residents, businesses, stakeholders and service users. The Consultation took place via the following methods:

- Web-based form on the council website, which included ten multiple choice and free text questions to gather the thoughts and views of readers.
- Social media was used to reach out to as many people as possible, directing them to the details and web form.
- Hard copies of the Budget Consultation could be requested.
- Key stakeholders and community groups were contacted with the Budget Consultation details and were offered the opportunity to have a briefing.

The feedback received from the consultation will be considered by and reported to this meeting of Joint Scrutiny Committee on 23 January 2023, and Cabinet on 13 February 2023, before formally proposing a final budget for 2023/24 to Council on 22 February 2023.

Feedback Received

The Council received 50 responses to the online survey, in addition to receiving a separate submission from the interfaith Council. All responses have been included within Appendix C, with the following points summarising the feedback received:

- Most submissions agree that there is a lack of information regarding fostering processes and benefits, with some suggesting online brochures, improved community outreach and communication and publishing anonymised case studies would help, in addition to emphasising the benefits for the children, foster families and the society. People also suggested increasing the pay would make fostering more attractive.
- The most common suggestions on how to support residents to avoid them becoming homeless were: early interventions, cross referencing with schools and other services, information packages and boost Citizen Advice Bureau to provide more assistance.
- In relation to the Community Hub services, the majority of respondents thought residents would benefit most from support with budgeting, market comparison (such as energy providers, insurances, phone and mobile packages), information on types of help available for all classes (working age, children, students, unemployed, elderly, etc), job hunting, debt management and mental health.
- In respect of the question around the Council achieving the zero-carbon target, the responses outlined a clear focus on wanting to see more and better cycling ways, as well as an improved bus service with more routes and running for extended hours, with some suggesting minibuses at reduced fare for routes avoiding the city centre.

- The question about ideas to reduce the Council spending has attracted the most variety of responses, however the most common responses related to potholes and road maintenance being more efficient and causing less disruption, reducing expenditure on pavement cleaning and fly tipping collection by usage of community services, using voluntary services and looking at reducing senior posts within the council's workforce.
- For ways to increase income the responses focussed on improvements to enforcement services (such as parking, litter, and pavement cycling), suggestions on an invest to save approach regarding the city centre and Queensgate to regain its attractiveness and increase tourism via publicity and sponsorships.

More detailed analysis can be found in appendix c, or by using the following link ([survey form analysis](#))

Budget Simulator

Additionally, the council launched a Budget Simulator tool on its website for a six-week period from 17 October to 28 November 2022. The simulator was set up in an easy-to-use format, allowing users to gain a greater understanding of what we spend our money on, and how reducing expenditure or investing in services has consequences, or benefits for the council and residents. Users also had the opportunity to provide comments and ideas. During this period the simulator attracted 185 responses, with the following key points being the key:

- Of all the areas identified for savings and investment, education is the area that most respondents said they did not want to cut funding.
- The average council tax rise agreed by residents was 5%.
- More savings need to be found in adults and children's services.
- Leave hedgerows and grass to grow longer.
- Growing the economy is important to attract better paid jobs and more housing. Others said that too much growth can be damaging for the city.
- We need to look at how much we spend on third parties.
- It is difficult to balance the simulator because of the choices given which are not exhaustive – however this has been a useful tool to raise awareness of the pressures on the council and the difficulty of balancing the budget with the current service delivery.

The Budget Simulator has been highly commended by the council's Independent Improvement and Assurance Panel (IIAP) in its recent report. The following statement is an extract from that report;

“Public engagement has been through the web-based budget simulator tool which has had a significantly higher level of response than normal consultation arrangements. The Council should be commended on this initiative which has highlighted to the community the very real challenge in balancing a complicated budget.”

5.0 ANTICIPATED OUTCOMES OR IMPACT

- 5.1 The release of this draft MTFs 2023/26 and budget 2023/24, outlines the proposed budget and strategic approach to addressing the financial gap in future years.

Cabinet launched a budget consultation which started on 5 December and closes on 8 January 2023. Partner organisations, businesses and other interested parties have been able to feedback what council services matter most. Cabinet will review feedback from the consultation alongside any recommendations from the Joint meeting of Scrutiny Committees at the Cabinet meeting scheduled for 13 February 2023, before making a final recommendation to Council on 22 February 2023.

The Council must set a balanced budget for 2023/24 within the financial resources it will have next year

6.0 REASON FOR THE RECOMMENDATION

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

7 ALTERNATIVE OPTIONS CONSIDERED

7.1 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.

8.0 IMPLICATIONS

Legal Implications

- 8.3 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.
- 8.4 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.
- 8.5 When it comes to making its decision on 22 February 2023, 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.
- 8.6 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.
- 8.7 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.
- 8.8 It should be noted that the consultation undertaken 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.
- 8.9 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.

8.10 **Human Resources implications**

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 transformation of our operating model and aligning business areas to the requirements as set out within the newly adopted Corporate Plan.

As always, 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 there are staffing implications, the Council will seek voluntary redundancies as appropriate to minimise compulsory redundancies and where this is unavoidable, appropriate outplacement support will be considered.

8.11 **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 E- Equality Impact Assessments

8.12 **Carbon Impact Assessments**

All major 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 outlined in Appendix F– Carbon Impact Assessments

9.0 **BACKGROUND DOCUMENTS**

[Quarter 1 MTFS 2023-2026 report](#)

[Quarter 2 MTFS 2023-2026 report](#)

[Budget 2023/24 Consultation Document](#)

[Report of the Independent Improvement and Assurance Panel- 7 December 2022 Council](#)

[Peterborough Improvement Plan](#)

[Sustainable Future City Council Strategy 2022-25](#) and [Our City Priorities](#)

10.0 **APPENDICES**

11.1 Appendix A – Medium Term Financial Strategy 2023/2026

Appendix B- Revenue and Capital Budget 2023/24

Appendix C- Budget Consultation Feedback

Appendix D- Reserves Strategy and Policy

Appendix E- Equality Impact Assessments

Appendix F- Carbon Impact Assessments

Appendix G- Treasury Management Strategy Statement (TMSS)

Appendix H- Capital and Investment Strategy 2022/25

Appendix I- Schools Budget 2023/24

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