

Appendix A – Medium Term Financial Strategy 2024 – 2027 (Q3 update)

Peterborough City Council

1. Our Strategic Framework

The **Council’s Strategic Framework** helps us to make decisions, improvements and manage performance.

It includes the ‘golden thread’ of artifacts that describe our priorities in the long, medium and short term, and which are managed through our commissioning and performance processes. It provides a clear line of sight between the ultimate vision of the City Priorities to day-to-day service delivery and individual performance.

The top-line of the ‘golden thread’ are our **City Priorities**, providing a shared long-term vision for Peterborough. Our approach to realising this long-term vision will be translated into medium-term priorities and programmes of activity - our Priorities Plan.

Our Priorities are the Council’s response to our City’s challenges and explain our overall approach to public service and translates this approach into tangible activity through a single Performance & Improvement Framework.



The Priorities Plan and Performance & Improvement Framework shape and are shaped by the **Medium-Term Financial Strategy (MTFS)**.

The Priorities Plan, including the Performance & Improvement Framework, and our Medium-Term Financial Strategy (MTFS) in turn shape the **Commissioning Mandates, Business Plans** and other documents through which we plan the activity of each service and delivery block within the Council’s system. These then drive frontline **Service Delivery** and **Individual Performance Management**.

2. MTFS Overview

The MTFS is refreshed annually, with a review each quarter. The updated MTFS position is summarised in Table 1 below, outlining a breakdown of how the budget gap changes each financial year, followed by a

summary of the key assumptions. It should be noted that as the Council identifies ongoing proposals to address the budget gap, the future years gap will reduce accordingly.

Table 1: Budget Gap	2023/24	2024/25	2025/26	2026/27
Funding	(202,634)	(220,310)	(230,442)	(240,653)
Net Revenue Expenditure (NRE)	202,634	220,310	233,707	247,587
Budget Gap	-	-	3,265	6,934
Aggregated Budget Gap breakdown	2023/24	2024/25	2025/26	2026/27
2024/25	-	-	-	-
2025/26	-	-	3,265	3,265
2026/27	-	-	-	3,669
MTFS Q3 – Jan 24		-	3,265	6,934
MTFS Q2 - Nov 23	-	6,177	8,627	13,752
MTFS Q1 - Sept 23	-	5,101	6,100	10,508

3. Key assumptions

- Pay award 3% pa in years 2024/25 to 2026/27.
- Children’s & Adult Social Care demand - full detailed review of demand led service budgets undertaken with the review focussed on using recent local demand data, available Census 2021 data and local knowledge to inform revised forecasts.
- NNDR – increases based on business growth and Consumer Price Index (CPI) as per legislation.
- Revenue Support Grant – increasing in line with CPI.
- Council Tax – 4.99% increase per annum.
- Council Tax base – estimated growth of 1,000 homes pa in 2024/25, increasing to 1,100 homes in 2025/26, and 1,200 homes in 2026/27.
- Transport Levy (Cambridgeshire and Peterborough Combined Authority) - 2%

These are outlined in more detail within the report.

4. Detailed Expenditure Assumptions

The key financial assumptions over the life of the MTFS have been reviewed and revised where appropriate. Stress testing these is increasingly important in present times given the speed of the economic changes over the last 18 months.

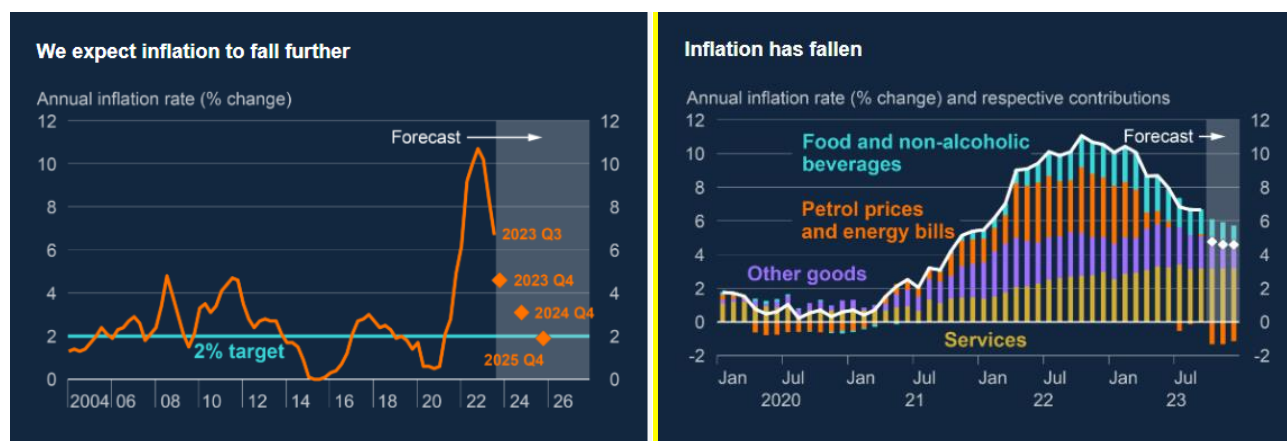
Pay: The assumptions within the MFTS are that the annual pay award will be 3% in each of the three years 2024/25 to 2026/27.

National Living Wage: will increase to £11.44 in April 2024 for workers 21 years and over (an increase of 9.8%). This will create a pressure on our social care budget which could be in the region of £2m.

Pension rates are included at the rate of the latest triennial valuation carried out during 2022, covering the period 1 April 2023 to March 2026. The same rates have been assumed for 2026/27 as it is difficult to predict the outcome of the next triennial valuation.

Inflation: The Bank of England [monetary report](#) (August 2023) has been used to inform the revised MTFS assumptions for our expenditure and income. The report and the following graphs highlight that CPI inflation remains above the 2% target. According to the [Office for National Statistics](#), CPI was 3.9% in the 12 months to November 2023. The current projections are that inflation is expected to continue to fall towards the target 2% in 2024.

Graphs 1 & 2: BoE Inflation Projection and Drivers of inflation



Energy Costs: Higher energy prices have been contributing to the high rate of inflation. The Council’s energy prices have increased by a further 20% from October 2023 due to the nature of the energy contract that the Council is in which buys energy in advance, however we are expecting these prices to drop from October 2024.

The Council has put in place actions, as part of an inflation strategy, to mitigate the impact of inflationary increases in energy. These actions include reviewing energy use in all buildings and council facilities to use less energy to mitigate the cost increase. A workstream has been put in place specifically to tackle the energy pressure and to find ways to mitigate it.

Contract inflation: Contract inflation is also driving pressures and the procurement team, having been recently insourced, are taking actions to drive efficiencies as some key contracts such as those that provide social care are linked to inflation. They are reviewing all contracts to ensure they reflect best value and meet established needs. At the same time the Finance team, together with the service, are reviewing all expenditure budgets, as well as maintaining a tight grip and control on expenditure.

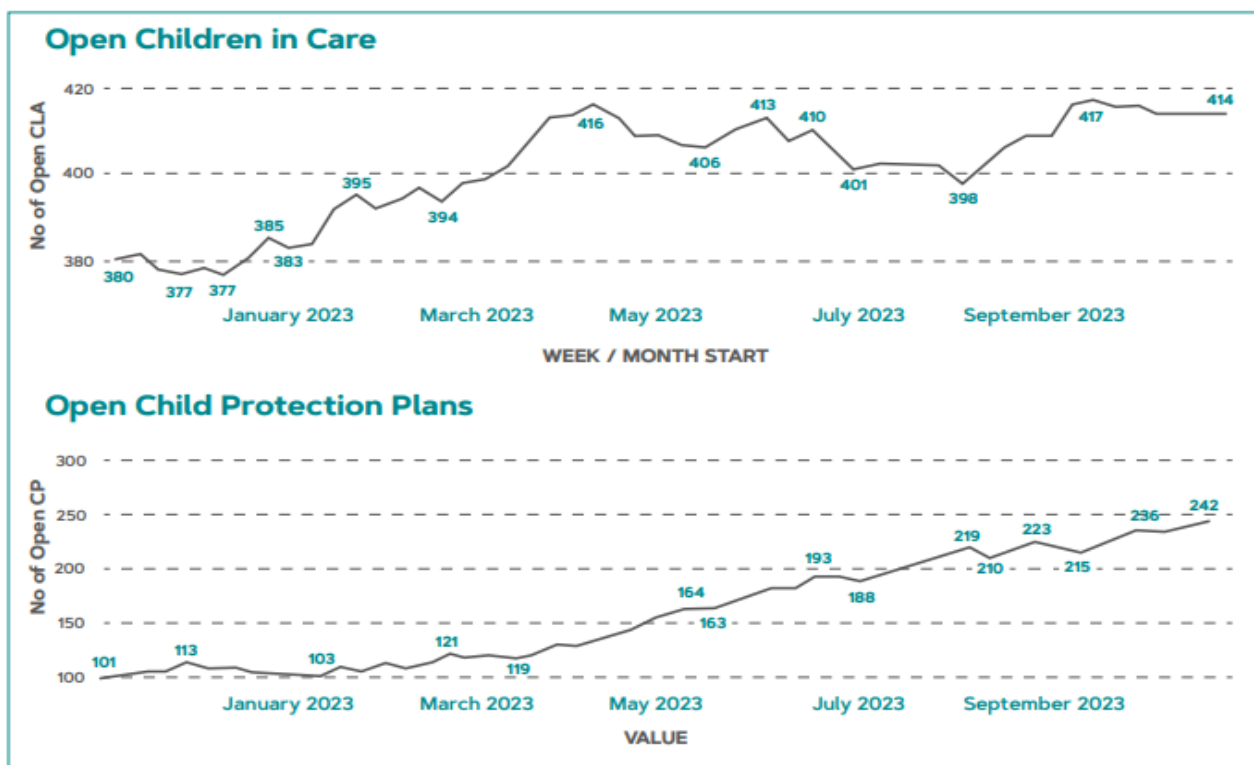
Service Demand

Peterborough is a growing City, with a 17.5% growth in population since the 2011 census. Although this does generate additional income from housing (Council Tax) and business growth (NNDR), it also brings additional demand for our services. A detailed review has been undertaken on the Councils core Social Care budgets to assess the demand projections over the life of the MTFS.

Children’s Social Care: We are spending in the region of an additional £4m since last year on care for young people with very complex needs. The number of children under a child protection plan has increased from

around 101 in November last year to around 242 in November 2023. The number of children in care is also rising, from 380 in January 2023 to 414 as of September 2023. This represents roughly a 9% increase in children’s care placements in eight months, with some of these increasing costs further due to the complexity of their needs. Within the MTFs it is assumed that increases continue into 2024/25, due to the pressures in 2023/24, and then in the later years it is expected that the demand begins to stabilise due to the transformation of Children’s Services and the increase in use of other services such as fostering.

Graphs 3 & 4- Looked after Children

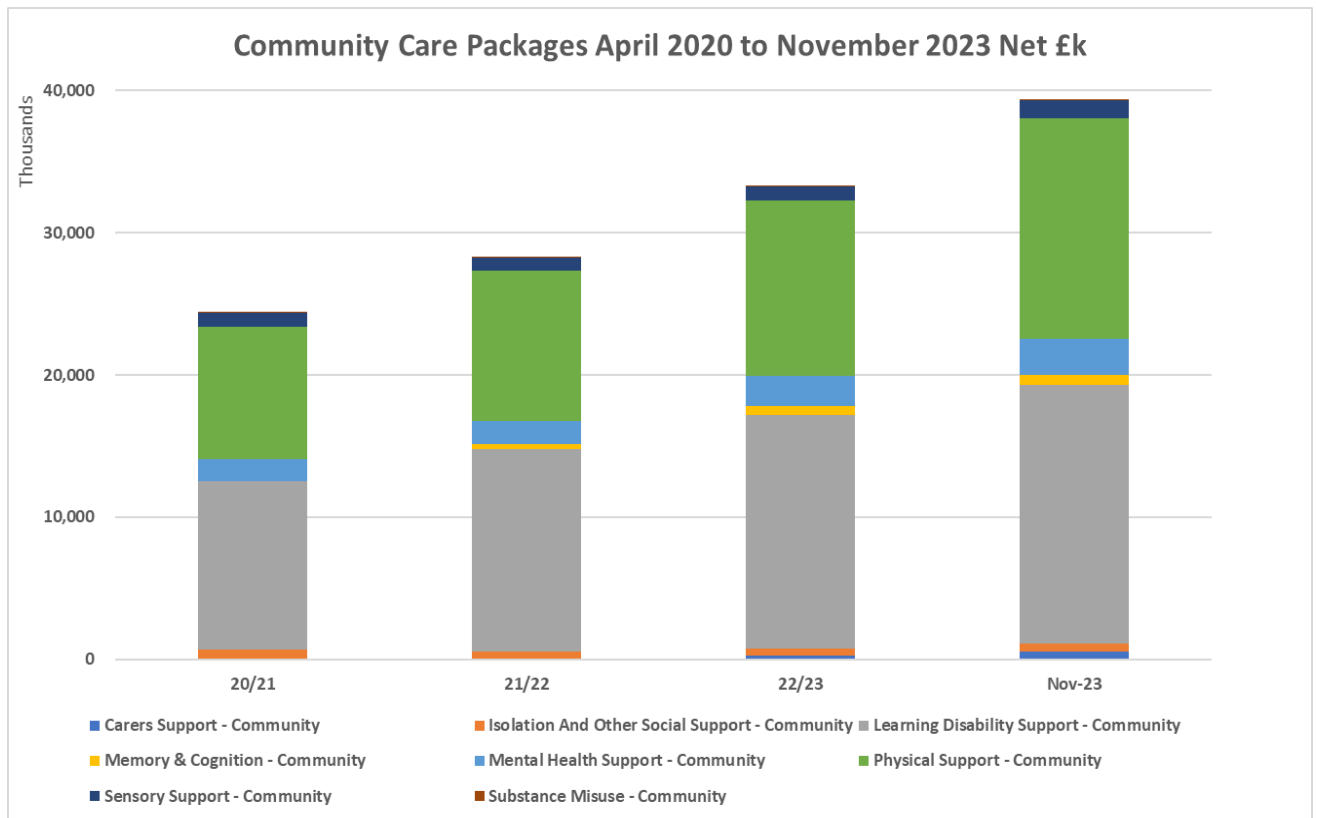
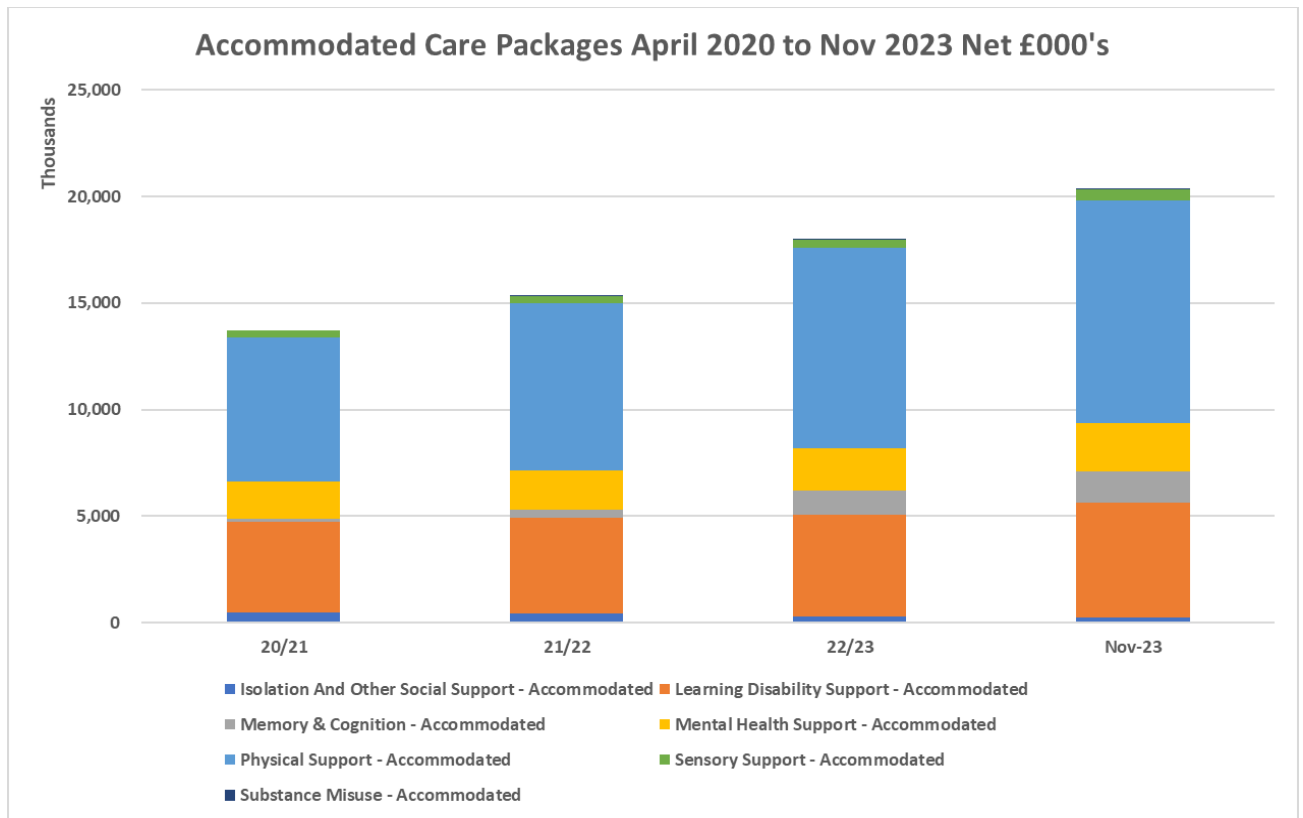


Adult Social Care: Demand for Adult Social Care services has been increasing for a number of years and is showing no sign of slowing down. This year, we have received an average of 3,514 contacts per month to our adult early help team, a 3 per cent increase on last year.

In addition, the care that people require is becoming more complex. This may be an impact of the Covid-19 pandemic where people delayed asking for help and support to meet their needs.

The graphs below show the steady increase in costs both in accommodated care, such as residential care or nursing care homes, which increased by 61%, and community care, which has increased by 48%, over the past three years. This cost increase is predicted to continue over the period of the MTFs.

Graphs 5 & 6- Adult Care Packages over 3 years



Housing

The number of individuals and families requiring support with housing, particularly temporary accommodation, has also remained very high. Requests for help from people in housing crisis are continuing to rise. Last year we predicted a 25 per cent increase in the number of people coming to us at risk of becoming homeless, and this has indeed been the case this year.

Capital Programme

The Capital and Investment Strategy 2024/25 - 2026/27 (Appendix F to the main report) sets out a strategy based on the Council's financial position and guides the development of the Capital Programme in accordance with the key objectives within the Council's Improvement Plan.

The Council recognises it needs to invest in the city to encourage economic development, provide vital council services and improve the way it works. However, it is also recognised the need to reduce the current level of debt and the resulting ongoing cost of borrowing which puts a strain on the revenue budget. The MTFS assumes that capital receipts, third party funding and savings generated because of investment will be used to fund the programme. Other than refinancing of maturing loans, new borrowing will only be undertaken where absolutely necessary over next three years.

The Council has established a process for receiving and reviewing requests for funding and inclusion in the Capital Programme. There is a two-stage process in place where bids are reviewed initially by the Capital Review Group, a multi-disciplinary team, and then considered by the Capital and Transformation Board, a strategic level team. The Capital Board reviews each project to ensure that the business case is robust, the proposed scheme / project meets corporate objectives, and that funding is secured. Further prioritisation is undertaken to assess urgency as well as reprofiling those schemes requiring corporate resourcing to minimise any borrowing requirement if they are more than the total capital receipts and third-party funding available.

Additional third-party funding may become available during the year, so the Capital Programme could, with member approval, be subject to further change. Any slippage from the 2023/24 capital programme will be reviewed for continuation in the Capital Programme.

In September 2022, Cabinet approved a disposal plan report which forms part of the new Asset Management Plan. The disposals plan seeks to dispose of those assets (land or buildings) which do not provide value for money or where assets could be put to better use, in the best interests of residents. In addition to the Disposals Plan, Cabinet have approved the first Phase of the Localities Asset Review which also seeks to repurpose (invest, develop, dispose etc) assets deemed surplus to requirements. Receipts from asset disposals will be used to benefit the council and its residents, for example to reduce borrowing costs or to invest in other council assets.

Borrowing: Interest rates are largely determined by the base rate, and to stabilise inflation the base rate has increased throughout 2023/24 to 5.25% in December 2023, and this maintains the 15 year high. This is aligned with policymakers' efforts to combat inflation, despite indications pointing to a deteriorating economic landscape. The Council's current debt portfolio is based on fixed rate loans so there is no exposure to interest rate rises from variable rate loans but will be exposed to the interest rate risk associated with refinancing maturing debt. The Treasury Management team will continue to work with its treasury advisors Link Group to secure replacement loans at the most opportune time to reduce the cost of borrowing. The Council will utilise cash balances for internal borrowing as well as investing any surplus balances to generate a return with the

aim of achieving the optimum return (yield) on its investments, commensurate with proper levels of security and liquidity and with regard to the council's risk appetite.

5. Detailed Funding Assumptions

Table 2 outlines the Council's estimated core funding levels in the current year and over the life of the MTFs. The majority of funding continues to come from Council Tax and NNDR, comprising 79% of the total core funding. Following the table, we have set out the assumptions made in arriving at the core funding.

Table 2: Funding	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
NNDR	(67,823)	(70,765)	(73,263)	(76,009)
Revenue Support Grant	(12,117)	(12,920)	(13,391)	(13,525)
Council Tax	(95,440)	(104,266)	(111,120)	(118,242)
New Homes Bonus	(811)	(1,268)	(1,268)	(1,268)
Business Rate Pool	(2,070)	(1,894)	(1,934)	(1,949)
Services Grant	(1,699)	(293)	(293)	(293)
Improved Better Care Fund	(7,480)	(7,480)	(7,480)	(7,480)
Social Care Grant	(12,287)	(16,204)	(16,341)	(16,488)
ASC Market Sustainability and Improvement Fund	(1,858)	(3,472)	(3,553)	(3,582)
Discharge Support Grant ringfenced	(1,049)	(1,748)	(1,799)	(1,817)
Core Funding	(202,634)	(220,310)	(230,442)	(240,653)

Council Tax:

- Assumed annual Council Tax increase of 4.99% in all years (2.99% general Council Tax and 2.0% Adult Social Care precept).
- **Band D rate will increase to £1,666.27 in 2024/25, £1,749.42 in 2025/26 and £1,836.72 in 2026/27.**
- The Council Tax base for 2024/25 was set at 62,103.69, as outlined within a report to [Cabinet](#) on 18 December 2023 and forecast to increase by 1,100 homes in 2025/26, and 1,200 homes in 2026/27.
- The budget assumes that the Council will charge the maximum Council Tax premium, in line with the legislation for long term empty properties and second homes, changes to which will come into effect from 1 April 2024 and 1 April 2025 respectively.
- The Strategy reflects the limitations on the ability of local authorities to raise local funding. The Council is currently restricted to a 3% increase on core Council Tax, before the requirement for a city-wide referendum. Any authority proposing an increase in council tax above the referendum limit must hold a local referendum and obtain a 'yes' vote before implementing the increase. If a referendum is held after the beginning of the relevant financial year, the higher rate of council tax will be payable unless and until it is overturned by a 'no' vote in the referendum. Should referendum limits be increased by Government this could help to meet the reported budget gap.

NNDR (Business Rates):

- Business Rates Pool: Assumed based on the performance of Cambridgeshire Local Authorities
- Business Growth of 3% included, this is based on the average increase in gross rates over the last four years.
- Cap compensation will be paid to the council for lost income arising from the Government's decision to freeze the small business rating multiplier.

- Bad debt: A loss on non-collection equivalent to 1% of gross rates.
- Appeals: The appeals provision is forecast to equate to roughly 1% of the Councils total RV.

Grants:

- Revenue Support Grant increasing in line with CPI
- New Homes Bonus – The current scheme is being phased out, with a new scheme still to be confirmed by the Government. In the absence of the new scheme the government has continued to pay a grant based on the most recent year’s housing performance, therefore allocations have been assumed to continue for 2024/25 to 2026/27.
- Services Grant continues to operate in the same way as in 2023/24 but with a significant reduced overall amount (down from £483m to £77m) the reduction in grant has been redistributed to fund the small business rates multiplier compensation and the funding guarantee.
- Improved Better Care Fund - remains at the same level as per 2023/24 allocation.
- The following grants are assumed to increase in future years in line with CPI:
 - ASC Market Sustainability and Improvement Fund
 - Social Care grant
 - Discharge Support Grant

6. Future Sustainable Council – Strategic Direction

In October 2022, members approved a [Sustainable Future City Council](#) strategy which sets out how the Council will deliver long-term improvements and meet the changing needs of residents. [Our City Priorities](#) document set out the proposed direction of travel for the Council to deliver this vision which includes building a Sustainable Future City Council which requires us to have an organisational structure that is built around needs, fixes the basics and delivers excellent customer services using a ‘OneCity – OnePartnership’ approach. This means looking at all aspects of not only what we do but how we do it, together with our City partners.

Officer led Portfolio Boards have been established covering the four key themes from our Corporate Strategy. These boards will identify and drive the opportunities for improvement, particularly where there are cross-cutting opportunities and will focus on the following programmes:

The Portfolio Boards are:

- Economy & inclusive Growth: to grow the economy attracting well paid jobs, enable more affordable homes, ensure Peterborough is attractive with a healthy environment.
- Prevention, Independence and Resilience: to better understand our community and links, and to focus on young people and those with social care needs.
- Creating a sustainable future city council: which enables the governance to ensure the council’s priorities are met and a sustainable budget is delivered.

These Boards will identify and drive the opportunities for improvement, particularly where there are cross-cutting opportunities. These Boards will make services more efficient; creating savings in the medium-term which are mostly not yet quantified and so are not included in the MTFS but will create solutions to help tackle the budget gap in the medium-term. As transformation initiatives mature and a more comprehensive understanding of the benefits (savings, cost avoidance and better outcomes) emerges, these will be fed into the MTFS accordingly. Transformation will be essential to drive a sustainable budget over the MTFS.

Sustainable Future City Council board <i>'Adjust how we work, serve and enable, informed by strong data and insight capability'</i>	
Programme	<ul style="list-style-type: none"> Key Messages/Progress
SERCO Contract	<ul style="list-style-type: none"> Changes scheduled to be delivered by 1st April 2024 Options appraisal concluded - Expert advice received and being considered along with options appraisal
Strategic Sustainability Framework (MTFS)	<p>Develop and embed a fit for purpose Budget Setting Process that ensures Value for money and a sustainable budget</p> <ul style="list-style-type: none"> Balanced budget for 2024/25 achieved by end of December 2023 Q3 updated MTFS projections to be reported in January 2024 Engagement with councillors and stakeholders progressing well for 2024/25 budget setting process
Locality review	<p>To review assets held, to rationalise those assets to ensure a fit for purpose estate where the services are delivered from appropriate buildings that are properly funded and maintained. To release surplus assets for disposal.</p> <ul style="list-style-type: none"> Disposals plan approved, financial implications included in the MTFS (capital and revenue) Debt reduction and investment in retained assets. Review in scope community assets by 1 April 2024 Update reports to Scrutiny Committee in January and Cabinet in February 2024
People & Culture Programme	<p>Redefining our approach to people and culture to improve how we identify, attract, retain, develop and grow the workforce that we need in order to improve the delivery of high value, high quality services and deliver against our priorities.</p> <ul style="list-style-type: none"> Programme of change involving capacity, capability and culture projects and design of other Portfolio Transformation initiatives Staff survey completed – feedback of results in progress, design regarding next steps and action plans Leadership & Curriculum of Learning design
Governance and Companies	<p>Embedding improved governance into the Council, ensuring that decision-making is lawful, informed by objective advice, transparent and consultative.</p> <ul style="list-style-type: none"> Delivered by Q4 2024/25 Plan in place for implementation of recommendations from a governance review, changes to audit committee terms of reference and update of the constitution Review of governance of council corporate entities, closure of dormant companies, training of all members involved in the work of companies to be delivered by Q2 2024/25 Shareholder Committee Terms of Reference changes to make the committee more robust approved 6 December 2023 Ongoing review of each company and member/director training of roles and responsibilities progressing
Digital, Data & Analytics	<p>Actively using data and digital solutions to inform and develop the delivery of services to meet the needs of residents today and help plan for tomorrow</p> <ul style="list-style-type: none"> Three primary areas: Future Innovation (the foundation), Digital for Workforce & Organisation (Ensuring we have the right tools), Customers & Citizens (Optimised customer journey and experience) Digital Board setup and active

- *Customer Experience Transformation Business Case submitted*
- *AI / Co-pilot Transformation Business case submitted*

The Economy & Inclusive Growth

'Maximise economic growth and prosperity in an inclusive and environmentally sustainable way'

Programme	Key Message/Progress
City Council & Citywide net zero plan	<p>Achieve net zero carbon as an organisation by 2030 and support the city to become net zero, through a reduction of emissions produced, local energy generation and an increase in carbon capture</p> <ul style="list-style-type: none"> • <i>Five initial projects delivered by Q4 2025/26.</i> • <i>Grant funding of £2.75m secured to deliver test projects from our Local Area Energy Plan that are then investable from the private sector.</i> • <i>Commenced the procurement of the specialist organisation to develop the full business case for the PIRI scheme.</i> • <i>Launch of the citywide Carbon Literacy training programme, initially focussed on supporting Parish Councils.</i> • <i>Recycling rates continuing to improve.</i>
New Local Plan and Housing Strategy	<p>To prepare and adopt a new Local Plan and Housing Strategy for Peterborough that is up-to-date and will deliver inclusive growth and sustainable development across the city</p> <ul style="list-style-type: none"> • <i>New Local Plan to drive up housing growth.</i> • <i>Call for sites assessment work commenced.</i> • <i>Cross party Member working group has been launched.</i> • <i>New Housing strategy scheduled for adoption in 2024.</i> • <i>Cross party Scrutiny workshop held with a sole focus on housing strategy and homelessness.</i> • <i>Engagement with registered providers now escalated.</i> • <i>Removal of the requirement for bed and breakfast-type accommodation.</i>
Major Growth & Regeneration	<p>Provide new homes and jobs from incoming private sector investment.</p> <ul style="list-style-type: none"> • <i>Secure grant funding for public sector interventions to stimulate growth and break cycles of deprivation.</i> • <i>Delivery of a major growth and regeneration pipeline, securing a target gross development value of £1bn.</i> • <i>Deliver major jobs and homes growth projects, including Station Quarter, Middleholme, City Centre projects, University, and Regional Pool.</i> • <i>Grant funding received for a Housing Capacity Study to identify opportunities for continued housing growth in urban areas.</i>
Skills and Employment Partnership programme	<p>To be relentless in our approach to deliver an extraordinary learning experience, producing a high quality and productive local workforce, through our motivated residents, that have been inspired by our city, our employers and our providers.</p> <ul style="list-style-type: none"> • <i>Creation of a new Peterborough Skills Strategy and delivery plan to drive up earnings, address challenges in hard to recruit sectors, and create a joined-up skills landscape.</i> • <i>Specialist support for the development of the Skills Strategy currently being procured.</i>

Economic Development	<ul style="list-style-type: none"> • <i>Creation of a new Economic Growth Strategy due for completion by March 2024, to create 400+ net new quality jobs per annum, and halve youth unemployment.</i> • <i>Solid progress continues to be made in the development of the Visitor Economy Strategy and the commissioning of the Economic Growth Strategy. These will provide the foundations for all work going forward.</i> • <i>Economic Growth Strategy consultants appointed.</i>
People in Peterborough are Safer	<i>Programme recently added to portfolio – under review.</i>

Prevention, Independence & Resilience
'Help and support our residents early on in their lives and prevent them from slipping into crisis'

Programme	Key Message/Progress
Targeted Prevention Programme	<p><i>We aim to develop new support mechanisms to engage with our most vulnerable in society, providing more timely intervention to improve lives, reduce future demand on acute services.</i></p> <ul style="list-style-type: none"> • <i>Year 1 priority defined December 2023.</i> • <i>Key risks – Capacity to Deliver, Shift in Integrated Care Board (ICB) Priorities.</i> • <i>Mitigation – Resource augmentation, Stakeholder alignment.</i>
Integrated Neighbourhoods	<p><i>Intervene early to support our residents to prevent them from slipping into crisis. Ensuring a community-based early intervention and prevention offer will ensure effective resident conversations to help them define their idea of a better life (support to reduce debt, income maximisation, better housing, and employment, reduced social isolation and independent living.</i></p> <ul style="list-style-type: none"> • <i>Year 1 priority defined Dec 2023.</i> • <i>Service mapping completed across children's early help, adults early help, mental health and wellbeing, housing and homelessness and income maximisation.</i> • <i>Agreement across ICB, Public Health and PCC to prioritise Peterborough for work on integrated infrastructure and commissioning framework.</i> • <i>Work to map out current spend on contract and grant across key areas has commenced with ICB already sharing their data.</i>
Education and Skill in Learning Disability & Mental Health (LD & MH)	<p><i>Developing higher education opportunities that are then linked to securing employment and ensuring that apprenticeships and placements are inclusive and capable of supporting all. To work more collaboratively and focus on co-design with key partners to ensure there are no barriers to education, lifelong learning and employment, including for people with a learning disability or mental health issues.</i></p> <ul style="list-style-type: none"> • <i>Year 1 priority defined December 2023</i> • <i>Mapping exercise to identify gaps in route to employment for people with LD and MH completed.</i>
Improve our use of Digital and Assistive Technology	<p><i>Further developing our digital response to improve resident experience in a cost-effective way including self- assessment/financial assessment, resident and provider portals, shared care record, electronic provider record, and a brokerage management system. Also, to further the development of our Assistive Technology care offer to improve independence and reduce the need for more traditional care.</i></p> <ul style="list-style-type: none"> • <i>Year 1 priority defined by December 2023.</i> • <i>Digital and Assistive Technology framework completed highlighting key required deliverables across the programme.</i>
Community Engagement	<i>Programme recently added to portfolio – under review.</i>

7. National Context & Risks

Local Government Final Settlement and Autumn Statement:

The Autumn Statement was issued on 22 November 2023 with very few new measures for local government. No new funding was announced beyond the increases that were expected and there was no change in the overall planned increase in Resource Departmental Expenditure Limits (RDEL), increases of 1% in real terms over the medium term, which imply real-terms cuts for unprotected local government services.

The Local Government Provisional Settlement was published in a written statement on 18 December 2023, confirming the details outlined within the Autumn Statement. Most of the decisions announced for 2024-25 were in line with our expectations. Some decisions had been effectively announced in last year's Policy Statement, others were announced in last year's Autumn Statement.

In a [written statement](#) on 24 January, £600m of additional funding for local government was announced, of which £500m has been made available for social care. The Local Government Final Settlement published on 5 February 2024 confirmed the allocation to the Council to be £1.6m, all other grant allocations were more or less as outlined in the provisional settlement in December, with a minor (£0.026m) increase in the level of services grant.

The final settlement confirmed a substantial cash-terms increase in councils' core spending power (CSP) next year of £4.5 billion, or 7.5%, however much of this uplift relies on council tax rises which continues to mean that the Council is increasingly reliant on council tax as its main source of income to deliver services. For most of this year inflation has also been considerably higher than 7.5%, with rates only starting to decline in the latter part of the year, meaning that council funding will not have kept pace.

The key headlines (along with the impact on the Council's MTFS) include:

- Social Care Grants - increases in social care funding was announced in the Autumn Statement 2022, and 2024-25 is the second year of these increases. The Adult Social Care (ASC) Workforce Fund allocations will be rolled into the larger ASC Market Sustainability and Improvement (MSIF) grant.
- Revenue Support Grant (RSG) uplifted in line with the Consumer Price Index - 6.62% (increased by £0.8m)
- New Homes Bonus continuing in 2024-25, with the removal of legacy payments, however a benefit has arisen due to increased housing growth (£0.5m increase in grant)
- Council Tax core threshold of a maximum increase of 2.99% and the ASC precept will be 2% in 2024/25.
- 3% Funding Guarantee Grant - the Council will not receive this as overall Core Funding is over the 3% increase.
- Services Grant – substantial cuts have been made to this grant in 2024-25 (£1.4m reduction in grant)
- Public Health Grant - indicative allocations for 2024-25 have been announced (£0.2m increase)
- Business Rates:
 - De-coupling of the business rates multipliers (small and standard multipliers will be set independently of each other).

- The small business rating multiplier will be frozen in 2024-25 (it will remain at 49.9p). Cap compensation will be paid to compensate for lost income arising from the decision to freeze the small business rating multiplier.
- The standard multiplier (payable by businesses with premises valued at more than £51,000) will increase from 51.2p to 54.6p, previously frozen since 2020-21.
- Further retail, leisure and hospitality relief for businesses.

It has been made clear that there is an expectation for local authorities to use reserves to manage spending pressures. The Local Government Policy Statement issued in December 2023 setting out the government's intentions for the Local Government Finance Settlement, included the following statement.

“The government asks authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.” - [\(link to statement here\)](#)

Funding Reforms: The Local Government sector has been anticipating the implementation of major structural changes within the funding system, to reflect changes in relative need, resources and the continuing pressures, such as those most noticeable within Adults and Children's Social Care budgets. There is a renewed commitment from the government to “[improve] the local government finance landscape in the next Parliament”. Any change is going to be after the next General Election and possibly even under a different government. Changes in funding reform could then be very different from those that were proposed by the current government. This means local authorities across the country continue to operate with a high degree of uncertainty around its future funding levels, at the same time the gap between funding levels and need grows increasingly wider. The recently published 2021 census data demonstrates this with the population in Peterborough having increased by 17.5% since 2011, much higher than the national picture at 6.6% and this growth is not being reflected in our current grant funding allocation.

Social Care Reform: The Government recently published ‘Build Back Better: Our Plan for Health and Social Care’ and ‘People at the Heart of Care: Social Care Reform’, which outlined significant legislative changes to Adult Social Care. Whilst the key changes are associated with the introduction of a cap on care costs, changes to financial means testing and the Fair Cost of Care will bring significant new financial implications for the Council. The reforms bring wider changes including Care Quality Commission assurance, carers support, new models for housing and care and a focus on digitalisation and technology. Although the reforms relating to the cap on care costs and changes in financial means testing have been delayed until October 2025, we still face challenges next year to implement the other elements of the reforms, including the Fair Cost of Care and Care Quality Commission Assurance. These changes will be extremely challenging to deliver in terms of both complexity and cost.

Waste Reforms: In October 2023 reforms to household waste and recycling collections were published through the Simpler Recycling Plan with the aim to boost recycling rates and protect the environment. All local authorities, by 31 March 2026, will need to collect the required recyclable waste streams: glass; metal; plastic; paper and card; food waste; and garden waste. The only impact this will have on Peterborough's collection service is a new requirement to expand the weekly food waste collection service to all flats. We expect funding to be available to support this service expansion but the details of this are not yet known. Funding for the management of packaging waste through the Extended Producer Responsibility (EPR) Scheme has been delayed, resulting in local authorities not expecting to receive their first payment until December 2025. The intention, as it is currently understood, is that Local Authorities will receive the full net cost for managing separately collected, in scope, recyclable packaging and the same for in scope materials in residual waste and street litter bins, with the first payment using estimated tonnage now expected in December 2025 rather than 2024. This income will include the value derived from the recycled material, which we already

receive through our current Dry Mixed Recycling (DMR) contract, so that will be netted off from any payments we will receive.

After the initial year where estimates will be used, authority EPR payments will be made in arrears on a quarterly basis using the data from the equivalent quarter from the previous year. It remains unclear how residual waste in scope packaging will be accounted for in this process. It also remains unclear how much money authorities will receive and what service changes might be necessary to comply with the requirement for an “efficient and effective” collection service in the view of the scheme administrator (who is not yet in place). Therefore, at this time, it is unclear how much money we will receive, what an efficient and effective service is and what classification of authority we will be categorised as, which will set out what is expected of us for compliance. A set of defined authority types is to be published which included urban and rural, deprivation and similar metrics to define our funding, we will not be directly compensated for costs through evidence of our actual expenditure.

There are some additional policy changes that will impact on recycling and waste services. These are listed below with current proposed implementation dates:

- Deposit Return Scheme (DRS) – 2025
- Monitoring, Reporting & Verification for implementation of the Emissions Trading Scheme (ETS) – 2025
- Emissions Trading Scheme (ETS) – 2028
- The specific financial implications of DRS and ETS mentioned above are not fully available at this time.

General Election: There is continuing uncertainty over longer term funding and the approach, especially with the possibility of a change in government. An election must be called by the end of 2024, and the prime minister was recently quoted as saying “that it was his “working assumption” the poll would be held in the second half of the year”.

Strategic Risks

The Council assesses the strategic risks to cover the MTF5 period as part of its budget setting process. The Council also invested in a dedicated Risk Manager who oversees this and chairs a Risk Management Board, which is set up to challenge and support risk management across the Council and partner organisations. The output from this Board is considered regularly at Audit Committee. Some of the key risks identified will inevitably have an impact on the Council’s financial position. These include:

- **Inflation:** In the past two years inflation has been at an all-time high. In the current year and within the proposed budget the Council has reviewed its inflationary assumptions and taken measures to manage expenditure. Although rates are now forecast in the right trajectory there is still a risk that the reduction slows, or the economy continues to influence costs such as energy or pay
- **Funding:** The Council is becoming increasingly reliant on local taxation, with Council Tax and NNDR now equating to 79% of the Council’s core funding. This means in challenging economic times, where businesses and households are struggling with the cost of living, the Council bears the greater risk of reduced income levels.
- **Rising Service Demand:** As mentioned within the report the Council is facing rising demand across a number of services including Adults, Children’s, Education and Housing. Assumptions for increasing demand have been incorporated within the proposed budget, however there is still a risk demand may outstrip this and put further pressure on the budget.

- **Funding uncertainty** – there is significant uncertainty around funding with the continuing single year settlements. There has been no further consultation on multi-year settlements, and it is now highly likely to be postponed until at least 2025/26, after the next General Election.
- **NHS integration** - Integrated Care System (ICS) and the risk resulting from health service who are also looking to make savings.
- **Climate Change**- balancing the need to reduce the Council’s carbon footprint and deliver financial sustainability.
- **Interest Rate risk** - the risk of the Council’s budget being affected by changes in interest rates when refinancing maturing debt.

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