

## CABINET

**MONDAY 6 FEBRUARY 2017**  
**10.00 AM**

**Bourges/Viersen Room - Town Hall**

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## AGENDA

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Circulation

**Cabinet Members**

**Scrutiny Committee Representatives**

**Directors, Heads of Service**

**Press**

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## **MINUTES OF CABINET MEETING HELD 16 JANUARY 2017**

### **PRESENT:**

**Cabinet Members:** Councillor Holdich (Chair), Councillor Fitzgerald, Councillor Hiller, Councillor Seaton, Councillor Smith and Councillor Walsh

**Cabinet Advisors:** Councillor Casey and Councillor Stokes

### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Lamb, Councillor Goodwin, and Councillor Elsey.

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest received.

### **3. MINUTES OF THE CABINET MEETINGS HELD ON 5 DECEMBER 2016**

The minutes of the extraordinary meeting held on 5 December were agreed as a true and accurate record.

### **4. PETITIONS PRESENTED TO CABINET**

There were no petitions presented to Cabinet.

### **STRATEGIC DECISIONS**

### **5. COUNCIL TAXBASE, BUSINESS RATES, AND COLLECTION FUND DECLARATION 2017/18\***

Cabinet received a report that formed part of the preparation for setting the Council's budget. The purpose of the report was to consider the Council taxbase, business rates and Collection Fund, so that figures for these could be used in setting the Council Tax and business rate income and could be notified to other affected authorities.

The Cabinet Member for Resources introduced the report, highlighting the main issues contained within. Attention was drawn to the matter of appeals on business rates and the impact this had had on business rates deficit position. This had been highlighted as a concern of the Council to central Government. The report was technical in nature, but also outlined what the Council's aspirations were, including ensuring that resources were available to maintain services.

Cabinet debated the report and in summary, key points raised and responses to questions included:

- It was noted that the Council did not play any role in the hearing of appeals, or the determination of their outcome. The main cause of concern was the volume of appeals being placed. There had been, however, a number of appeal decisions to reduce the amount of business rates paid.

- The method for setting the value of business rates was discussed. This included both the rateable value of a business, and the multiplier level. This was a national method of determination, in order to cater to increase levels of inflation.
- A reevaluation of premises' rateable value was undertaken every five years. If a decrease in value was seen, an increase in the multiplier level would generally also be seen, in order to result in no overall change in business rate levels received by the Council. It was, however, noted that individual business may see a difference in the business rates they paid.
- The level of business rates may impact the rate of growth in the Council area, however, additional growth would also create further business rate and council tax generation.
- It was advised that the concept of the level of business rates received before and after the reevaluation process staying level resulted from a national view that Council's should not significantly benefit.
- It was highlighted that central Government had doubled the small business rate relief from 50 %to 100%.
- An increase in the level of appeals was expected following the reevaluation process.
- Advice was available to business on rate levels. The Cabinet were advised that the Council also made use of these advice services. It was further noted that the Council was able to make representations during the appeals process, similarly to other interested parties.

Cabinet considered the report and **RESOLVED** to:

1. Propose the calculation of the Council Tax Base for 2017/18 set at a level of 54,879.00 Band D equivalent properties based on a council tax support scheme of 30%, delegating authority of final confirmation of the Band D equivalent properties to Corporate Director Resources following approval of the council tax support scheme by Council on 25 January;
2. Note the estimated position on the Collection Fund in respect of Council Tax as at 31 March 2017 being:

Council Tax	£0.210m surplus
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3. Note the estimated position on the Collection Fund in respect of Business Rates as at 31 March 2017 being:

Business Rates	£2.228m deficit
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4. Delegate to the Corporate Director Resources authority for approving and returning the final NNDR1 return to the Secretary of State by 31 January 2017 to include any further revision to the business rates position 2016/17 and Business Rate income 2017/18.

## **REASONS FOR THE DECISION**

The Council Tax Base could be set at a higher or lower level. However, this could have the effect of either inflating unnecessarily the amount of Council Tax to be set, or setting the tax at a level insufficient to meet the Council's budget requirements. A similar position could arise if the surplus or deficit were set at a higher or lower level.

The calculation and return of the information included in the NNDR1 was a statutory requirement which could be formally delegated to an officer. As with council tax if the amount of business rates estimated to be collected was increased or reduced, or the

surplus or deficit was set at a higher or lower level than the amount of income available to the council, this would change with the consequent effect on service provision or council tax levels.

## **ALTERNATIVE OPTIONS CONSIDERED**

The report covered calculations that were all prescribed by regulations with the effect that no other options needed to be considered. Furthermore, alternative tax base calculations had been prepared dependent on the option Council approved on the Council Tax Support Scheme for 2017/18.

## **6. SCHOOLS BUDGET\***

Cabinet received a report that requested approval of the 2017/18 draft budget proposals for schools, to meet requirements detailed in the "Schools revenue funding 2017 to 2018 operational guide".

The purpose of the report was to provide Cabinet with the schools budget proposals for the financial year 2017/18, detailing the basis for the allocation of budgets to schools and identify pressures resulting from government policy.

The Cabinet Member for Resources introduced the report, highlighting the main issues contained within. It was advised that the key issues to note included the Government alteration to the banding of deprivation, in order to allow more funding to be provided to 'deprived' schools. Central Government had also adjusted the standards of 'low prior attainment' to allow from the higher level of testing applied to pupils. Education Services Grants were to cease, although the duties of schools remained the same. This was now intended to be met through school contribution.

Cabinet debated the report and in summary, key points raised and responses to questions included:

- The Government were currently consulting on the national schools funding formula. This was a decision that would, in the future, be made by central Government and not local authorities.
- It was noted that full implementation of the schools budget would not occur until 2019/2020.
- In relation to the removal of the Education Services Grant, it was considered that schools with a higher level of pupils may fare better than those with low numbers, as they would receive a greater contribution from the pupil fund.
- The Looked After Children funding factor was to provide specific support for the particular qualifying children. It was to be removed on a national level as the data was unreliable. Alternative funding would be provided through the pupil premium grant.
- Communication to schools was provided each year in relation to the Armed Forces Allocation. Schools should be passing this information onto parents.
- A large proportion of funding was held back for the school improvement board.

Cabinet considered the report and **RESOLVED** to:

1. Approve the 2017/18 draft budget proposals for schools;
2. Delegate authority for any minor adjustment to proposals to the Corporate Director Resources following the Government's publication of the final 2017/18 Dedicated Schools Grant (DSG) and Education Services Grant (ESG) arrangements; and

3. Note the resultant pressures arising, and that the impact will be included in the phase 2 budget proposals.

## **REASONS FOR THE DECISION**

Cabinet had a statutory duty to agree schools budgets each year.

## **ALTERNATIVE OPTIONS CONSIDERED**

Cabinet could consider using alternative approaches to allocating funding through the formula, however schools forum had been consulted on the approach recommended.

## **7. COUNCIL TAX SUPPORT SCHEME 2017/18**

Cabinet received a report following consultation on proposals for the Council Tax Support Scheme 2017/18, including discussion at the cross party Budget Working Group.

The purpose of the report was to make a recommendation to Council on the Council Tax Support Scheme in Peterborough for the financial year 2017/18. There was a statutory requirement for the Council to set a localised Council Tax Support Scheme by 31 January 2017 and this formed part of the formal budget process under the Budget and Policy Framework.

The Cabinet Member for Resources introduced the report, highlighting the main issues contained within. It was advised that in 2013 the national scheme was replaced with local schemes. The Council had been able to maintain the level of its scheme for the past four years. No comments had been received during the consultation period from the Scrutiny Committee or the Peterborough Community Assistance Scheme Board. Pensioner households would continue to be exempt from the proposals. It was advised that the Council was signed up to the Citizen's Advice Bureau's (CAB) Council Tax Arrears Good Practice Protocol as well as the Discretionary Hardship Policy. The proposals had been shared with the cross party Budget Working Group, where no specific comments were raised.

Cabinet debated the report and in summary, key points raised and responses to questions included:

- In order to claim through the Hardship Fund, individuals would need to approach the CAB, who could guide them through the process. This would allow them to access other guidance from the CAB at the same time.
- A question was raised of the provision of polygamous marriages in relation to determining dependents, as such marriages were not recognised under British law. The Cabinet were advised that the guidance mirrored the national scheme. The number of dependents in such circumstances were still limited to one. The Equality Impact Assessment considered all potential groups.
- It was suggested that that an additional note be included in this section explaining such for future years.

Cabinet considered the report and **RESOLVED** to:

1. Consider the consultation on the council tax support scheme;
2. Note the continuation of the discretionary council tax hardship policy; and
3. Recommend to the meeting of Council on 25 January 2017 a Local Council Tax Support scheme for Peterborough that contains the following local components:

- a) No change to the existing scheme reduction of 30% for all eligible working age claimants
- b) Aligns the Council Tax Support Scheme to Housing Benefit rules making it less complicated for claimants.

## **REASONS FOR THE DECISION**

The Council is statutorily required to approve a council tax support scheme by the 31 January 2017 having had regard for the council's financial position and feedback from responses to the consultation. As part of this consultation, the council is consulting on a council tax discretionary hardship policy.

## **ALTERNATIVE OPTIONS CONSIDERED**

The Council is statutorily required to approve a local scheme by 31 January. Cabinet had discussed the current 30% Council Tax Support Scheme with the cross party Budget Working Group as part of ongoing budget discussions. Options discussed were:

- One option would be to increase the 30% scheme, however this would have a negative impact on low income households with claimants having to pay more council tax.
- Another option would be to reduce the 30% scheme, however, this would require the Council to find savings of up to £2.4m from elsewhere in the budget.

## **8. SCHOOLS ORGANISATION PLAN 2015-2020**

Cabinet received a report that sought agreement of the 2016 update to the Schools Organisation Plan 2015-2020, following the Children and Education Scrutiny Committee held on 14 November 2016.

The purpose of the report was to update the Cabinet further to the School Organisation Plan (2015-2020) which was published in December 2015. This update to the School Organisation Plan (2015-2020) described the 2016 position with regard to school place planning and demography, and proposals for expansion of primary and secondary schools.

Cabinet debated the report and in summary, key points raised and responses to questions included:

- The figure assumptions used within calculations included current pupil levels, birth rates, previous trends, in year growth and house building.
- It was noted that a number of primary schools had received investment to continue to meet the demands placed on them. Growth for a number of primary schools had been over original forecasts.
- Two schools were to be developed in Hampton Garden for 2019, with four form entry by 2021.
- Progress on the Hampton Academies Trust pre-school bid was positive.
- It was noted that there was 577 spare spaces within primary schools across the city at the current time. Work was being done now to cater to future needs and demands.
- Future expansions of Omiston Academy and Nene Trust Academy were expected. This had been considered partly on the basis of a postcode analysis and to ensure that local places were available for local children to mitigate transport.

Cabinet considered the report and **RESOLVED** to:

1. Note the 2016 update to the School Organisation plan (2025-2020); and
2. Agree its contents for publication.

### **REASONS FOR THE DECISION**

The challenge of meeting the demand for school places remained a constant pressure. Peterborough had the third highest birth rate in the country and one of the highest rates of In Year school admissions in the country. The 2015 – 2020 School Organisation Plan had been reviewed and an update was submitted to the Creating Opportunities and Tackling Inequalities Scrutiny Committee in November 2016. The demographic forecasts had been updated and a strategy was in place to ensure that Peterborough fulfilled its statutory responsibility to provide school places. The 2016 update outlined how we met this need.

### **ALTERNATIVE OPTIONS CONSIDERED**

Do Nothing – The consequences of not responding to the recommendations would mean that the Council would be unable to provide sufficient school places and would be in breach of its statutory responsibility.

### **MONITORING ITEMS**

#### **9. OUTCOME OF PETITIONS**

Cabinet received a report following the presentation of petitions directly to Council officers and to Council at its meeting held on 14 December 2016. The purpose of the report was to update Cabinet on the progress being made in response to petitions submitted at meetings of Cabinet and Council.

Cabinet considered the report and **RESOLVED** to note the actions taken in respect of petitions.

### **REASONS FOR THE DECISION**

As the petitions presented in this report had been dealt with by Cabinet Members or officers, it was appropriate that the action taken was reported to Cabinet, prior to it being included within the Executive's report to Council.

### **ALTERNATIVE OPTIONS CONSIDERED**

There had been no alternative options considered.

Chairman  
10.00am – 10:55am



<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>6 FEBRUARY 2017</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director: Financial Services	Tel. 452520 Tel. 384564

**MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2017/18 – 2026/27**

R E C O M M E N D A T I O N S	
<b>FROM:</b> Cabinet Member for Resources	<b>Deadline date:</b> 6 February 2017
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Notes the advice of the Chief Finance Officer per Schedule A, the continuing uncertainty of national public finances, and the risks surrounding forecasts and budget proposals;</li> <li>2. Notes that all grant figures are provisional pending the Final Settlement in February 2017;</li> <li>3. Approves the Phase 2 Budget Conversation, including the conversation document;</li> <li>4. Seeks feedback from Scrutiny, residents, partner organisations, businesses and other interested parties on the budget and budget proposals outlined in the budget conversation document;</li> <li>5. Approves the draft Medium Term Financial Strategy 2017/18-2026/27 as the basis for consultation, as set out in the attached Schedules which comprise of: <ol style="list-style-type: none"> <li>a. Report of the Chief Finance Officer,</li> <li>b. Forecast Revenue Outturn 2016/17,</li> <li>c. Budget Proposals, Key Figures &amp; Cash Limits (including fees &amp; charges proposals),</li> <li>d. Treasury Strategy, Prudential Code &amp; Minimum Revenue Provision,</li> <li>e. Asset Investment Strategy, Acquisition Strategy, Capital Programme &amp; Disposals 2017/18 – 2026/27,</li> <li>f. Asset Management Plan; and</li> </ol> </li> <li>6. Approves for consultation a Social Care precept of 3% for 2017/18 and 3% in 2018/19, as well as the Council tax increase of 2% for 2017/18 and future years, already agreed as part of the 2016/17 budget strategy.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1. This report comes to Cabinet 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 2017/18

**2. PURPOSE AND REASON FOR REPORT**

2.1. The purpose of the report is to consider budget proposals for consultation.

2.2. Cabinet will have a further opportunity to review the consultation feedback on proposals on 27 February 2017 before making a final recommendation to Council.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If Yes, date for relevant Cabinet Meeting	<b>6 FEBRUARY 2017</b>
Date for relevant Council meeting	<b>8 MARCH 2017</b>	Date for submission to Government Dept	<b>15 MARCH 2017</b>

### 4. EXECUTIVE SUMMARY

- 4.1. The report outlines the impact of the provisional local government finance settlement, outlines the Phase 2 budget proposals delivering a balanced budget for 2017/18 and to give an assessment of the financial outlook in future years.
- 4.2. The table in 4.6 below outlines the summary budget proposals for 2017/18 and future years.
- 4.3. The budget for 2017/18 is balanced with the use of the Grant Equalisation (GE) reserve, however, deficits for future years remain, with significant gaps to cover from 2018/19.
- 4.4. The budget for 2017/18 and the indicative MTFs proposes a strategy whereby the Council will:
- Seek to vigorously pursue efficiency savings.
  - Seek out new forms of service delivery to reduce cost and generate income.
  - Seek to be increasingly entrepreneurial in the way it is managed and run.
  - Act in a measured way when examining options to balance further budgets.
  - Look to build upon the efficiency plan that has secured some certainty in the reductions in grant funding.
  - Ensure the significant risks that the Council is likely to face are proactively managed.
- 4.5. The council has undertaken a two stage approach to balance the budget with Cabinet working throughout with a Cross-Party Budget Working Group to share and discuss budget proposals. The total budget gap we face for 2017/18 of £28million will be tackled as follows:
- Phase one - savings proposals of £9.9million approved by Council on 14 December 2016
  - Phase two – savings proposals of £10.8million included within this consultation document should contribute towards closing the gap in budget
  - Use of £7.2million of the Grant Equalisation Reserve

The proposed budget contains no reductions to services

#### 4.6. **Summary Budget Position**

The table below outlines the Phase 1 budget position:

Phase 1	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget before the GE reserve</b>	<b>15,289</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
<b>Planned use of the GE reserve</b>	<b>-11,188</b>				
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Phase 1 - Grant Adjustments	0	0	0	0	0
Phase 1 - Pressures	3,330	2,377	2,844	3,136	3,428
Phase 1 - Investments	182	272	330	352	352
Add back planned use of the GE reserve	11,188				

<b>Initial Budget Gap</b>	<b>18,801</b>	<b>26,996</b>	<b>34,344</b>	<b>37,295</b>	<b>38,065</b>
Phase 1 - Efficiencies	-2,692	-3,729	-3,410	-3,507	-4,060
Phase 1 - Income	-7,256	-2,870	-2,718	-2,720	-2,722
<b>Revised Budget Gap</b>	<b>8,853</b>	<b>20,397</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Use of the GE reserve (£11,444)	-8,853	-2,591			
<b>Total Budget Gap</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>

The table below outlines the Phase 1 budget position:

<b>Phase 2</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Budget Gap (post-Phase 1)</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Phase 2 - Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Phase 2 - Pressures	5,660	5,066	5,040	5,113	5,113
Phase 2 - Investments	653	1,616	2,048	2,110	2,242
<b>Revised Budget Gap</b>	<b>9,149</b>	<b>26,655</b>	<b>37,844</b>	<b>41,466</b>	<b>41,546</b>
Phase 2 - Efficiencies	-1,102	-1,997	-2,748	-2,591	-2,798
Phase 2 - income	-9,706	-8,212	-13,850	-10,022	-12,285
<b>Total Budget Gap</b>	<b>-1,659</b>	<b>16,446</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Re-profiling the GE reserve use	1,659	-1,659			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>

The table below outline lines the overall position including details of the additional savings each year:

<b>Overall Position</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Grant Equalisation reserve add back	11,188				
Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Pressures	8,990	7,443	7,884	8,249	8,541
Investments	835	1,888	2,378	2,462	2,594
<b>Initial Budget Gap</b>	<b>27,950</b>	<b>35,845</b>	<b>43,972</b>	<b>47,693</b>	<b>48,328</b>
Efficiencies	(3,794)	(5,726)	(6,158)	(6,098)	(6,858)
Income	(16,962)	(11,082)	(16,568)	(12,742)	(15,007)
<b>Revised Budget Gap</b>	<b>7,194</b>	<b>19,037</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Grant Equalisation reserve use - £ 11,444	(7,194)	(4,250)			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
<b>Additional savings</b>		<b>14,787</b>	<b>6,459</b>	<b>7,608</b>	<b>(2,390)</b>

- 4.7. The reduction in grants and pressures faced, mitigated in part with the use of the Grant Equalisation (GE) reserve means the council still needs to find savings of £14.8million in 2018/19. By 2020/21 this gap will have doubled to £29million.
- 4.8. Given the scale of the challenges that the Council faces going forward, the desire to keep Council Tax bills low must be offset against the need to protect vital services and vulnerable people.
- 4.9. Therefore, having fully considered the level of pressures identified and savings required, the Cabinet is proposing that Council levy a Social Care Precept of 3% in 2017/18 and 2018/19, as well as the council tax increase of 2% already agreed as part of the 2016/17 budget strategy meaning that the Band D Council Tax will rise from £1,173.04 to £1,231.57

per year, an increase of £1.13 per week. The average property in Peterborough is in Band B, meaning council tax would rise from £912.37 to £957.88 per year - an increase of 88p per week.

4.10. The MTF5 2017/18-2026/27 document attached to this report also outlines the statutory requirements to set a lawful and balanced budget and includes supplementary relevant information to support the medium term financial strategy as follows:

- Report of the Chief Finance Officer
- Forecast Revenue Outturn 2016/17
- Budget Proposals, Key Figures & Cash Limits
- Treasury Strategy, Prudential Code & Minimum Revenue Provision
- Asset Investment Strategy, Acquisition Strategy, Capital Programme & Disposals 2017/18 – 2026/27
- Asset Management Plan

4.11. The financial and technical aspects underpinning Cabinet’s report takes into consideration the report of the Chief Financial Officer, which includes advice on the adequacy of reserves and provisions and the robustness of budget estimates as part of the annual budget process. The report is attached at Schedule a.

## 5. BUDGET CONVERSATION

5.1. Cabinet seeks feedback from all residents, service users, staff and other interested parties in relation to its proposed budget.

5.2. Cabinet is recommended to approve the attached Phase 2 proposals for consultation with stakeholders.

5.3. Phase 2 proposals are detailed in full in The 2017/18 Phase Two Budget conversation document. The budget conversation will close on 5pm on 6th March 2017, with a decision on the Budget to be taken by Council on 8th March 2017, taking into consideration all of the consultation feedback received by that date.

5.4. The conversation document will be available on the Council’s website, and in hard copy form at Town Hall and Bayard Place and in libraries.

5.5. Council leads will attend various meetings and discussion forums to gather feedback. The presentations made at these events will provide the context to the Council’s financial position, phase two budget proposals and include specific issues that may impact on that groups attending the meetings or discussion forum, as well as providing an opportunity to ask more detailed questions.

5.6. The table below indicates the groups that will be asked for feedback on the phase two proposals.

<b>Forum</b>
Borderline and Peterborough Executive Partnership Board
Disability Forum
Schools Forum
Greater Peterborough Partnership City Leader’s Forum
Peterborough Community Assistance Scheme
Youth Council
Business representatives via Opportunity Peterborough Bondholder Network
Peterborough Housing Partnership
Connect Group
Parish Councils
Trade Unions Joint Consultative Forum (JCF)

## **6. ANTICIPATED OUTCOMES**

- 6.1. Approval will enable the Council to undertake consultation on its budget plans for 2017/18 and MTFS to 2026/27.
- 6.2. Cabinet will have a further opportunity to review feedback on the proposals on 27 February 2017 before making a final recommendation to Council.

## **7. IMPLICATIONS**

### **Elected Members**

- 7.1. Members must have regard to the advice of the Chief Finance (s151) Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.
- 7.2. Section 106 of the Local Government Finance Act 1992 applies whereby it is an offence for any Members with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned declare at the outset of the meeting they are in arrears and will not be voting on the decision for that reason.

### **Legal Implications**

- 7.3. 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.
- 7.4. 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 the 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 authority's 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 of the Budget is required to have approval of the Council before the Leader and Cabinet can make that decision.
- 7.5. When it comes to make its decision on 8 March 2017, 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.
- 7.6. A principle of fairness applies to consultation on the budget proposals, both consultation 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 of intelligent consideration and response;
  - adequate time must be given for consideration and response; and
  - the product of consultation must be conscientiously taken into account in finalising any statutory proposals.

- 7.7. 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 applicant for a future benefit.
- 7.8. 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 the savings requirements, 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.
- 7.9. 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 Director of Finance, 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.

#### **Human Resource Implications**

- 7.10. The Phase 1 and 2 budget proposals do not recommend any redundancies. Details of proposals relating to changes in staff terms and conditions are detailed in the Phase 2 budget conversation document.

#### **Equality Impact Assessments**

- 7.11. All budget proposals published in this first tranche have been considered with regards to equality issues and where appropriate equality impact assessments have been completed and are available on the council's website.

### **8. BACKGROUND DOCUMENTS**

- 8.1 None.

### **9. APPENDICES**

- 9.1. Appendix A - The documents comprising the attached Medium Term Financial Strategy are as follows:

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Schedule A – Report of the Chief Officer

Schedule B – Revenue Outturn Forecast 2016/17

Schedule C – Budget Proposals, Key Figures & Cash Limits

Schedule D - Treasury Strategy, Prudential Code & Minimum Revenue Provision

Schedule E - Asset Investment Strategy, Acquisition Strategy, Programme & Disposal 2017/18-2026/27

Schedule F - Asset Management Plan

- 9.2. Appendix B - The 2017/18 Phase Two Budget Conversation Document

# **MEDIUM TERM FINANCIAL STRATEGY**

**2017/18 – 2026/27**

**Cabinet**

**6<sup>th</sup> February 2017**

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## Schedule A – Report of the Chief Finance Officer

### 1. INTRODUCTION

1.1. Under Section 25 of the Local Government Act 2003 the Chief Finance Officer (CFO) must report to the Council in two areas:

- the robustness of the budget estimates
- the identification and management of risks together with the adequacy of the proposed reserves

1.2. The Council must have regard to this report when making budget decisions.

1.3. This report deals with these key issues and summarises the key financial and technical information that supports the setting of the 2017/18 budget and Medium Term Financial Strategy to 2026/27.

1.4. This schedule comprises of the following sections:

- The national & local context
- The Provisional Local Government Finance Settlement
- Current year financial position
- 2017/18 Budget position
- Future financial outlook
- Business Rates
- Spending power assumptions
- Council Tax
- Education funding
- Reserves, balances and robustness of estimates
- Fees and charges
- The capital programme 2016/17 to 2025/26 including the Acquisition Strategy, Asset Investment Strategy and Treasury Strategy
- Budget virement limits
- Budget risks
- Devolution
- Adult Social Care Precept

1.5. Schedule B details a Summary of forecast revenue outturn for 2016/17

1.6. Schedule C details the key financial information underpinning the MTFS and includes the following sections:

- Investments
- Pressures
- Savings
- Detailed 5-Year Budget Position
- Key figures 2017/18 – 2026/27
- Other Grants
- Departmental Cash Limits
- Summary Budget by Department 2017/18 – 2021/22
- Council Tax Position
- Schedule of Fees & Charges

## 2. NATIONAL & LOCAL CONTEXT

- 2.1. The budget is set in the context of the most incredibly challenging financial times local government has ever faced.
- 2.2. The Local Government sector is facing increasing demands for services particularly within Adult Social care services, whilst at the same time facing severe reductions to its funding. Over the course of this Parliament, Councils are expected to face additional funding cuts of 40% nationally (Source: LGA), meaning an extra £20bn of savings must be found nationally to meet this gap. When taken together with cuts experienced since 2010, the total reduction to Local Government funding by 2020 will hit 64%.
- 2.3. This is a huge challenge, and we must find more new and innovative ways to deliver our services to ensure a sustainable financial future for the Council.
- 2.4. Furthermore, the Provisional Local Government Finance Settlement announced on 15th December 2016, outlined further changes to the New Homes Bonus grant that reduces the benefit to growing areas such as Peterborough.
- 2.5. Locally, Peterborough City Council's priorities continue to be:
- Drive growth, regeneration and economic development
  - Improve educational attainment and skills
  - Safeguard vulnerable children and adults
  - Implement the Environment Capital agenda
  - Support Peterborough's culture and leisure trust Vivacity
  - Keep all our communities safe, cohesive and healthy
  - Achieve the best health and wellbeing for the city
- 2.6. The budget is set within the context of these priorities, according to the Council's constitution.

2.7. The budget for 2017/18 and the indicative MTF5 proposes a strategy whereby the Council will:

- a) Seek to vigorously pursue efficiency savings.
- b) Seek out new forms of service delivery to reduce cost and generate income.
- c) Seek to be increasingly entrepreneurial in the way it is managed and run.
- d) Act in a measured way when examining options to balance further budgets.
- e) Look to build upon the efficiency plan that has secured some certainty in the reductions in grant funding
- f) Ensure the significant risks that the Council is likely to face are proactively managed.

2.8. Peterborough City Council continues to have one of the lowest Council Tax levels in the country. The graph in Appendix D shows how Peterborough's level of Band D Council Tax compared to its Unitary Authority peers in 2016/17. It shows that Peterborough residents paid the 5th lowest level of Council tax of 56 Unitary Authorities.

2.9. As funding reductions continue to affect the Local Government sector as a whole, Peterborough is experiencing significant additional financial pressures of £9m for 2017/18. This pressure is mainly as a result of increasing demand for services (especially in Adult Social Care), increased complexity of services required and changes in demographics within the city.

2.10. The Council has a range of statutory services that it is required by law to provide, and with demand for these services increasing, the Council has a legal duty to meet these extra demands. Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in priority areas. The advice contained within this report has regard for the Council priorities.

2.11. The impact of reduced funding and increased pressures in social care and other areas means that liveability services will be squeezed. However the Council has looked at innovative ways to generate savings such as creating new income streams, improving processes and investment into better digital systems. This will create efficiencies, providing a level of protection for service which may have otherwise seen a reduction in service offer.

### **3. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT**

3.1. The provisional local government financial settlement for 2017/18 was announced on 15<sup>th</sup> December 2016. This detailed the Revenue Support grant, and some smaller grant allocations for the next three years, inline with the multi-year settlement offer secured by

Schedule A- Report of the Chief Finance Officer

the Council in October 2016. The key headlines from the settlement were the changes in funding allocations from New Homes Bonus for 2017/18 and future years and the introduction of a one off Adult Social Care grant in 2017/18 which are detailed within section 3. The final position will be confirmed in February when the Final Settlement is published.

- 3.2. A full list of other grants is included in Schedule C.

***Multi-Year Settlements***

- 3.3. The Government had previously offered Councils the opportunity to accept a Four-year funding settlement, which would allow Councils some certainty in the level of revenue support grant that they will receive in future years (they will still reduce, but there should be some certainty over that reduction). This will aid financial planning and alignment of resources to the Council's vision and priorities. It is particularly useful in enabling the planning of transformational projects where cultural change is required.
- 3.4. The council secured the Multi-year settlement offer following approval of the council's efficiency strategy, submitted to DCLG in October 2016. The efficiency strategy outlines how we have delivered improved services and saved money, as well as how we intend to tackle the challenges moving forward. Approval of the efficiency strategy by government shows they recognise that the council has demonstrated both strong financial management and a clear plan to continue to deliver future efficiencies while protecting services.
- 3.5. The multi-year settlement was set to cover a four year period, to the end of the current parliament. The 2017/18 settlement forms part of the second year of this offer.

***New Homes Bonus***

- 3.6. As part of the Provisional Settlement, the Government has announced significant changes to the New Homes Bonus funding.
- 3.7. The Council has actively supported the Government's drive for new homes, so this change is concerning. The Council has growth as a key to its vision and associated policies, and it has been inherent in developing services and designing itself to be fit for the future under the new funding regime. For growth to no longer be rewarded in this way is disappointing.
- 3.8. Previously NHB was paid for all new houses delivered. Now it will only be paid for new houses above a 'normal' growth threshold of 0.4%. Also the plan to pay NHB for 5 years in 2017/18 and then 4 years in future years, instead of 6 will come in. This will come in from next year, which is earlier than originally anticipated. The combined impact of these is that the Council will receive £1.4m less NHB next year than originally expected. Nationally this funding will be used for the Adult Social Care grant (see below).
- 3.9. The Council has responded to the consultation on the Local Government provisional Finance Settlement Consultation for 2017/18, noting our views on the changes to New

Homes Bonus funding. We particularly expressed our disappointment in the diverted focus away from key strategic housing and growth priorities.

**Adult Social Care Grant**

- 3.10. The provisional settlement also introduced a one off Adult Social Care grant for 2017/18, in a response to the call for action to address the national pressures facing these services.
- 3.11. The Government have funded the new grant by top slicing New Homes Bonus funding allocation by £241m. This is then being redistributed to Local Authorities on a relative needs basis. While this method of allocation appears to be fair, it should be noted that we have seen a large shift of funding go to County Councils, due to their responsibilities to provide Adult Social Care and the smaller New Homes Bonus allocations, with District authorities being worst affected and unitaries typically falling between the two.
- 3.12. Peterborough will receive £0.8m of one off Adult Social Care grant in 2017/18, however this does not cover the £1.4m reduction in New Homes Bonus funding, making the net impact a reduction in funding of £0.6m.

**Adult Social Care Precept**

- 3.13. The Provisional Settlement increased the flexibility for Local Government to raise additional funds to meet its Adult Social Care costs.
- 3.14. In the Provisional Settlement in 2016/17, Councils who can demonstrate pressures to their Adult Social Care budgets may raise Council tax by up to 2% in excess of the existing statutory referendum threshold of 2%. In the 2017/18 Provisional Settlement Local Government have been given the flexibility to increase the Adult Social Care precept to 3% in 2017/18 and 2018/19. If they did the option to levy an Adult Social care precept in 2019/20 would no longer be available. The settlement consultation document from December included the following statement:

*'In recognition of the particular pressures on adult social care services, especially in the next two years, social care authorities will now be able to introduce the rise sooner. They will have the freedom to increase by up to 3% in 2017-18 or 2018-19, but still cannot exceed 6% in total over the three-year period. This means that the total rise in bills should not be any greater'*

- 3.15. This MTFs assumes that the flexibility of a 3% Adult Social care precept will be exercised in 2017/18 and 2018/19 in order to protect Social Care budgets, however, we remain concerned that this mechanism for raising funds penalises Authorities such as Peterborough who have worked hard to keep Council tax consistently low.
- 3.16. When calculating a Council's assumed level of spending power, the Government has assumed that each Council will exercise this power, and therefore, there is an implication that Authorities that do not raise the Social Care precept will be worse off.

3.17. The final guidance and criteria for the precept will be released with the final settlement. At the moment the Council expects to meet the criteria for 2017/18. The position with regards to 2018/19 will depend on decisions taken in setting that budget, including how the budget gap of £14.8m is closed. This will be kept under review as the proposals for the 2018/19 budget are developed during 2017.

***Other Items of Note***

3.18. Previously, Councils have been offered the opportunity to accept a grant in return for freezing Council Tax. This allowed Councils to freeze tax for residents but still see an uplift in income. The government has not offered Councils freeze grants in 2016/17 and 2017/18 and therefore alternative options have had to be fully considered. Further details on Council tax are given in section 9.

3.19. The Government is planning to implement a system of 100% business rates retention before the end of this Parliament. However, no details were given as part of the Provisional Settlement so the impact on Peterborough's finances cannot be assessed at this point. This is being monitored by officers and an update will be brought to Members when further information is available.

3.20. As part of the 2016/17 Provisional Finance Settlement, it was announced that 'The government will reduce the Local Authority role in running schools and remove a number of statutory duties.' These changes in policy were to be driven by revisions to academy bill which would force all schools to start the process of converting to academy status by 2022. In October 2016 Government made a U-turn on these plans and formally dropped proposed changes to the Academies Bill. Whilst revisions to the Academies Bill have been formally dropped significant changes have been made to the Education Services Grant (ESG) which will restrict the local authorities' ability to support its maintained schools going forward. Further information on the education funding and Dedicated School Grant allocations is given in section 10.

3.21. The Council is still to receive confirmation from the Environment Agency of the level of Local Levy Contribution for flood defences for 2017/18. This is to be confirmed early February. The levy for 2016/17 was £161,416, which was the same level as in 2015/16.

3.22. A cap of 2% will remain in place on general Council tax, unless a local referendum is held. If Peterborough were to enter into a referendum it should be noted that the legislation set by government includes a number of strict controls and restrictions such as the questions to be asked and the publicity and communication of the referendum (To ensure the authority is not able to unduly influence the result of the referendum)

3.23. The costs the Council would also incur are estimated to be in the region of £0.250m. The one (unsuccessful) referendum held so far by Bedfordshire's Police and Crime Commissioner, is estimated to have cost £600,000. The Bedfordshire PCC covers three unitary local authorities and a population of some 640,000.

- 3.24. A consultation on the Provisional Local Government Finance Settlement was launched on 15<sup>th</sup> December 2016, to which Peterborough responded on 13th January 2017. Within the response there was consideration of the comments above, and also commenting on a required shift where all local authorities core spending power, would be taken into account when allocating grants.
- 3.25. The final settlement is due to be published in February.

#### **4. CURRENT FINANCIAL POSITION**

##### **Revenue**

- 4.1. The Corporate Management Team and Cabinet regularly review the Council's spend against budget.
- 4.2. Based on information as at the end of November 2016, the Council is forecasting a £2.1m overspend.
- 4.3. Directors will take any necessary actions before the year end to address budget issues arising, and mitigate these as far as possible, to achieve a balanced revenue outturn position for 2016/17.
- 4.4. Monthly updates are brought to Corporate Management Team Meetings, where the forecast outturn position is scrutinised.
- 4.5. The reserves position is currently under review and a full assessment will be available in February.
- 4.6. A full revenue outturn forecast is given in Schedule B.

##### **Capital**

- 4.7. The revised Capital Programme's budget as at 30 November 2016 is £180.4m, which includes £94.8m for invest to save schemes (I2S). The agreed investment as per the Medium Term Financial Plan (MTFS) was £156.7m. The movement between the MTFS position and the £238.3m as at April 16 was as a result of slippages mainly due to delays completing projects from 2015/16.
- 4.8. The actual capital expenditure as at 30 November 2016 is £41.7m. The overall level of spend is influenced by the level of invest to save schemes. In many of these e.g. loan arrangements, the level is determined by the rate at which partners draw down on those arrangements..
- 4.9. Full details of the Capital programme can be found in Schedule E - Capital Strategy, Programme & Disposal 2017/18 – 2026/27.

## 5. BUDGET SUMMARY POSITION FOR 2017/18

- 5.1. Financial advice has been provided by the Corporate Management Team to Cabinet who have met regularly since June 2016 to identify in excess of £28m of saving proposals to balance the budget for the forthcoming financial year.
- 5.2. Financial advice and guidance has also been provided to the Cross-Party Budget Working Group. There has been seven meetings with the group over the course of the 2017/18 budget setting process and offers have been made to the political groups to work with together on political options.
- 5.3. In formulating budget proposals, every budget area has been scrutinised and subject to challenge by Directors with due diligence undertaken on all investment and saving budget proposals that have been put forward.
- 5.4. The scale of the financial challenge and preference of the Cross-Party Budget Working group to consult at the earliest opportunity led to a two stage approach to identify budget proposals. Cabinet has presented budget proposals over two phases with:
  - Phase 1 - savings proposals of £9.9million approved by Council on 14<sup>th</sup> December 2016;
  - Phase 2 – savings proposals of £10.8million to be approved by Cabinet for consultation on 6<sup>th</sup> February 2017.
  - Use of £7.2million of the Grant Equalisation Reserve
- 5.5. Cabinet's approach is to protect, as far as possible, the services residents care about the most the council's vision for the city. This budget delivers savings without any service reductions.
- 5.6. The Council, at its meeting on the 25<sup>th</sup> January, agreed the local Council Tax Support Scheme for Peterborough for 2017/18 with the level of reduction in benefit for working age claimants kept at 30%, for the fifth year running.
- 5.7. Following the two-phase budget process, a balanced budget for 2017/18 can be presented. The following tables show the position from phase 1, phase 2 and the overall position including the additional savings to be delivered each year.



Phase 1	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget before the GE reserve</b>	15,289	24,347	31,170	33,807	34,285
<b>Planned use of the GE reserve</b>	-11,188				
<b>Opening Budget Gap (2016/17 Strategy)</b>	4,101	24,347	31,170	33,807	34,285
Phase 1 - Grant Adjustments	0	0	0	0	0
Phase 1 - Pressures	3,330	2,377	2,844	3,136	3,428
Phase 1 - Investments	182	272	330	352	352
Add back planned use of the GE reserve	11,188				
<b>Initial Budget Gap</b>	<b>18,801</b>	<b>26,996</b>	<b>34,344</b>	<b>37,295</b>	<b>38,065</b>
Phase 1 - Efficiencies	-2,692	-3,729	-3,410	-3,507	-4,060
Phase 1 - Income	-7,256	-2,870	-2,718	-2,720	-2,722
<b>Revised Budget Gap</b>	<b>8,853</b>	<b>20,397</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Use of the GE reserve (£11,444)	-8,853	-2,591			
<b>Total Budget Gap</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>

Phase 2	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget Gap (post-Phase 1)</b>	0	17,806	28,216	31,068	31,283
Phase 2 - Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Phase 2 - Pressures	5,660	5,066	5,040	5,113	5,113
Phase 2 - Investments	653	1,616	2,048	2,110	2,242
<b>Revised Budget Gap</b>	<b>9,149</b>	<b>26,655</b>	<b>37,844</b>	<b>41,466</b>	<b>41,546</b>
Phase 2 - Efficiencies	-1,102	-1,997	-2,748	-2,591	-2,798
Phase 2 - income	-9,706	-8,212	-13,850	-10,022	-12,285
<b>Total Budget Gap</b>	<b>-1,659</b>	<b>16,446</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Re-profiling the GE reserve use	1,659	-1,659			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>

<b>Overall Position</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Grant Equalisation reserve add back	11,188				
Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Pressures	8,990	7,443	7,884	8,249	8,541
Investments	835	1,888	2,378	2,462	2,594
<b>Initial Budget Gap</b>	<b>27,950</b>	<b>35,845</b>	<b>43,972</b>	<b>47,693</b>	<b>48,328</b>
Efficiencies	(3,794)	(5,726)	(6,158)	(6,098)	(6,858)
Income	(16,962)	(11,082)	(16,568)	(12,742)	(15,007)
<b>Revised Budget Gap</b>	<b>7,194</b>	<b>19,037</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Grant Equalisation reserve use - £ 11,444	(7,194)	(4,250)			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
<b>Additional savings</b>		<b>14,787</b>	<b>6,459</b>	<b>7,608</b>	<b>(2,390)</b>

5.8. However, the combination of further reductions in grant, along with financial pressures, mean that the Council continues to be in deficit from 2018/19, with significant gaps from 2019/20. A grant equalisation reserve was established in 2016/17 through the early achievement of savings and £7.2million of this will be used to balance the budget in 2017/18, with the remaining balance supporting the 2018/19 position. This will mean that the impact on services and customers can be mitigated as far as possible.

5.9. Officers will continue to work towards setting balanced budgets for future years and will take a strategic approach to savings, with a view to minimising the impact on residents and service users whilst aligning resources to key priorities.

5.10. The Phase 2 budget proposals are being consulted upon as part of the formal budget consultation and feedback will be provided for Council on 8<sup>th</sup> March 2017.

5.11. A schedule of all key income & expenditure figures, as well as a full list of all investments, pressures and savings proposals, is given in Schedule C.

## 6. FUTURE FINANCIAL OUTLOOK

6.1. The Council is forecasting further reductions in funding and increased expenditure over the next ten years, this is generally the effect all local authorities will be looking to mitigate. This is largely driven by increased demand for services from changing demographics and a requirement to meet more complex needs and reductions in

funding from central government. It is expected the deficit or gap that will need to be closed will grow.

- 6.2. It should be noted that the profile of funding the Council receives is likely to change significantly from 2020 onwards, after which time the new '100%' business rates retention scheme has been implemented.
- 6.3. The following issues remain key when looking to address financial challenges going forward:
- The level of funding available to Councils in future, with levels of Revenue Support Grant and New Homes Bonus being key risks.
  - The impact of the new Business Rates retention scheme, how it will work in practice, and any resultant changes to other grants or responsibilities for local government.
  - The impact of Business Rate appeals.
  - Changing demographics and increasing demand for Council services.
  - The varying complexity of services required within the Adult Social Care department.

## **7. BUSINESS RATES**

- 7.1. The business rates retention system was introduced on 1st April 2013 and is based upon authorities retaining a share of locally raised business rates known as baseline funding which represented the equivalent of previous income levels received direct from Government. In order to set this amount the government reduced the amount of actual income expected to be received by imposing a tariff.
- 7.2. Baseline funding and tariff increase each year with the percentage increase in multiplier used to calculate business rate demands and the council retains this amount. In addition if the council is able to achieve business rate growth above the baseline funding level, the Council can keep its share of the growth (49%) after deducting a levy set by the Government.
- 7.3. From 1st April 2017 the business rates income is based on new rateable values for all properties following a recent revaluation by the valuation office. This has required various technical adjustments to ensure that as far as possible the revaluation has a neutral effect on the total income raised from business rates both nationally and at individual authority level. These include reducing the national multiplier to take account of higher rateable values, but adding an amount for inflation and an allowance for future appeals. At a local level individual authorities tariffs have been amended to reflect the change in income raised which also amends the levy rate.
- 7.4. This means that for 2016/17 the Council will effectively retain 41.7 pence to the pound for each pound of growth generated whilst in 2017/18 the Council will receive 46.4 pence. Conversely, if business rates is lower than the baseline business rate, the

council will need to make up any shortfall up to a maximum of £2.9m before government funding would be provided.

- 7.5. The council is also part of a pilot scheme announced by Government during the March 2015 Chancellor's Budget whereby Council's achieving growth over and above a target set by Government would be able to keep Government's share of business rates. The Government have issued draft Regulations on how this pilot scheme will work and they confirm that growth was achieved in 2015/16 which was incorporated into the accounts at 31st March 2016.. The scheme is in addition to the current Business Rates Retention Scheme which will continue to operate in its current form.
- 7.6. As at December 2016, there was £98m of rateable value with an appeal outstanding on the Rateable Value (RV) 2010 listing of £231m. The Council now shares liability for successful appeals including backdating of appeals with the Government and Fire Authority in proportion to the share of business rates. Some appeals on the RV 2010 listing can be backdated to 1 April 2010.
- 7.7. The council has no influence on the outcome of appeals, but is required to make a provision to cover for any losses of business rate income. At this stage the council has estimated that a total provision of £12.8m will be required in the accounts as at 31st March 2017 of which £2.1m is in respect of 2016/17 liabilities.
- 7.8. From 2017/18 the cost of new appeals will be based upon the 2017 rateable value list. At this stage no appeals have been made and these can be made at any time following 1st April 2017 to a date beyond the life of the list (normally 5 years). The council will however need to make a provision for these losses and at this stage an amount of £5m has been included for the 2017/18 financial year based upon the government's allowance included within the multiplier for the level of total losses over the life of the list.
- 7.9. In last year's report a key issue raised was in respect of the Peterborough power station which has an appeal outstanding against the 2010 RV listing of £3.1m, a significant provision was set aside in the 2014/15 accounts and this remains in place as the appeal has not yet been heard.
- 7.10. A further key issue is the challenge from NHS trusts for mandatory relief against their properties. This is ongoing and the council are part of a group who in conjunction with the LGA are vigorously defending this claim, the progress will be closely monitored and further action as deemed necessary will be taken and Members informed.

## **8. SPENDING POWER ASSUMPTIONS**

- 8.1. When assessing the financial position of the Council for this strategy, the government's analysis of Council core spending power has been considered.
- 8.2. In order to provide Local Authorities with their indicative Settlement Funding Assessments for the remainder of the Parliament, the government has made a

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number of assumptions regarding Council income and expenditure and what they expect Councils to do. These include:

- The application of each local authority's average annual growth in the council tax base between 2013-14 and 2016-17 throughout the period to 2019-20
- All local authorities increase their band D council tax in line with the 2% referendum limit throughout the period to 2019-20.
- 2017-18 to 2019-20, has been estimated by assuming all eligible local authorities also continue to take up 2% Adult Social Care flexibility.

## 9. COUNCIL TAX

- 9.1. Peterborough has one of the lowest Council tax levels in the country, as detailed in section 2.9.
- 9.2. The council has chosen to freeze council tax in four of the last six years. If the council hadn't chosen to freeze bills for residents, and instead increased council tax by the government threshold each year, a Band D property would have been paying an extra £116 in council tax a year.
- 9.3. Unlike in previous years up to and including 2015/16, Council Tax freeze grant will no longer be available in 2017/18. Freeze grants were in place to mitigate the impact of foregone Council tax, allowing Councils to freeze Council Tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.
- 9.4. Given the scale of the challenges that the Council faces going forward, the desire to keep Council Tax bills low must be offset against the need to protect vital services and vulnerable people.
- 9.5. Therefore, having fully considered the level of pressures identified and savings required, the Cabinet is proposing that Council raise Council Tax by 2%, and levy an Adult Social Care Precept of 3%, meaning that the average Band D Council Tax will rise from £1,173.04 to £1,231.57 per year, an increase of £1.13 per week. The average property in Peterborough is in Band B, meaning council tax would rise from £912.37 to £957.88 per year - an increase of 88p per week.
- 9.6. When calculating the level of spending power that Councils have, government has factored in rises to Council Tax and has assumed that all Authorities will exercise an Adult Social Care precept of 2%.
- 9.7. For planning purposes, the MTFs assumes a 2% rise in Council Tax going forward in all years. For 2017/18 and 2018/19 the Social Care precept of 3% has also been factored in. The Council will need to keep this under review as budget decisions for 2018/19 are made and the final eligibility criteria for future years are published.
- 9.8. The Government has not yet published details of whether a Council Tax referendum threshold will be in place in future years – for 2017/18, the threshold is 2%.

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9.9. Council tax bills are not only made up of council charges but also charges from other public bodies to fund their services. The remainder of the council tax bill is made up from charges from:

- Cambridgeshire Police and Crime Commissioner
- The Cambridgeshire Fire Authority
- Parish Councils

9.10. The respective tax decisions of these bodies are:

- Police – The Cambridgeshire Police and Crime Panel will meet on 1<sup>st</sup> February 2017.
- Fire – The Cambridgeshire Fire Authority will meet on 9<sup>th</sup> February 2017.
- Parish Councils – the precepts will be included in the Council report. Parish Councils are to submit their budget proposals by 24<sup>th</sup> January 2017.

## 10. EDUCATION FUNDING

10.1. Funding for all schools and early years settings is provided directly through a specific grant known as the Dedicated Schools Grant (DSG) and is based upon pupil numbers in October for schools and January for early years. The majority of this grant is delegated directly to schools, but some is held centrally and spent on education and children's services across the city.

10.2. The estimated Dedicated Schools Grant (DSG) for 2017/18 is £192.3m and Schools Forum (consisting of head teachers, early year's providers and the Local Authority) are consulted on how this funding is allocated. A national funding formula is used to allocate funding which is adjusted for local circumstances. Once individual schools budgets are set, the funding for academies (£70.3m) is returned to the Education Funding Agency for distributing and the Council passes on the funding (£77m) to local authority maintained schools. The final DSG allocation for 2017/18 will not be confirmed until March 2017, when funding for pupils with special educational needs is confirmed. There will be a final adjustment to the DSG in July 2017 to update the Early Years Block for the confirmed January 2017 census numbers.

10.3. In addition there is funding for Education via ring-fenced grants for pupil premium (£7.7m) and 6th form funding (£3.5m). Final allocation for pupil premium are confirmed in July 2017 and 6th form funding in March 2017.

10.4. The funding for the majority of education support services came through a grant called the 'Education Services Grant' (ESG). The ESG allocation to local authorities is made up of two rates: **The retained funding rate** which provides funding to local authorities to enable them to fulfil the statutory duties they hold for both maintained schools and academies. **The general funding rate** which provides funding to local authorities to enable them to fulfil the statutory duties they hold for just maintained schools. In the 2015 Spending Review Government announced £600m of saving to the ESG general

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funding rate by 2019 to 2020. From September 2017 the general funding rate of the ESG (£1.7m) will cease. Transitional funding arrangements have been put in place for the period of April 2017 - August 2017 reducing the per pupil allocation from £77 per pupil to £20 per pupil. The retained rate of the ESG (£0.5m) will transfer into the schools block of the DSG from April 2017 which can be retained by the local authority with Schools Forum approval. It is expected that local authorities will meet the cost of the statutory duties it holds for it maintained schools through a combination of efficiency savings, contributions from schools budgets and other source of revenue.

## **11. RESERVES**

- 11.1. For the Chief Finance Officer to recommend the level of reserves and provisions the council should hold, consideration is given to the general economic conditions facing the Council, the internal control framework in operation, and the probability and financial impact of service risks, including specific budget risks identified within the budget process.
- 11.2. The Council regularly reviews the level of reserves as part of in year budget monitoring, setting the budget and at the end of the financial year in line with the Council's reserve policy. Final proposals for reserve usage are approved by members as part of the budget and final accounts approval process. Reserves are reviewed and monitored during the year to ensure that the adequacy and application of reserve are valid and appropriate.
- 11.3. Reserves are set aside for either a specific purpose, consideration to the general market conditions, the internal control framework in operation and the probability and financial impact of service risks.
- 11.4. Estimated levels of reserves for the next five years are outlined in section 11.6. This includes sums that we hold on behalf of others and sums that we are independently advised to hold e.g. insurance reserve.
- 11.5. Projected movements on reserves for this MTFS are shown in the reserves section later in the MTFS.

11.6. *Reserves Position*

	Estimated balance at 31.03.17 £k	Estimated balance at 31.03.18 £k	Estimated balance at 31.03.19 £k	Estimated balance at 31.03.20 £k	Estimated balance at 31.03.21 £k
Departmental Reserve	912	714	714	714	714
Schools Capital Expenditure Reserve	1,427	1,427	1,427	1,427	1,427
Insurance	4,520	4,520	4,520	4,520	4,520
Other minor reserves	1,312	942	927	877	877
<b>Total - earmarked reserves for specific purposes</b>	<b>8,171</b>	<b>7,603</b>	<b>7,588</b>	<b>7,538</b>	<b>7,538</b>
Risk Management Contingency	0	0	0	0	0
Capacity Building Reserve	3,417	823	823	823	823
Grant Equalisation	11,443	4,249	0	0	0
<b>Total – non-earmarked</b>	<b>14,860</b>	<b>5,072</b>	<b>823</b>	<b>823</b>	<b>823</b>
<b>Total Reserves (excl. general fund)</b>	<b>23,031</b>	<b>12,675</b>	<b>8,411</b>	<b>8,361</b>	<b>8,361</b>
General Fund Balance	6,000	6,000	6,000	6,000	6,000
<b>Totals Reserves (incl. general fund)</b>	<b>29,031</b>	<b>18,675</b>	<b>14,411</b>	<b>14,361</b>	<b>14,361</b>

11.7. The capacity fund will be used for transformational projects and change, and the anticipated use in 2017/18, is to support projects generating efficiencies in future years.

11.8. The challenging financial position presents the Council with several issues with regards to reserves:

- Risks remain round the imminent and unprecedented changes to the system of business rates retention. This subject is closely monitored by officers, and further reports will be brought to Members as and when information becomes available.

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- Risks also remain around the impact of business rate appeals on Council finances. The current level of provisions for appeals is £12.5m
- 11.9. The savings proposals put forward in 2017/18 total £20.7m. If these savings proposals are updated during the budget consultation any shortfall will need to be covered from either finding other saving proposals, reducing bids or from reserves
- 11.10. It is proposed that general fund working balances are maintained at £6.0million. The Council currently has one of the smallest level of reserves when compared to other Unitary councils.
- 11.11. It is proposed that the balance of the Risk Management Reserve, which currently stands at £0.657m will be used to support the 2016/17 budget outturn position, to help mitigate the impact of the emerging pressures. This means that the reserve will be fully utilised by 31st March 2017.
- 11.12. The Grant Equalisation (GE) Reserve was set up in 2016/17 to mitigate the impact of reduction to grant funding in future years and to support a strategic and measured approach to savings in future years. This has also helped to minimise the impact on services and customers, creating a sustainable financial future for Peterborough. As part of the MTFS for 2017/18 to 2026/27 it is proposed that £7.2m will be used to balance the budget for 2017/18 and that the balance, £4.3m will be used to support the 2018/19 budget position. This will still be a budget gap of £14.8m, after the use of the GE reserve, a clear indication of the challenging times we have ahead.
- 11.13. The Chief Finance Officer has reviewed the financial risks identified and the expected level of reserves at 1 April 2017 and the forecast throughout the MTFS period. On this basis the Director is satisfied with the reserves proposals in the MTFS.

#### **Robustness of estimates**

- 11.14. In setting a budget for 2017/18, including a Medium-Term Financial Plan to 2026/27, it is important that Members consider the risks inherent in the figures presented and the potential for there to be variances and events that may occur that may significantly impact on them. A summary of other matters that Members should take into account when considering the budget is contained within paragraph 15.

## **12. FEES AND CHARGES**

- 12.1. Fees and charges have been fully reviewed with a detailed position shown in Schedule C of the MTFS. Where fees and charges are statutorily set by government, the schedule is based upon the latest known charges.

### 13. THE CAPITAL PROGRAMME 2017/18 to 2026/27 INCLUDING THE ACQUISITION STRATEGY , ASSET INVESTMENT STRATEGY AND TREASURY STRATEGY

13.1. A summary of the 10-year Capital Strategy is given below. A full version can be found in Schedule E of this document.

Asset Investment Expenditure by Service:	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Governance	387	69	-	-	-	-	-	-	-	-
People & Communities	65,529	65,619	25,758	9,408	4,961	3,694	3,694	3,694	3,694	3,694
Resources - Invest to Save	78,655	52,520	42,550	25,000	-	-	-	-	-	-
Resources	10,302	3,997	1,763	1,700	1,738	1,115	1,115	1,115	1,190	1,190
Growth & Regeneration	64,439	46,656	21,790	12,103	11,006	10,837	9,075	9,364	9,988	9,988
<b>Total Asset Investment Expenditure</b>	<b>219,312</b>	<b>168,861</b>	<b>91,861</b>	<b>48,211</b>	<b>17,705</b>	<b>15,646</b>	<b>13,884</b>	<b>14,173</b>	<b>14,872</b>	<b>14,872</b>
Financed by:										
Grants & 3 <sup>rd</sup> Party Contributions	44,297	48,106	20,127	8,098	5,626	5,738	5,736	5,792	5,761	5,761
Asset Investment Receipts	942	1,000	-	-	-	-	-	-	-	-
Asset Investment Financing Requirement (Borrowing)	174,073	119,755	71,734	40,113	12,079	9,908	8,148	8,381	9,111	9,111
<b>Total Asset Investment Financing</b>	<b>219,312</b>	<b>168,861</b>	<b>91,861</b>	<b>48,211</b>	<b>17,705</b>	<b>15,646</b>	<b>13,884</b>	<b>14,173</b>	<b>14,872</b>	<b>14,872</b>

### 14. BUDGET VIREMENT LIMITS

14.1. The council's Budget and Policy Framework, paragraph 4.9 enables the council to specify the extent of virement within the budget and degree of in-year changes to the Policy Framework which may be undertaken by Cabinet. Virement allows the Council to move spend approved in the budget to another budget in accordance with Financial Regulations.

14.2. Having reviewed the existing framework and the council's Financial Regulations the principle remains that approved budget cannot be moved from one area of spend or project to another unless it meets Financial Regulations. This applies to both revenue and capital budgets.

14.3. The virement limits for 2017/18 are as follows:

- Directors, within their own area, can approve virements up to £500k.
- Virements required across departments can be approved by the relevant departments up to a limit of £250k, any virements in excess of this limit will require Cabinet approval.
- All budget virements in excess of £500k will require Cabinet approval.
- All budget virements in excess of £1m will require Council approval

14.4. The virement procedure rules will not apply in the following circumstances:

- Reflecting organisational structure changes e.g changes in reporting lines
- Allocating corporate budgets or savings to departments agreed in the MTFS
- Allocating budgets to individual schemes e.g from school places capital programme or local transport plan projects

14.5. Part 13, section 3 of the constitution enables the Chief Executive to undertake certain action in an emergency:

3.13.2 The Chief Executive is authorised:

(d) to take any action, including the incurring of expenditure, where emergency action is required;

14.6. In the event that this applies to virements, it will be reported to the next relevant meeting in line with the limits in 13.3 above.

## 15. BUDGET RISKS

15.1. The following table details the budget risks that Members should consider when reviewing the Medium Term Financial Strategy.

Area	Risk	Action to Mitigate Risk
Overall Budget	<p>1) The Final Local Government Finance Settlement.</p> <p>2) The details of years three and four of four-year funding settlement are not yet known, therefore funding may reduce beyond current forecasts.</p>	<p>Prudent approach to forecasting as outlined in this report.</p> <p>The Council has already had its efficiency strategy approved by Government, reducing this risk.</p> <p>Review Government websites for the most up to date information.</p>

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Area	Risk	Action to Mitigate Risk
Adult Social Care Funding	<p>3) Social care funding, namely:</p> <p>a) Costs of Care Act exceed budgets</p> <p>b) Delivering the outcomes within the Better Care Fund allocation within available resources</p>	<p>Coverage for forecast budget pressures for 2017/18 within MTFS.</p> <p>Scrutiny of guidance and regulations and further refinement of modelling as information emerges on Care Act implications.</p> <p>Effective programme management of the projects associated with the Better Care Fund and close working with the Clinical Commissioning Group.</p> <p>Use of the Social Care precept flexibility to mitigate financial pressures on social care.</p>
Brexit	<p>4) Possible impact from vote to leave EU. Current impact unclear, but two main areas of potential risk</p> <p>a) Overall impact on UK economy and public finances</p> <p>b) Potential impact on workforce, either within PCC or partners</p>	<p>Officers will monitor any further announcements and review the emerging position</p>
Capital receipts	<p>5) The agreed Minimum Revenue Provision strategy allows the Council to benefit from asset disposal proceeds in the year of sale. This does prevent a risk to the achievement of the bottom line if those receipts are not achieved.</p>	<p>Regular monitoring of forecasts for sale completion.</p>
Business Rates	<p>6) Business rate forecasts.</p> <p>a) The council will benefit from any growth in business rates but will also have to share the risk of volatility of collecting business rates, changes to business rates during the financial year and administration costs associated with collecting business rates.</p>	<p>The finance team will align forecasts using a more detailed approach with planning and revenue and benefit colleagues to monitor business and dwelling growth as part of the budget setting process and at regular intervals during the financial year.</p> <p>On a monthly basis reports will be available to monitor business rates income.</p>

Area	Risk	Action to Mitigate Risk
	<p>b) Furthermore the safety net payment scheme to top up councils for loss in business rates income would require a decrease in business rates of 7.5%.</p> <p>c) Achieving growth in business rate income through supporting infrastructure in the acknowledgment of a revaluation in 2017 and impact on business rate income forecasts.</p> <p>d) The council has 42% of rateable value (2010 list) under appeal by businesses and has no influence over the outcome of the appeals but is now required to set aside an estimate of its share of income loss including any possible backdating of appeals.</p> <p>e) In addition an estimated appeal for losses commencing in 2017 has been based upon the government's assessments.</p> <p>f) The provision set aside by the council may not be sufficient.</p> <p>g) The claim by the NHS trust for mandatory relief if successful will have a major impact on income levels.</p>	
Economic Risk	<p>7) Inflation increases above forecasts assumed in the budget setting process.</p> <p>8) Interest rates may change</p>	<p>Monitor inflation position and forecasts, and review impact on budget through budget monitoring process.</p> <p>Active procurement approach in partnership with Serco to secure improved rates and avoid inflationary increases.</p>

Area	Risk	Action to Mitigate Risk
		<p>Retain an inflation risk contingency</p> <p>Capital financing estimates developed using latest forecasts of interest rates for MTFs (which allow for a level of increase). Existing borrowing undertaken at fixed rates.</p> <p>Review capital programme and debt portfolio if rates increase beyond forecast levels.</p>
Financing Risk	9) The council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, benefiting from reduced interest rates on PWLB loans by 20 basis points. The Council is assuming that there will be a similar scheme in place when this scheme expires and that it will again qualify.	If this risk materialises, the Council will continue to monitor alternative sources of funding in market, then if not available, the Council would refresh budget forecasts as part of setting future budgets.
Service Delivery	10) Future delivery of services will need to be within cash limits and align with all resources available to the council	Regular review of progress by CMT including risks and issues.
Service Delivery	<p>11) Demand-led service pressures.</p> <p>12) The Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's and adult social care. The demographics of the latter will remain under review due to Peterborough's ageing population above national average and complexities in cases being identified. The need for such services remains difficult to predict, and support must be provided where needed.</p>	<p>Reviewed through monitoring of budget and management information on a monthly basis.</p> <p>Specific provision has been included in the budget plans for estimates of increased demand for Adult social care. Demand for Children's Services is monitored through the Placement Model. The Council is implementing an innovative partnership with TACT for delivery of children's placements and foster care.</p> <p>Savings plans are also based intervention and reducing need and service demand</p>
Service Delivery	13) The achievement of a balanced budget is reliant on a challenging	Progress will be monitored via the monthly

Area	Risk	Action to Mitigate Risk
	savings programme and organisational capacity to deal with speed of change. There is a risk that both savings already extracted from budgets and the new savings programme will not be achieved.	<p>budget monitoring process.</p> <p>Specific provision has been made in the budget to support the costs of change needed to provide capacity to deliver these savings.</p> <p>The business transformation programme will be delivered in partnership with Serco.</p>
Reserves	14) Impact of reserves and balances	Reserves are reviewed and monitored during the year to ensure that the adequacy and application of reserve are valid and appropriate
Council Tax and Council Tax Benefit	<p>15) Non-collection rates increase beyond the budget assumptions and / or localisation of council tax benefit scheme if eligible claimants increase beyond forecasts</p> <p>16) Implementation of the Universal Credit by the Department for Work and Pensions is being introduced in stages and has rolled out to single claimants from December 2015. Although numbers of people affected will be small initially, over the coming years numbers will increase to include all in and out of work benefits. The financial impact is not yet fully known</p>	<p>Monthly updates will monitor the collection rates</p> <p>The council will revise future year forecasts on council tax income accordingly</p> <p>The council is undertaking a pilot between December 2015 and March 2016 as a delivery partner for the Department of Work and Pensions.</p> <p>An assessment of this pilot will help determine and financial consequences in future financial years but is expected to be minimal in 2016/17.</p>
Capital Expenditure	17) The proposed Capital Programme is reliant on developer contributions being achieved, as well as successful grant bids to support school places	<p>Developer contributions to be realised in line with approved policy</p> <p>Grant bids to be worked up in line with previous successful approach.</p> <p>Capital programme to be reviewed and revisited if any elements unsuccessful</p>

## 16. Devolution

16.1. In November 2016, Council agreed a devolution deal, including the establishment of the Cambridgeshire and Peterborough Combined Authority. The Devolution area including Peterborough will benefit financially from the proposed devolution deal, specifically:

- £20m per annum (£600m over 30 years) single pot for infrastructure investment funding to invest in economic growth, accelerate housing delivery and job creation. This annual investment fund is split 60:40 between capital (£12m) and revenue grant (£8m), enabling flexibility in its use
- £100m over five years to help to deliver infrastructure for housing and growth and at least 2000 affordable homes for Cambridgeshire and Peterborough;
- £70m capital over five years ring fenced to meet Cambridge housing needs (delivery 500 affordable homes).

16.2. The costs of establishing the Combined Authority in 2016/17, holding the elections and running the Combined Authority (including Mayoral Office) for 2017/18 are due to be funded from the £8m per year revenue element of gain share grant provided by Government

16.3. Certain other funding streams will now be channelled via the combined authority. The main source initially is the Local Transport Plan capital grant (both the maintenance and integrated transport elements). It will then be down to the combined authority to allocate these funds in line with its transport plan. Final decisions on this could affect the capital programme.

16.4. The final details of the devolution deal included some changes to transport arrangements. The new changes will affect planning and setting of the transport revenue budget. For the Council, this budget is currently just over £10m, covering the following areas:

Concessionary fares	£3.5m
Bus Subsidies	£0.6m
Lighting maintenance plus energy	£1.6m
Other maintenance	£4.3m
Total	£10.0m



- 16.5. This is part of the council's overall revenue budget, and as such is funded through a combination of council tax, revenue support grant and business rates. CLG will not unpick the local government settlement to extract funding from the Council's settlements to pass to the CA. These sums will continue to be paid to the Council.
- 16.6. The approach to be followed will be that the CA can levy on Peterborough and Cambridgeshire County councils for the costs of these transport services. The value of the levy would be equal to the costs of providing those services in each council. The CA will then return the functions and the funding to the Councils to deliver those services. These adjustments are not included in these budget numbers, as they will require further work alongside the budget setting process of the Combined Authority.

## **17. Adult Social Care Precept**

### **Background**

- 17.1. In the Provisional 2016/17 Local Government Finance Settlement introduced a new power to enable Local Authorities providing Adult Social Care to raise additional funds. From April 2016, Councils had the option of levying a 2% 'precept' – effectively an additional 2% increase to Council tax in addition to the 2% general Council tax increase power. 95% of councils chose to levy the precept in 2016/17
- 17.2. In the Provisional 2017/18 Local Government Finance Settlement this flexibility was increased to 3% in 2017/18 and 2018/19. If they did the option to levy an Adult Social care precept in 2019/20 would no longer be available.

### **Key Issues**

- 17.3. There are strict rules relating to the Adult Social Care Precept. The funding raised must be spent, and continue to be spent, purely on supporting Adult Social Care.
- 17.4. Regulations stipulate that the Council Tax bill must show the precept separately on the face of the statement so that the taxpayer is aware of how much of the tax is ring fenced for Adult Social Care. There are two options for presenting the statement according to regulations.
- 17.5. It is also a requirement that the Council publish specific text in the Council Tax leaflet to explain the purpose of the precept to the taxpayer. Whilst additional text may be added, the prescribed wording must be shown.
- 17.6. At authorities wishing to use the precept power, the section 151 officer and the Director of Adult Services (DAS) will be required to certify that monies will be spent only for the benefit of Adult Social Care. In subsequent years, s151 officers and the DAS will be required to confirm that this money continues to be spent on Adult Social Care.

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- 17.7. When calculating a Council's spending power, the Government has indicated that it anticipates that all who are eligible to levy the precept will levy an additional 2% at least.
- 17.8. The Government's calculations factor in four-year's worth of Adult Social Care precept, from 2016/17.
- 17.9. However there are different options available in relation to levying the precept. Local Authorities have the following options:
- 3% in 2017/18 and 3% in 2018/19
  - 2% in 2017/18, 2% in 2018/19 and 2% in 2019/20
- 17.10. You will not be able to exceed a 6% increase overall. However it should be noted that a lot of councils will have received a reduction in New Homes Bonus funding allocation changes and so this, and it would seem that this flexibility has been given to mitigate the funding gap for those badly affected councils.

### **Peterborough & the Adult Social Care Precept**

- 17.11. Between 2010 and 2021 it is predicted that the number of people in Peterborough aged 85 and over is set to increase by 52 per cent. As life expectancy increases, older people are living with multiple long-term conditions associated with ageing. For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK.
- 17.12. Like many other Councils, Peterborough has experienced pressure on its Adult Social Care budgets due to a combination of increasing demand for services, including those with more complex needs and also has had its grant funding cut.
- 17.13. Therefore, Cabinet are recommending that Peterborough levy the 3% Adult Social Care Precept in 2017/18 and 2018/19 addition to a 2% general increase.
- 17.14. Appendix A and B highlight the pressures facing Adult Social Care, and demonstrate that there has been additional investment, in excess of the precept levied in to the budget for Adult Social Care.
- 17.15. The final guidance and criteria for the precept will be released with the final settlement. At the moment the Council expects to meet the criteria for 2017/18. The position with regards to 2018/19 will depend on decisions taken in setting that budget, including how the budget gap of £14.8m is closed. This will be kept under review as the proposals for the 2018/19 budget are developed during 2017. We may have to reassess the feasibility to levy the 3% Adult Social Care precept at this time
- 17.16. It should be noted that although the requirements to invest the money into Adult Social Care has been exceeded for 2017/18, the MTFs projects a reduction in budget for 2018/19. This is entirely due to new Better Care Funding and cessation of one off transformation funding.

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## **Appendix A- Adult Social Care Pressures**

### **1. Introduction**

1.1 Nationally Adult Social Care is facing unprecedented financial pressures resulting from reducing budgets, increasing costs of care, and the increasing needs of an expanding ageing population, this is and continues to be headline news. Analysis of the Peterborough population indicates an increase of 17% by 2021, of which people aged 85 and over are expected to increase by 40% and those aged 55 and over by 26%.

1.2 It has to be recognised that those of the population receiving care, have higher expectations of the quality of care delivered. The Care Act 2014 demands greater choice and control over the services provided.

1.3 Peterborough Council has not escaped these issues and is itself facing enormous financial challenges in 2017/18 and beyond. It is unfortunate however that Peterborough is also impacted by a number of local factors that increase the enormity of managing the financial issues and increasing budget pressures.

These local issues link to the demographics of the population and to the care market which collectively place huge financial demands on the Council. This is characterised by a care home market that in the main ignores the indicative rate and charges well above the regional average fee.

1.4 The assumed budget pressures for 2017/18 outlined in Appendix B, total £2.3m when taking into account adjustments for further income and other factors. These figures are based on work undertaken by Commissioning with Finance and Performance, and include some financial modelling based on current and potential future activity.

1.5 There are opportunities to do things differently in the future especially around the delivery of homecare, the use of direct payments/individual service funds, assistive technology and other services to keep people at home and remain there longer. Most essentially the social care function itself needs to be commissioned as a whole system, rather than individual building blocks in order that it is efficient, consistent and enables continuity of care.

### **2. Budget Pressures Overview/Highlights**

2.1 Appendix B has sought to identify current commissioning pressures for 2017/18 and to include these in a forecast that also includes the impact in relation to activity and cost. Also included are cost pressures that are outside of the control of Peterborough Council such as the increase in the hourly cost of the National Living Wage as at April 2017 (a pressure of £0.3m), as a result of keeping service users within their own homes where possible, and not reverting to the previous placement options such as residential services.

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2.2 The 2016/17 Outturn is currently forecast to be £1m in deficit due to the pressures, this will continue into 2017/18.

2.3 The impact of existing self-funders [meeting financial threshold] and becoming funded by the Council is adding to the budget pressures year on year, both in terms of cost and impact on the Care Home sector. It is calculated that self-funders will add an additional pressure of £0.4m in 2017/18, [see Appendix b, line 4].

2.4 Transitions for young people moving into adult services is usually a source of new, often high cost services to respond to complex needs. Using an actuarial approach, and estimates of known children becoming 18 in 2017/18 a pressure of £0.6m is predicted, (using the 2016/17 figures as a guide), For 2016/17 there are currently 18 young people who moved into adult services with a care package with a further 3 due to come in in the remaining months. Some unpredictability in these figures remains on cost of packages and on numbers of young people although, 2017/18 has a similar number of children predicted to come through to adult social care, the current prediction identifies a minimum of 18 young people due to transition to adult services in 2017/18.

2.5 The new initiative of Transforming Care for people with a Learning Disability and/or Autism is likely to see a pressure for people with complex, often forensic needs. The estimate for this is £0.1m assuming there are 5 people out of the total Transforming Care in-patient cohort of 12 moving into the community with joint CCG funded support packages from hospital. The average funding on each placement of £0.1m [total year estimate] is 20% the responsibility of the Local Authority with 80% the responsibility of the CCG.

2.6 The costs of people moving through the mental health forensic services into community care are estimated to be a further £0.1m full year effect due to the risks of behaviour in their community placements. The numbers of people this relates to is variable but is anticipated to be between 3 and 5 people per year. There has been a good result on savings in high cost placements for the Mental Health budget. However, the increasing risks of forensic needs and co morbidity in the population of people with mental health problems being cared for now suggests that the estimate of £0.1m demand is realistic. It may be possible to offset this cost with alternative delivery models.

2.7 Direct Payments/Individual Service Funds appears to be an “underused” resource within Peterborough, however an increase in the hourly rate of 1.5% would cause a budget pressure of a £0.2m. This increase would offset the fact that there has been no uplift on rate since 2014, market pressures [recruitment and retention of care workers] competing for the highest rates require the authority to uplift direct payment rates to ensure a competitive and sustainable pool of trained carers. This will support the council in its strategy to increase the uptake of Direct Payment Clients [Appendix B, line 5].

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2.8 In terms of care home activity those entering Nursing Care has increased, an additional 16 in this financial year, using this figure we can forecast costs pressure for 2017/18 of £0.6m.

2.9 The Homecare market has continued to struggle to meet demand in this financial year and it is anticipated that the supply pressure going forward will be £0.9m. This pressure is as a result of cost, demand and complexity of need and in accordance with the health and care economy initiatives to enable service users to remain supported within their own homes for longer.

2.10 The assumed budget pressure forecast for 2017/18 [based on the figures in Appendix B] is £2.3m and this is a conservative estimate based on median costs. This financial position will require radical remedial action in order to manage the budget as predicted in year. The consequence of which will have a critical impact on the delivery and commissioning of services.

### **3. Market Pressures**

3.1 The Care Home Market in Peterborough is volatile with fluctuating high fee levels being demanded by the owners with no direct link to the level of needs/quality of provision. This is the result of continuing high demand for beds in a care home market with few voids, and is further exasperated by the market also accommodating high numbers of self-funders where fee levels are further inflated. Owners are continually unwilling in the main, to accept the Peterborough indicative rate which means any small increase in Council funded service users causes immediate budget pressures.

3.2 The Homecare market is currently struggling to meet demands in the social care system. This is the result of a number of factors linked to attracting and retaining staff, the complex nature of care requiring double up care packages, the unattractive/expensive traveling arrangements to rural areas and the fee provided to deliver that care.

### **4. Opportunities and Mitigation**

4.1 Complexity: Having a clear set of arrangements on jointly funding the most complex cases with the CCG remains a priority.

4.2 Numbers: the budget in place cannot continue to fund ever increasing numbers of clients. In order to manage demand, access points into Adult Social Care must have embedded controls in place to ensure only those eligible for services are supported with the right care package at the right time, duration and cost. This will be realised with the development and launch of the Front Door initiatives.

4.3 Duration: We will continue to have a focus to ensure that clients only received a package for as long as they remained eligible with a focus on interventions support by technology. We are strengthening our enablement service to provide a one stop shop to support the earliest possible discharge from hospital and prevent other high cost options i.e. residential care.

4.4 Cost: the budget can no longer sustain the fluctuating cost of care in the care home market. This will require complex and difficult negotiations with the care home owners to introduce a new fee framework. As the Council only buys 40% of the care home beds the key to gaining some control over the market will be to work proactively with the Self Funders entering care homes as they occupy 30 % of the remaining beds. Moreover if we work positively with self-funders via assessment, support planning, reviewing and money management functions this may in turn enable them to remain independent longer, therefore preventing the need to consider residential options. Given the very real need to manage the market, options for lead commissioning of CCG funded beds will also need to be explored along with viable options to increase capacity within the city.

4.5 Demand: over the course of 2015-2016 /2016-2017 we have seen an increase in both demand for domiciliary care service provision and care home [specifically nursing care] provision. The cost of both service types as described in this report is increasing. Despite a review of thresholds to adult social care services two years ago, demand continues to rise, not only in terms of numbers but complexity of need, often requiring resource intensive provision.

## 5. Conclusion

5.1 The assumed budget pressure for 2017/18 as identified in Appendix B is based on the detail covered within section 1-4. As part of the phase 2 budget proposals we are proposing to put investment in this area to mitigate the pressure of £2.34m.

5.2. The pressures noted are exclusive of any inflationary uplifts, the presumption being that this will be managed through our work with the market and various initiatives in train [E.G. Fee Policy Framework, joint commissioning, quality improvement service investment outcomes].

5.3. Appendix C outlines the Budget included within the MTFs for 2017/18 to 2026/27, and the increase in budget for Adult social care from 2016/17 to 2017/18.

## Appendix B- Budget Pressures (assumptions) on Adults Commissioning 2017/18

REF	Area	Pressure	Impact	Comment	Latest Working Paper	Funded in MTFS	Pressure/ Savings
1	Current BCR	Current BCR position of ISP	Begin the budget year with a significant deficit	Current BCR Pressure not expected to decrease	1,077,000		1,077,000
2	Demographic pressures	Savings also take out some pressures around demographic growth	Will have an impact on the ability to meet demand	Growth	279,812	279,812	
		Children moving from Children's Service to Adults	High cost and numbers more than previously predicted	Work closely with the 0-25 service to model future impacts	579,188	579,188	
3	Impact of minimum wage on Homecare spend	Increase of further 2%	Significant increase on the urban and rural rate	Reduce numbers receiving homecare	910,000	561,000	349,000
4	Self- Funders	In year increase of self-funders in care homes moving over to be fully funded	34 people at £500per week age over 24 +weeks age	Manage the self-funders entering care home market	408,000		408,000
5	Direct Payments	The hourly rate for Personal Assistants will need to reviewed	Increasing the cost of Direct Payments	Current PA rate is £11.43ph. Inflate at 1.5% from 2017/18 to £12.00ph on identified packages plus 1.5% on 100 extra DPs. PCC 9/16 ranking with comparator authorities on DP	145,477		145,477

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REF	Area	Pressure	Impact	Comment	Latest Working Paper	Funded in MTFS	Pressure/Savings
				uptake.			
6	Continuing Care	=258 Service Users x £100 per week x 52 weeks	Outstanding Continuing Care cases need to be resolved	Please note current issues with disputes with the CCG and its possible impact on this strategy	- 1,341,600		- 1,341,600
7	Increase in activity Residential Care	6 bed residential increase in year to be covered by demography		This is being covered by demography (see above)	-		
8	Increase in activity Nursing Care	16 bed nursing care increase in year		Ongoing pressure due to complexity of need	563,651		563,651
9	Increase in activity Homecare	Increases in weekly care and levels of 2:1 care required			935,676		935,676
10	Mental Health	Additional Mental Health placements	5 Additional Placements		100,000		100,000
11	Learning Disability TCP	Learning Disability Service Placements 20% Funding		Press Govt for the promised dowry	100,000		100,000
<b>Total Pressures</b>					<b>3,757,204</b>	<b>1,420,000</b>	<b>2,337,204</b>



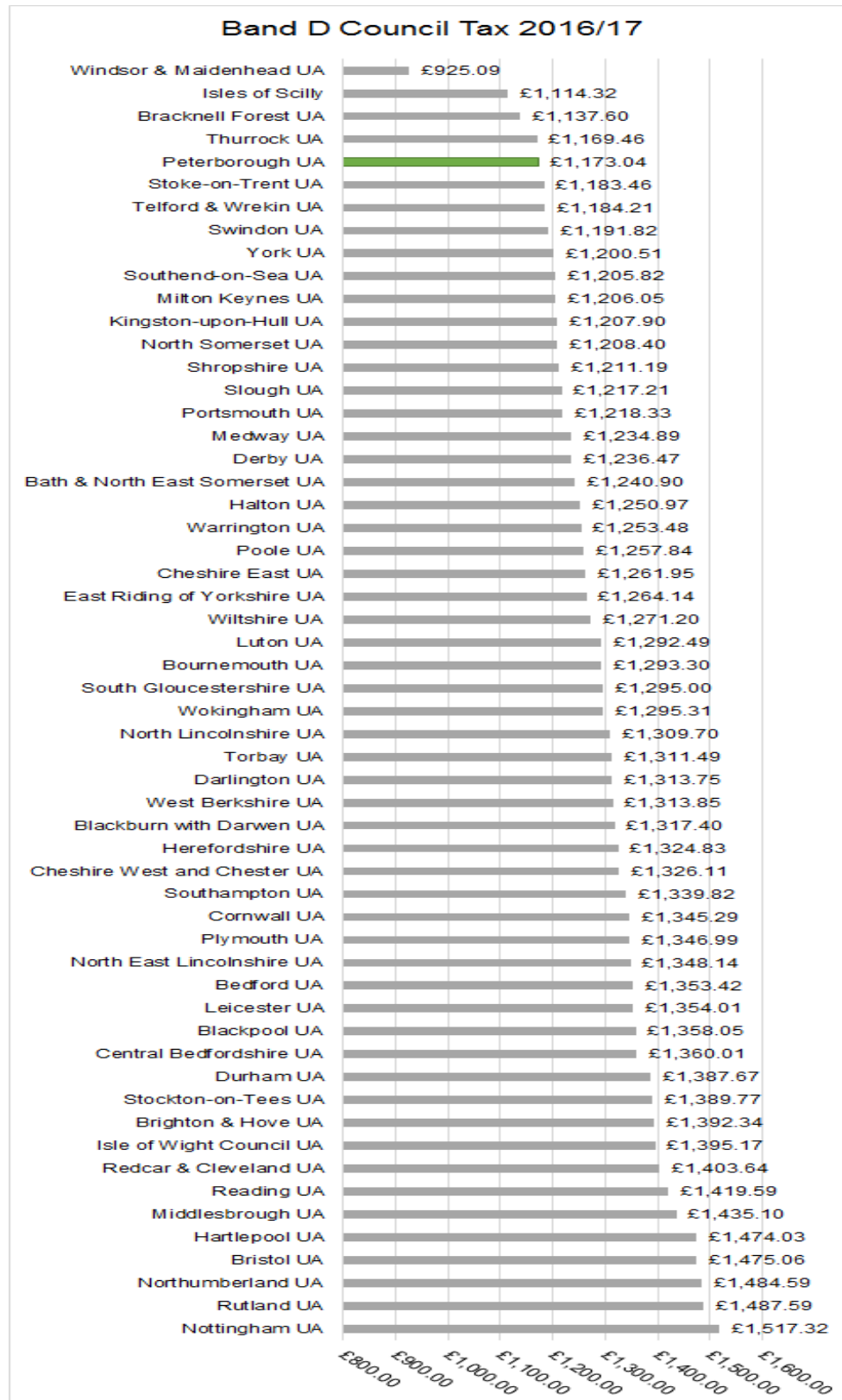
**Appendix C- Budget included within the MTFS 2017/18-2021/22- including the increase in budget for Adult Social Care**

<b>Policy Line</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>OPENING NET EXPENDITURE BUDGET</b>	<b>39,123</b>	<b>41,416</b>	<b>39,150</b>	<b>38,468</b>	<b>40,812</b>
<b>Investment</b>					
Mental Health – growth in referrals in statutory work. All growth has been contained in budgets for the last three / four years	25	28	28	28	28
Physical Disability – growth in numbers (includes no residential increases)	123	135	135	135	135
Older People (including older people’s mental health services) – growth in numbers	215	238	238	238	238
Learning Disability – growth in numbers (non transitional)	1,015	978	977	977	978
Carers Responsibilities	114	0	0	0	0
Social Care Funding changes	69	0	0	0	0
National Living Wage (NLW)	561	565	564	1,566	0
Serco - Insight & Analytics / Front Door saving-resourcing	115	210	-325	0	0
Better Care Fund - Front line investment	1,355	-1,355	0	0	0
Cost Drivers	2,337	0	0	0	0
<b>Total Investment</b>	<b>5,929</b>	<b>799</b>	<b>1,617</b>	<b>2,944</b>	<b>1,379</b>
<b>One off - Funding ceased</b>					
Adult Social Care, Health and Wellbeing – Transformation costs	-479	0	0	0	0
Customer Experience Programme - Resourcing	-507	-967	0	0	0
<b>Total One off - Funding ceased</b>	<b>-986</b>	<b>-967</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Savings</b>					
Adult social care demography changes	-519	-528	-458	-600	-600

<b>Policy Line</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Managing Demand - The Front Door Project	-2,700	0	0	0	0
New Ways of Working	-125	0	0	0	0
Serco - Insight & Analytics / Front Door	-163	-631	514	0	0
<b>Total Savings</b>	<b>-3,507</b>	<b>-1,159</b>	<b>56</b>	<b>-600</b>	<b>-600</b>
<b>Grants</b>					
Improved Better Care Fund	-354	-2,632	-2,359	0	0
Better Care Fund - Transformation	1,689	0	0	0	0
Better Care Fund - Protecting ASC	1,207	0	0	0	0
Independent Living Fund grant	4	4	4	0	0
Better Care Fund	-1,689	1,689	0	0	0
<b>Total Grants</b>	<b>857</b>	<b>-939</b>	<b>-2,355</b>	<b>0</b>	<b>0</b>
<b>TOTAL BUDGET</b>	<b>41,416</b>	<b>39,150</b>	<b>38,468</b>	<b>40,812</b>	<b>41,591</b>
<b>Difference in budget (-reducing/+increasing)</b>	<b>2,293</b>	<b>-2,266</b>	<b>-682</b>	<b>2,344</b>	<b>779</b>

## Appendix D- 2016/17 Band D Council Tax by Unitary Authority

Source: <https://www.gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2016-to-2017>



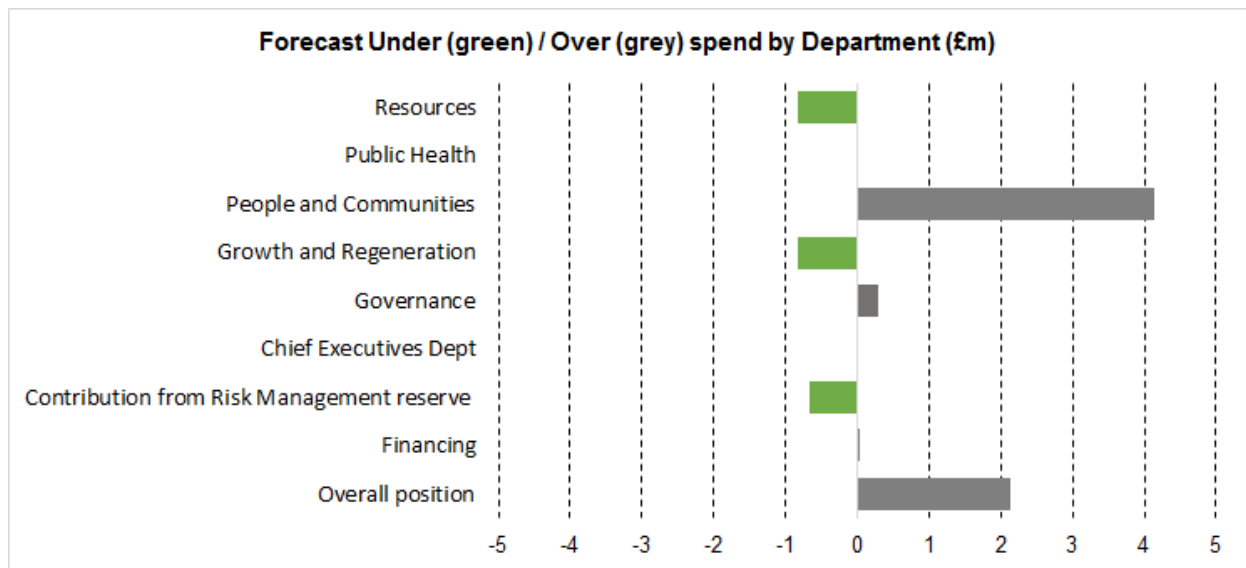
Schedule A- Report of the Chief Finance Officer

## Schedule B – Probable Revenue Outturn 2016/17

### 1. Summary of forecast revenue outturn

1.1 The approved revenue budget for 2016/17 is £145m. The year-end outturn, based on reported departmental information as at end of November 2016, is currently forecast to be a £2.1m overspend. The summary position is shown in table 1 below.

1.2 The graph below illustrates by department the outturn position with further breakdown provided in appendix i.



1.3 Since the budget was set by Council on 9<sup>th</sup> March 2016 for 2016/17, the council has seen a variety of pressures against those budget plans. There has been significant financial pressures within Adult Social Care areas, resulting from the increased costs of care, the expansion of an aging population and the ever increasing complexity of needs. These factors are impacting on councils budgets nationally and accounts for a large amount of the forecast deficit within the current year's revenue outturn. The key variances are summarised in appendix i, and continue to be reviewed to identify whether these are one-off issues or will continue into future financial years as part of setting the budget strategy.

1.4 Since setting the budget for 2016/17, CMT have received regular updates on the in-year budget position including monitoring the delivery of savings approved as part of the BCR process. This information has been shared and discussed with Cabinet and the Budget Working Group as part of setting next year's budget. CMT continue to identify and implement specific actions to produce in year cost reductions to bring the current forecast overspend position back in line with budget.

1.5 The Council is forecasting a deficit position of £2.1m at the end of 2016/17. CMT and officers, have been working to put plans in place to mitigate this as far as

Schedule B- 2016/17 Revenue Forecast Outturn

possible, however some of the emerging pressures remain difficult to eliminate within the current year, and budget proposals included within the 2017/18 Medium Term Financial Strategy aim to address these.

## Appendix i - Revenue Monitoring Outturn Forecast November 2016

Previous Variance  £k	Department	Budget 2016/17  £k	Actual Spend to date  £k	Forecast Spend 2016/17  £k	Variance 2016/17  £k
	<b>CHIEF EXECUTIVE'S DEPARTMENT</b>				
-68	Chief Executives Office	286	138	216	-70
50	Additional Contribution to GE reserve			50	50
<b>-18</b>	<b>TOTAL CHIEF EXECUTIVE'S DEPARTMENT</b>	<b>286</b>	<b>138</b>	<b>266</b>	<b>-20</b>
	<b>GOVERNANCE</b>				
0	Director of Governance	340	186	340	0
270	Legal & Democratic Services	3,670	2,569	3,832	162
-6	Human Resources	1,394	854	1,298	-96
-19	Performance & Information	1,359	661	1,532	173
50	Additional Contribution to GE reserve			50	50
<b>295</b>	<b>TOTAL GOVERNANCE</b>	<b>6,763</b>	<b>4,270</b>	<b>7,052</b>	<b>289</b>
	<b>GROWTH AND REGENERATION</b>				
-348	Director, OP & JV	754	211	344	-410
-10	Development & Construction	242	-406	-3	-245
-34	Sustainable Growth Strategy	1,347	1,152	1,535	188
-627	Peterborough Highway Services	10,033	3,473	9,412	-621
255	Corporate Property*	411	46	666	255
<b>-764</b>	<b>TOTAL GROWTH AND REGENERATION</b>	<b>12,787</b>	<b>4,476</b>	<b>11,954</b>	<b>-833</b>

Schedule B- 2016/17 Revenue Forecast Outturn

Previous Variance  £k	Department	Budget 2016/17  £k	Actual Spend to date  £k	Forecast Spend 2016/17  £k	Variance 2016/17  £k
	<b>PEOPLE AND COMMUNITIES</b>				
7	Director of People and Communities	41	380	-29	-70
1,537	Adult Services	39,138	24,742	40,424	1,286
902	Communities	5,578	3,203	6,745	1,167
604	Children's Services and Safeguarding	23,643	14,721	24,240	597
861	Education	4,085	3,326	5,037	952
60	Business Management & Commercial Ops	1,435	372	1,642	207
<b>3,971</b>	<b>TOTAL PEOPLE AND COMMUNITIES</b>	<b>73,920</b>	<b>46,744</b>	<b>78,058</b>	<b>4,139</b>
	<b>PUBLIC HEALTH</b>				
0	Children 0-5 Health Visitors	3,126	1,957	3,126	0
0	Children 5-19 Health Programmes	1,999	1,378	1,999	0
0	Sexual Health	1,616	885	1,616	0
0	Substance Misuse	2,432	1,686	2,432	0
-84	Smoking and Tobacco	375	62	292	-83
126	Miscellaneous Public Health Services	1,854	620	1,937	83
-42	Public Health Grant	-11,479	-8,866	-11,479	0
<b>0</b>	<b>TOTAL PUBLIC HEALTH</b>	<b>-77</b>	<b>-2,278</b>	<b>-77</b>	<b>0</b>
	<b>RESOURCES</b>				
-2	Director's Office	234	151	232	-2
-251	Financial Services	3,609	2,392	3,354	-255
-1,249	Capital Finance	18,615	17,974	17,387	-1,228
-850	Corporate Items	5,923	3,738	5,073	-850

Schedule B- 2016/17 Revenue Forecast Outturn

Previous Variance  £k	Department	Budget 2016/17  £k	Actual Spend to date  £k	Forecast Spend 2016/17  £k	Variance 2016/17  £k
289	Peterborough Serco Strategic Partnership	8,977	6,684	9,344	367
299	ICT	4,186	3,310	4,741	555
-292	Commercial Group	-1,769	-329	-2,024	-255
266	Amey Peterborough & Waste Management	10,781	6,456	11,065	284
41	Westcombe Engineering	49	230	98	48
0	Energy	54	-197	54	0
-17	Vivacity / Cultural Services	2,479	1,401	2,463	-16
0	Cemeteries, Cremation & Registrars	-1,248	-986	-1,305	-57
0	City Servs & Comms - SD*	143	250	141	-1
-38	City Servs & Comms- Regulatory Servs*	482	-151	462	-20
72	City Servs & Comms- Parking Servs*	-2,221	-1,513	-2,081	140
-2	City Servs & Comms- Communications*	166	96	133	-33
53	City Servs & Comms- CCTV, Resilience & Health + Safety*	226	165	266	40
113	City Servs & Comms- Markets, Tourism & Events*	469	70	559	90
368	Additional Contribution to GE reserve			368	368
-1,199	<b>TOTAL RESOURCES</b>	<b>51,155</b>	<b>39,740</b>	<b>50,330</b>	<b>-825</b>
0	Contribution from Risk Management reserve			-657	-657
<b>2,285</b>	<b>TOTAL EXPENDITURE</b>	<b>144,834</b>	<b>93,090</b>	<b>146,927</b>	<b>2,093</b>
	<b>FINANCING</b>				
0	Council Tax	-64,038	0	-64,038	0
44	NDR Income	-49,113	0	-49,069	44

Schedule B- 2016/17 Revenue Forecast Outturn



Previous Variance £k	Department	Budget 2016/17 £k	Actual Spend to date £k	Forecast Spend 2016/17 £k	Variance 2016/17 £k
0	NDR Levy	484	0	484	0
0	NDR Tariff	6,736	4,581	6,736	0
0	Revenue Support Grant	-26,983	-18,348	-26,983	0
0	Grants	-9,460	-6,951	-9,460	0
0	Reserves	-1,809	-1,809	-1,809	0
0	Collection Fund	-653	0	-653	0
<b>44</b>	<b>TOTAL FINANCING</b>	<b>-144,834</b>	<b>-22,527</b>	<b>-144,790</b>	<b>44</b>
<b>2,329</b>	<b>OVERALL POSITION</b>	<b>0</b>	<b>70,563</b>	<b>2,137</b>	<b>2,137</b>

\* These budget groups have transferred from different departments.

Key Variances (over £100k)	Total £k	Explanation
Gov - Legal & Democratic Services	162	Land Charges Income (£123k), Staffing Costs £196k, Legal Costs £74k
Gov - Performance & Information	173	Staffing Costs £73k, Unachievable saving £100k
G&R - Director, OP & JV	-410	Joint Venture recharge (£134k), Road Map savings (£300k)
G&R - Development & Construction	-245	Additional Income (£281k)
G&R - Sustainable Growth Strategy	188	Trees £273k
G&R - Peterborough Highway Services	-621	Concessionary Fares (£574k)
G&R - Corporate Property	255	Rent, Rates & Service Charges for Midgate £200k, POSH - Abatement for Pitch Drainage £55k
P&C - Adult Services	1286	Reablement Team £111k (invest to save), £219k - Revisions to grant forecasts, £1.077m Adults Placements
P&C - Communities	1167	B&B homelessness pressure of £1.353m, EPC income shortfall of £144k, Selective Licensing £124k, savings from employee costs (£321k), other misc.
P&C - Children's Services and Safeguarding	597	£230k short breaks pressure, £310k pressure on children's placements, CSC Staffing £295k offset by (£250k) additional income re Hertfordshire model
P&C - Education	952	Home to School Transport £532k demand led pressure for transporting children to available school places across the city, £210k shortfall on ESG - grant reduced in previous years but not spend, £92k shortfall on insurance as per last year, £422k DSG overspend, offset by (£305k) PFI Insurance rebate,
P&C - Business Management & Commercial Ops	207	Clare Lodge, reduced occupancy £184k.
Res - Financial Services	-255	Write off of brought forward balance sheet item (£147k), Insurance variances (£102k)
Res - Capital Finance	-1228	Underspends from lower interest rates on new borrowing than anticipated in the MTFS and increased DRF (£542k).
Res - Corporate Items	-850	Apprenticeship Levy no longer due in 2016/17 (£218k), Underspend against pension strain budget (£60k), Car Lease scheme saving not achievable £80k, release of pension budgets (£200k), VAT Shelter income (£64k), release of

Schedule B- 2016/17 Revenue Forecast Outturn

Key Variances (over £100k)	Total £k	Explanation
		inflation budgets (£346k)
Res - PSSP	367	Procurement pressure
Res – ICT	555	Out of Scope costs £153k, Applications support saving not achievable £140k, Saving in data transmission costs not yet delivered, Schools broadband income shortfall £191k, Digital roadmap £240k, offset by (£250k) budget for cloud
Res - Commercial Group	-255	Court Cost income estimated above budget (£200k).
Res - Amey Peterborough & Waste Management	284	£135k Additional volume Waste Treatment at EFW Plant, £120k HRC - Price and volume pressure, £88k Amey service changes (£126k) Business Rates, Credit for Dodson House - Amey to pay WEEEE element since contract start
Res - City Services & Communications- Parking Services*	140	£226k off street parking, offset by residents parking (£35k) & staff parking (£38k)
Contribution to GE reserve	468	Additional Chief Exec saving £50k, Alternative Governance saving £50k, Apprenticeship Levy £218k, MRP £150k

## Schedule C – Budget Proposals

### 1. Overview

1.1. This schedule details the key financial information underpinning the MTFS. It includes:

- Investments
- Pressures
- Savings
- Detailed 5-Year Budget Position
- Key figures 2017/18 – 2026/27
- Other Grants
- Departmental Cash Limits
- Summary Budget by Department 2017/18 – 2021/22
- Council Tax Position
- Schedule of Fees & Charges

1.2. Investments, savings & pressures are categorised by department, and the phase in which they were introduced in the budget process. Items are listed in phase order, and then alphabetically by proposal.

### 2. Investments

2.1. Items contained within this section refer to Cabinet recommendations for investment in new areas/services.

#### Phase 1 Investment

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
1	Resources	CFO Insights Analysis	10	10	0	0	0
1	Resources	North West Gate- MRP costs	45	135	202.5	225	225
1	Resources	Shrub Cutting & Central and Itter park attendant Proposals	127	127	127	127	127
<b>Total Phase 1 Investments</b>			<b>182</b>	<b>272</b>	<b>330</b>	<b>352</b>	<b>352</b>

#### Phase 2 Investment

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
2	Resources	Capital Bid- Whitworth Mill development	0	32	97	97	97
2	Resources	Capital Bid- Agile working	8	129	129	128	128
2	Resources	Capital Bid- Future Transport projects	84	333	519	616	713
2	Resources	Capital Bid-Operation Can do area	21	124	277	338	338
2	Resources	Capital impact of schools organisation plan	13	616	556	461	495

2	Resources	Digital Front Door	340	195	283	283	284
2	Resources	Task and Finish group- street cleansing	187	187	187	187	187
<b>Total Phase 2 Investments</b>			<b>653</b>	<b>1,616</b>	<b>2,048</b>	<b>2,110</b>	<b>2,242</b>

## Pressures

2.2. Items contained within this section refer to budget pressures within existing Council services, or are unavoidable pressures created by the introduction of new legislation.

### Phase 1 Pressures

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
1	Governance	Legal Services Pressures	133	133	133	133	133
1	Governance	Member Allowances	186	186	186	186	186
1	Governance	Terms & Conditions - Lease Cars	54	54	54	54	54
1	Growth & Regeneration	Highways Capital Maintenance- Costs of delivery	5	21	37	53	69
1	People & Communities	Better Care Fund - Front line investment	1355	0	0	0	0
1	People & Communities	Adults Transformation costs	115	325	0	0	0
1	People & Communities	Leaving Care at 25 - New Burdens Update	260	260	260	260	260
1	People & Communities	Unaccompanied Minors Update	600	0	0	0	0
1	Resources	Academisation & loss of business rates	70	96	122	148	174
1	Resources	Inflation Review (Pensions)	500	1250	2000	2250	2500
1	Resources	Internal Audit Partnership	52	52	52	52	52
<b>Total Phase 1 Pressures</b>			<b>3,330</b>	<b>2,377</b>	<b>2,844</b>	<b>3,136</b>	<b>3,428</b>

### Phase 2 Pressures

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
2	Governance	Organisational change	373	75	75	75	75
2	Growth & Regeneration	Arboriculture- Tree and woodland health and safety	422	150	150	150	150
2	People & Communities	Adult Social Care Cost Drivers	2337	2337	2337	2337	2337
2	People & Communities	Dedicated Schools Grant (DSG change in regs)	500	500	500	500	500
2	People & Communities	Early Years Funding Formula	149	430	430	430	430
2	People & Communities	Home to School Transport	524	524	524	524	524
2	Resources	Academisation & loss of business rates (increased to reflect new transfer forecast)	107	107	110	110	110
2	Resources	Amey Parks - Eye Nature Reserve	10	10	10	10	10

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
2	Resources	Apprenticeship Levy- HR element for schools	302	302	302	302	302
2	Resources	Employee Terms & Conditions (including Living wage increase)	96	96	96	96	96
2	Resources	Employee Terms & Conditions- HMRC salary sacrifice changes	32	32	40	46	46
2	Resources	ICT	796	491	454	521	521
2	Resources	Insurance Premium Tax	12	12	12	12	12
<b>Total Phase 2 Pressures</b>			<b>5,660</b>	<b>5,066</b>	<b>5,040</b>	<b>5,113</b>	<b>5,113</b>

### 3. Savings

3.1. Items detailed below represent the savings and income-generation proposals in the MTFS.

#### Phase 1 Savings

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
1	Chief Executive	Shared Chief Executive - additional savings	-110	-110	-110	-110	-110
1	Governance	Alternative Governance - No Longer Required	-50	-50	-50	-50	-50
1	Growth & Regeneration	Capital Receipts Update- Please refer to the Capital table for breakdown	-3,864	0	0	0	0
1	Growth & Regeneration	Concessionary Fares	-686	-838	-978	-1,118	-1,258
1	Growth & Regeneration	Highways Capital Maintenance- Savings	-240	-450	-450	-450	-450
1	Growth & Regeneration	Highways Roadmap	-120	-120	-120	-120	-120
1	People & Communities	Adult Social Care Precept 2017/18 - 2%	-1,287	-1,331	-1,333	-1,334	-1,335
1	People & Communities	Adult Social Care Precept 2018/19 - 2%	0	-1,334	-1,380	-1,381	-1,382
1	People & Communities	Better Care Fund	-1,689	0	0	0	0
1	People & Communities	Digital Front door- Saving	-163	-794	-280	-280	-280
1	People & Communities	Open Loan Share Arrangement with Cambridgeshire County Council to share Director of Peoples and Communities	-45	0	0	0	0
1	Resources	CFO Insights Analysis- saving impact	-20	-40	-60	-60	-60
1	Resources	Collection Fund Surplus - NNDR & CT part 1	-36	0	0	0	0
1	Resources	Cross Keys VAT Shelter Review	-375	-200	0	0	0
1	Resources	Inflation Review	-1,057	-1,126	-1,161	-1,118	-1,531
1	Resources	Internal Audit Services to schools	-52	-52	-52	-52	-52
1	Resources	MRP Review	-149	-149	-149	-149	-149
<b>Total Phase 1 Savings</b>			<b>-9,948</b>	<b>-6,599</b>	<b>-6,128</b>	<b>-6,227</b>	<b>-6,782</b>

## Phase 2 Savings

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
2	People & Communities	Academisation- Charging for the cost of Transfer (to reflect increased transfer forecast)	-25	0	0	0	0
2	People & Communities	Adult Social Care Precept- additional 1% in 17/18 and 18/19	-644	-1373	-1418	-1423	-1429
2	People & Communities	Direct Revenue Funding (DRF) Review	-519	-497	-473	-450	-427
2	People & Communities	Hardship Fund- Removal of budget/ Use of credit union	-50	-50	-50	-50	-50
2	People & Communities	National Funding Formula- Charging schools for ESG services	-1100	-1100	-1100	-1100	-1100
2	People & Communities	Passenger transport (home to school, children and ASC community link and Dial-a-ride)	0	-33	-33	-33	-33
2	People & Communities	PFI - Insurance (Schools)	-100	-100	-100	-100	-100
2	People & Communities	Private enforcement- Kingdom	-47	0	0	0	0
2	Resources	Amey Contract	0	-100	-100	-100	-100
2	Resources	Apprenticeship Levy- Charge for schools	-302	-302	-302	-302	-302
2	Resources	Business Rates Revaluation & Growth Forecast	-1000	-2600	-3400	-4400	-5300
2	Resources	Capital Programme / Asset investment Plan Review & Forecast	267	-1997	-3306	-2192	-3588
2	Resources	Capital Receipts- investment property receipts and loss of rental income	-4928	35	-3274	449	449
2	Resources	Capital Receipts- update	-647	-35	0	0	0
2	Resources	Collection Fund Surplus Forecast	-137	0	0	0	0
2	Resources	Early repayment scheme of suppliers for rebates (Oxygen)	50	-50	-50	-50	-50
2	Resources	ESPO Dividend	-100	-100	-100	-100	-100
2	Resources	Fees & Charges Review-	-82	-82	-82	-82	-82
2	Resources	Fletton Quays cash- South Bank	-689	0	0	0	0
2	Resources	Inflation Review (Pension)	-500	-1250	-2000	-1816	-2061
2	Resources	Music Hub	-15	-15	-15	-15	0
2	Resources	Parking Review	-168	-188	-239	-262	-242
2	Resources	Procurement Resource	-9	-43	-68	-118	-118
2	Resources	Public Notices-Communications Striving for excellence award	-9	-9	-9	-9	-9
2	Resources	Social Care Platform- SPA / SPA plus (Arcus) & PeopleToo	-31	-88	-247	-228	-209
2	Resources	The Peterborough Lottery	-23	-62	-62	-62	-62
2	Resources	Vivacity	0	(170)	(170)	(170)	(170)
<b>Total Phase 2 Savings</b>			<b>-10,808</b>	<b>-10,209</b>	<b>-16,598</b>	<b>-12,613</b>	<b>-15,083</b>

## 4. Grant Adjustments

4.1. Following the Provisional Local Government Finance Settlement in December, the Council has had to make revisions to the forecast amounts of grant it will receive As the Final Settlement will not be known until February, this position is likely to change.

- 4.2. Further changes to future year grant levels are expected, as the government plan to radically change local government funding from 2020/21. Although there is some short term stability on allocation levels for Revenue Support Grant and some other smaller funding streams, secured through the multi-year settlement offer.
- 4.3. Members will be updated when further details of changes to funding arrangements have been released.

### Phase 2 Grant Adjustments

Phase	Department	Proposal	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
2	People & Communities	Adult Social Care grant- (LG provisional Finance Settlement 2017-18)	-797	0	0	0	0
2	People & Communities	National Funding Formula-removal of the Education Services Grant (ESG)	2242	2242	2242	2242	2242
2	Resources	New Homes Bonus- (LG provisional Finance Settlement 2017-18)	1391	-75	298	933	666
<b>Total Phase 2 Grant Adjustments</b>			<b>2,836</b>	<b>2,167</b>	<b>2,540</b>	<b>3,175</b>	<b>2,908</b>

### 5. Detailed 5-Year Budget Position

- 5.1. The table below indicates the Council's 5-year budget position based on the most up-to-date information.
- 5.2. The budget position for the 2017/18 financial year is balanced, however this is with the use of £7.1m from the Grant Equalisation (GE) Reserve. There are still significant challenges in future years, with a budget gap of £14.5m, after the use of £4.3m from the GE reserve in 2018/19, followed by a substantial gap of £21m and rising from 2019/20 onwards.
- 5.3. It should be noted that the below figures are subject to change, pending the Final Local Government Finance Settlement and the completion of the Council's NNDR 1 form.

Phase 1	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget before the GE reserve</b>	<b>15,289</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
<b>Planned use of the GE reserve</b>	<b>-11,188</b>				
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Phase 1 - Grant Adjustments	0	0	0	0	0
Phase 1 - Pressures	3,330	2,377	2,844	3,136	3,428
Phase 1 - Investments	182	272	330	352	352
Add back planned use of the GE reserve	11,188				
<b>Initial Budget Gap</b>	<b>18,801</b>	<b>26,996</b>	<b>34,344</b>	<b>37,295</b>	<b>38,065</b>
Phase 1 - Efficiencies	-2,692	-3,729	-3,410	-3,507	-4,060
Phase 1 - Income	-7,256	-2,870	-2,718	-2,720	-2,722
<b>Revised Budget Gap</b>	<b>8,853</b>	<b>20,397</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Use of the GE reserve (£11,444)	-8,853	-2,591			
<b>Total Budget Gap</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>



Phase 2	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget Gap (post-Phase 1)</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Phase 2 - Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Phase 2 - Pressures	5,660	5,066	5,040	5,113	5,113
Phase 2 - Investments	653	1,616	2,048	2,110	2,242
<b>Revised Budget Gap</b>	<b>9,149</b>	<b>26,655</b>	<b>37,844</b>	<b>41,466</b>	<b>41,546</b>
Phase 2 - Efficiencies	-1,102	-1,997	-2,748	-2,591	-2,798
Phase 2 - income	-9,706	-8,212	-13,850	-10,022	-12,285
<b>Total Budget Gap</b>	<b>-1,659</b>	<b>16,446</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Re-profiling the GE reserve use	1,659	-1,659			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>

Overall Position	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Grant Equalisation reserve add back	11,188				
Grant Adjustments	2,836	2,167	2,540	3,175	2,908
Pressures	8,990	7,443	7,884	8,249	8,541
Investments	835	1,888	2,378	2,462	2,594
<b>Initial Budget Gap</b>	<b>27,950</b>	<b>35,845</b>	<b>43,972</b>	<b>47,693</b>	<b>48,328</b>
Efficiencies	(3,794)	(5,726)	(6,158)	(6,098)	(6,858)
Income	(16,962)	(11,082)	(16,568)	(12,742)	(15,007)
<b>Revised Budget Gap</b>	<b>7,194</b>	<b>19,037</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Grant Equalisation reserve use - £ 11,444	(7,194)	(4,250)			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
<b>Additional savings</b>		<b>14,787</b>	<b>6,459</b>	<b>7,608</b>	<b>(2,390)</b>

## 6. Key figures 2017/18 – 2026/27

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Funding	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Rates	-48,313	-49,613	-51,234	-52,270	-53,210	-55,500	-55,661	-55,825	-56,039	-56,039
Revenue Support Grant	-19,821	-15,056	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246
Other Grants	-31,967	-32,071	-33,672	-33,210	-33,359	-33,182	-33,182	-33,182	-33,182	-33,182
Housing Benefit Grant	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600
Parish Precept	-576	-576	-576	-576	-576	-576	-576	-576	-576	-576
Council Tax Base	-62,241	-64,394	-66,609	-68,884	-71,226	-73,634	-76,109	-78,654	-81,270	-81,270
Council Tax Growth Estimate	-896	-915	-931	-952	-971	-991	-1,011	-1,030	-1,052	-1,052
Council Tax Increase	-1,256	-1,300	-1,344	-1,390	-1,437	-1,485	-1,535	-1,586	-1,638	-1,638
Council Tax - Adult Social Care precept (inc 2% 2016/17)	-3,194	-5,344	-5,482	-5,535	-5,543	-5,543	-5,543	-5,543	-5,543	-5,543
Collection Fund - C Tax Deficit/Surplus (-)	-173	0	0	0	0	0	0	0	0	0
Collection Fund - NDR Deficit/Surplus (-)	1,152	0	0	0	0	0	0	0	0	0
Contribution to/from (-) Reserves	-7,194	-4,250	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>-247,079</b>	<b>-246,119</b>	<b>-242,693</b>	<b>-245,663</b>	<b>-249,167</b>	<b>-253,755</b>	<b>-256,461</b>	<b>-259,242</b>	<b>-262,147</b>	<b>262,146</b>
Schools Grant	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	129,414
<b>Total Funding</b>	<b>-376,493</b>	<b>-375,533</b>	<b>-372,107</b>	<b>-375,077</b>	<b>-378,581</b>	<b>-383,169</b>	<b>-385,875</b>	<b>-388,656</b>	<b>-391,561</b>	<b>391,560</b>
<b>Control Totals</b>	<b>384,497</b>	<b>391,362</b>	<b>398,519</b>	<b>403,779</b>	<b>406,612</b>	<b>407,077</b>	<b>410,699</b>	<b>413,507</b>	<b>416,928</b>	<b>417,090</b>
Investment 2017/18	9,648	9,128	10,030	10,453	10,851	10,851	10,851	10,851	10,851	10,851
Savings 2017/18	-17,652	-10,170	-15,195	-10,302	-12,419	-13,153	-14,381	-15,562	-16,697	-16,697
<b>Total Expenditure</b>	<b>376,493</b>	<b>390,320</b>	<b>393,353</b>	<b>403,930</b>	<b>405,044</b>	<b>404,775</b>	<b>407,169</b>	<b>408,796</b>	<b>411,082</b>	<b>411,244</b>
<b>Budget Deficit/Surplus (-)</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>	<b>21,606</b>	<b>21,294</b>	<b>20,140</b>	<b>19,521</b>	<b>19,684</b>

## 7. Breakdown of Other Grants

	2017/18	2018/19	2019/20	2020/21	2021/22
	£k	£k	£k	£k	£k
2017-18 Adult Social Care Support Grant	-797	0	0	0	0
Council Tax Support New Burdens Funding	-46	-46	-46	-46	-46
Dept of Health revenue grant	-249	-249	-249	-249	-249
Housing Benefit Admin Grant	-1,148	-1,148	-1,148	-1,148	-1,148
Improved Better Care Fund	-354	-2,986	-5,345	-5,345	-5,345
Independent Living Fund grant	-125	-120	-117	-117	-117
New Homes Bonus	-6,547	-5,122	-4,544	-3,991	-4,046
Better Care Fund	-2,976	-2,976	-2,976	-2,976	-2,976
Better Care Fund	-661	-661	-661	-661	-661
PFI	-4,731	-4,731	-4,731	-4,731	-4,731
Public Health grant	-11,196	-10,905	-10,621	-10,621	-10,621
S31 Business rate capping grant	-621	-640	-662	-681	-701
S31 Business rate doubling SBRR grant	-2,242	-2,313	-2,397	-2,469	-2,543
S31 Long term empty reoccupation	-5	0	0	0	0
S31 NHB grant	-95	0	0	0	0
S31 Rural rate relief	-9	-9	-10	-10	-10
SEND Grant	-165	-165	-165	-165	-165
<b>Total Other Grants</b>	<b>-31,967</b>	<b>-32,071</b>	<b>-33,672</b>	<b>-33,210</b>	<b>-33,359</b>

## 8. Departmental Cash Limits 2017/18 – Summarised

Department	MTFS 2016 Budget 2017/18 £000	2017/18 Savings £000	2017/18 Investment £000	2017/18 Changes to Grants £000	2017/18 Budget Adjustments £000	Net Budget 2017/18 £000
Chief Executives	344	(110)	-	-	-	234
Governance	6,342	(50)	692	-	-	6,984
Growth & Regeneration	13,686	(1,054)	422	-	(7)	13,048
People & Communities	73,608	(3,744)	5,932	2,242	(4)	78,034
Public Health	206	-	-	-	-	206
Resources	33,612	(2,584)	2,426	-	10	33,465
<b>COST OF SERVICES</b>	<b>127,799</b>	<b>(7,542)</b>	<b>9,472</b>	<b>2,242</b>	<b>(0)</b>	<b>131,971</b>
Drainage & Flood Levy	619	-	-	-	-	619
Capital Financing Costs	22,388	(10,110)	176	-	-	12,454
<b>BUDGET REQUIREMENT</b>	<b>150,805</b>	<b>(17,652)</b>	<b>9,648</b>	<b>2,242</b>	<b>(0)</b>	<b>145,043</b>
Parish Precepts	703	-	-	-	-	703
<b>TOTAL EXPENDITURE</b>	<b>151,508</b>	<b>(17,652)</b>	<b>9,648</b>	<b>2,242</b>	<b>(0)</b>	<b>145,746</b>
Council Tax	(64,394)	-	-	-	-	(64,394)
Council Tax - Adult Social Care precept	(1,263)	(1,931)	-	-	-	(3,194)
NDR Income	(48,142)	(1,000)	177	-	5,470	(43,495)
NDR Levy	-	-	-	-	177	177
NDR Tarriff	6,951	-	-	-	(4,818)	2,132
Revenue Support Grant	(19,821)	-	-	-	-	(19,821)
Parish Precept	(576)	-	-	-	-	(576)
New Homes Bonus	(8,033)	-	-	1,486	-	(6,547)
Section 31 Grant	(941)	-	-	(892)	(1,981)	(3,814)
Contribution from/to Grant Equalisation Reserve	(11,188)	-	-	-	3,994	(7,194)
Collection Fund - Council Tax	-	(173)	-	-	-	(173)
Collection Fund - NDR	-	-	-	-	1,152	1,152
<b>TOTAL FUNDING</b>	<b>(147,407)</b>	<b>(3,104)</b>	<b>177</b>	<b>594</b>	<b>3,994</b>	<b>(145,746)</b>
<b>(SURPLUS)/DEFICIT</b>	<b>4,101</b>	<b>(20,756)</b>	<b>9,825</b>	<b>2,836</b>	<b>3,994</b>	<b>-</b>

## 9. Departmental Cash Limits 2017/18

Department	Gross Budget 2016-17	Income 2016-17	Net Budget 2016/17	Prior Year Savings	Prior Year Investment	Inflation	Changes to Grants	Prior Year Budget Adjustments	MTFS 2016 Budget 2017/18	2017/18 Savings	2017/18 Investment	2017/18 Changes to Grants	2017/18 Budget Adjustments	Net Budget 2017/18
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executives	341	(60)	281	60	-	3	-	-	344	(110)	-	-	-	234
Governance	7,244	(684)	6,561	(250)	-	32	-	-	6,342	(50)	692	-	-	6,984
Growth & Regeneration	20,229	(7,401)	12,828	85	516	257	-	-	13,686	(1,054)	422	-	(7)	13,048
People & Communities	232,051	(158,051)	74,001	(1,768)	1,497	228	(350)	-	73,608	(3,744)	5,932	2,242	(4)	78,034
Public Health	11,507	(11,584)	(77)	-	-	-	283	-	206	-	-	-	-	206
Resources	122,515	(92,060)	30,454	(292)	697	2,765	-	(11)	33,612	(2,584)	2,426	-	10	33,465
<b>COST OF SERVICES</b>	<b>393,888</b>	<b>(269,840)</b>	<b>124,048</b>	<b>(2,165)</b>	<b>2,710</b>	<b>3,284</b>	<b>(67)</b>	<b>(11)</b>	<b>127,799</b>	<b>(7,542)</b>	<b>9,472</b>	<b>2,242</b>	<b>(0)</b>	<b>131,971</b>
Drainage & Flood Levy	609	-	609	-	-	9	-	-	619	-	-	-	-	619
Capital Financing Costs	18,626	(12)	18,615	1,809	1,859	-	-	105	22,388	(10,110)	176	-	-	12,454
<b>BUDGET REQUIREMENT</b>	<b>413,124</b>	<b>(269,852)</b>	<b>143,272</b>	<b>(356)</b>	<b>4,569</b>	<b>3,293</b>	<b>(67)</b>	<b>94</b>	<b>150,805</b>	<b>(17,652)</b>	<b>9,648</b>	<b>2,242</b>	<b>(0)</b>	<b>145,043</b>
Parish Precepts	703	-	703	-	-	-	-	-	703	-	-	-	-	703
<b>TOTAL EXPENDITURE</b>	<b>413,826</b>	<b>(269,852)</b>	<b>143,975</b>	<b>(356)</b>	<b>4,569</b>	<b>3,293</b>	<b>(67)</b>	<b>94</b>	<b>151,508</b>	<b>(17,652)</b>	<b>9,648</b>	<b>2,242</b>	<b>(0)</b>	<b>145,746</b>
Council Tax	-	(62,241)	(62,241)	(263)	-	-	-	(1,889)	(64,394)	-	-	-	-	(64,394)
Council Tax - Adult Social Care precept	-	(1,221)	(1,221)	(42)	-	-	-	-	(1,263)	(1,931)	-	-	-	(3,194)
NDR Income	-	(49,113)	(49,113)	(19)	-	-	-	989	(48,142)	(1,000)	177	-	5,470	(43,495)
NDR Levy	484	-	484	-	-	-	-	(484)	-	-	-	-	177	177
NDR Tarriff	6,736	-	6,736	-	-	-	-	214	6,951	-	-	-	(4,818)	2,132
Revenue Support Grant	-	(26,983)	(26,983)	-	-	-	-	7,162	(19,821)	-	-	-	-	(19,821)
Parish Precept	-	(576)	(576)	-	-	-	-	-	(576)	-	-	-	-	(576)
New Homes Bonus	-	(7,902)	(7,902)	(341)	-	-	210	-	(8,033)	-	-	1,486	-	(6,547)
Section 31 Grant	-	(1,558)	(1,558)	-	-	-	88	529	(941)	-	-	(892)	(1,981)	(3,814)
Contribution from/to Grant Equalisation Reserve	-	(950)	(950)	12,638	-	-	-	(22,876)	(11,188)	-	-	-	3,994	(7,194)
Contribution from/to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collection Fund - Council Tax	-	(1,494)	(1,494)	1,494	-	-	-	-	-	(173)	-	-	-	(173)
Collection Fund - NDR	841	-	841	-	-	-	-	(841)	-	-	-	-	1,152	1,152
<b>TOTAL FUNDING</b>	<b>8,062</b>	<b>(152,036)</b>	<b>(143,975)</b>	<b>13,467</b>	<b>-</b>	<b>-</b>	<b>298</b>	<b>(17,196)</b>	<b>(147,407)</b>	<b>(3,104)</b>	<b>177</b>	<b>594</b>	<b>3,994</b>	<b>(145,746)</b>
<b>(SURPLUS)/DEFICIT</b>	<b>421,888</b>	<b>(421,888)</b>	<b>0</b>	<b>13,111</b>	<b>4,569</b>	<b>3,293</b>	<b>231</b>	<b>(17,103)</b>	<b>4,101</b>	<b>(20,756)</b>	<b>9,825</b>	<b>2,836</b>	<b>3,994</b>	<b>-</b>

## 9a. Departmental Cash Limits 2017/18 – By Budget Phase

Department	MTFS 2016 Budget 2017/18	2017/18 Savings - Phase 1	2017/18 Investment - Phase 1	2017/18 Changes to Grants - Phase 1	2017/18 Budget Adjustments - Phase 1	Net Budget 2017/18	2017/18 Savings - Phase 2	2017/18 Investment - Phase 2	2017/18 Changes to Grants - Phase 2	2017/18 Budget Adjustments - Phase 2	Net Budget 2017/18
	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000
Chief Executives	344	(110)	-	-	-	234	-	-	-	-	234
Governance	6,342	(50)	319	-	-	6,611	(0)	373	-	-	6,984
Growth & Regeneration	13,686	(1,046)	-	-	-	12,640	(8)	422	-	(7)	13,048
People & Communities	73,608	(1,902)	2,330	-	-	74,036	(1,842)	3,602	2,242	(4)	78,034
Public Health	206	-	-	-	-	206	-	-	-	-	206
Resources	33,612	(1,504)	743	-	-	32,851	(1,080)	1,683	-	10	33,465
<b>COST OF SERVICES</b>	<b>127,799</b>	<b>(4,612)</b>	<b>3,392</b>	<b>-</b>	<b>-</b>	<b>126,579</b>	<b>(2,930)</b>	<b>6,080</b>	<b>2,242</b>	<b>(0)</b>	<b>131,971</b>
Drainage & Flood Levy	619	-	-	-	-	619	-	-	-	-	619
Capital Financing Costs	22,388	(4,013)	50	-	-	18,425	(6,097)	126	-	-	12,454
<b>BUDGET REQUIREMENT</b>	<b>150,805</b>	<b>(8,625)</b>	<b>3,442</b>	<b>-</b>	<b>-</b>	<b>145,622</b>	<b>(9,027)</b>	<b>6,206</b>	<b>2,242</b>	<b>(0)</b>	<b>145,043</b>
Parish Precepts	703	-	-	-	-	703	-	-	-	-	703
<b>TOTAL EXPENDITURE</b>	<b>151,508</b>	<b>(8,625)</b>	<b>3,442</b>	<b>-</b>	<b>-</b>	<b>146,325</b>	<b>(9,027)</b>	<b>6,206</b>	<b>2,242</b>	<b>(0)</b>	<b>145,746</b>
Council Tax	(64,394)	-	-	-	-	(64,394)	-	-	-	-	(64,394)
Council Tax - Adult Social Care precept	(1,263)	(1,287)	-	-	-	(2,550)	(644)	-	-	-	(3,194)
NDR Income	(48,142)	-	70	-	-	(48,072)	(1,000)	107	-	5,470	(43,495)
NDR Levy	-	-	-	-	-	-	-	-	-	177	177
NDR Tarriff	6,951	-	-	-	-	6,951	-	-	-	(4,818)	2,132
Revenue Support Grant	(19,821)	-	-	-	-	(19,821)	-	-	-	-	(19,821)
Parish Precept	(576)	-	-	-	-	(576)	-	-	-	-	(576)
New Homes Bonus	(8,033)	-	-	-	-	(8,033)	-	-	1,486	-	(6,547)
Section 31 Grant	(941)	-	-	-	-	(941)	-	-	(892)	(1,981)	(3,814)
Cont. from/to Grant Equalisation Reserve	(11,188)	-	-	-	2,335	(8,853)	-	-	-	1,659	(7,194)
Collection Fund - Council Tax	-	(36)	-	-	-	(36)	(137)	-	-	-	(173)
Collection Fund – NDR	-	-	-	-	-	-	-	-	-	1,152	1,152
<b>TOTAL FUNDING</b>	<b>(147,407)</b>	<b>(1,323)</b>	<b>70</b>	<b>-</b>	<b>2,335</b>	<b>(146,325)</b>	<b>(1,781)</b>	<b>107</b>	<b>594</b>	<b>1,659</b>	<b>(145,746)</b>
<b>(SURPLUS)/DEFICIT</b>	<b>4,101</b>	<b>(9,948)</b>	<b>3,512</b>	<b>-</b>	<b>2,335</b>	<b>0</b>	<b>(10,808)</b>	<b>6,313</b>	<b>2,836</b>	<b>1,659</b>	<b>0</b>

## 9b. Summary Budget Position by Department 2017/18-2021/22

Department	2017/18	2018/19	2019/20	2020/21	2021/22
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executives	234	234	234	234	234
Governance	6,984	6,686	6,686	6,686	6,686
Growth & Regeneration	13,048	12,325	12,648	12,641	13,115
People & Communities	78,034	75,367	74,697	77,148	78,010
Public Health	206	497	781	781	781
Resources	33,465	35,064	36,733	39,223	40,971
Drainage & Flood Levy	619	619	619	619	619
Capital Financing Costs	12,454	25,567	24,775	30,270	28,148
Parish Precepts	703	703	703	703	703
<b>TOTAL EXPENDITURE</b>	<b>145,746</b>	<b>157,062</b>	<b>157,876</b>	<b>168,304</b>	<b>169,267</b>
Council Tax	(64,394)	(66,609)	(68,884)	(71,226)	(73,634)
Council Tax - Adult Social Care precept	(3,194)	(5,344)	(5,482)	(5,535)	(5,543)
NDR Income	(43,495)	(44,724)	(46,282)	(47,243)	(48,105)
NDR Levy	177	212	218	222	226
NDR Tarriff	2,132	2,201	2,280	2,348	2,419
Revenue Support Grant	(19,821)	(15,056)	(10,246)	(10,246)	(10,246)
Parish Precept	(576)	(576)	(576)	(576)	(576)
New Homes Bonus	(6,547)	(5,122)	(4,544)	(3,991)	(4,046)
Section 31 Grant	(3,814)	(3,007)	(3,114)	(3,205)	(3,299)
Contribution from/to Grant Equalisation Reserve	(7,194)	(4,250)	-	-	-
Collection Fund - Council Tax	(173)	-	-	-	-
Collection Fund - NDR	1,152	-	-	-	-
<b>TOTAL FUNDING</b>	<b>-145,746</b>	<b>-142,275</b>	<b>-136,630</b>	<b>-139,451</b>	<b>-142,804</b>
<b>(SURPLUS)/DEFICIT</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>

## 9c. Detailed Budgets by Dept.

CHIEF EXECUTIVES	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Opening Gross Expenditure (MTFS 2016)</b>	336	294	294	294	294
Permanent Virements in 2016/17	5				
<b>REVISED OPENING GROSS EXPENDITURE</b>	<b>341</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>
<b>Prior Year Investment</b>	0				
<b>Prior Year Savings</b>					
Shared Chief Executive with CCC	60	0	0	0	0
<b>GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS</b>	<b>401</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>
<b>INFLATION</b>	3	0	0	0	0
<b>SAVINGS</b>					
Shared Chief Executive - additional savings	-110	0	0	0	0
<b>SUBTOTAL SAVINGS</b>	<b>-110</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL GROSS EXPENDITURE</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>
<b>INCOME</b>					
Previous Years income (MTFS 2016)	-60	-60	-60	-60	-60
<b>SUBTOTAL INCOME</b>	<b>-60</b>	<b>-60</b>	<b>-60</b>	<b>-60</b>	<b>-60</b>
<b>TOTAL NET EXPENDITURE</b>	<b>234</b>	<b>234</b>	<b>234</b>	<b>234</b>	<b>234</b>

GOVERNANCE	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Opening Gross Expenditure (MTFS 2016)</b>	12,879	7,672	7,374	7,374	7,374
Permanent Virements in 2016/17	181				
Hierarchy Changes	-5,816				
<b>REVISED OPENING GROSS EXPENDITURE</b>	<b>7,244</b>	<b>7,672</b>	<b>7,374</b>	<b>7,374</b>	<b>7,374</b>
<b>Prior Year Savings</b>					
Elections	-250	0	0	0	0
<b>GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS</b>	<b>6,994</b>	<b>7,672</b>	<b>7,374</b>	<b>7,374</b>	<b>7,374</b>
<b>INFLATION</b>	35	0	0	0	0
<b>INVESTMENTS</b>					
Legal Services Pressures	133	0	0	0	0
Member Allowances	186	0	0	0	0
Organisational change	373	-298	0	0	0
<b>SUBTOTAL INVESTMENTS</b>	<b>692</b>	<b>-298</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SAVINGS</b>					
Alternative Governance - No Longer Required	-50	0	0	0	0
<b>SUBTOTAL SAVINGS</b>	<b>-50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL GROSS EXPENDITURE</b>	<b>7,672</b>	<b>7,374</b>	<b>7,374</b>	<b>7,374</b>	<b>7,374</b>
<b>INCOME</b>					
Previous Years income (MTFS 2016)	-7,047	-687	-687	-687	-687
Hierarchy Changes	6,363				
Fees & Charges Inflation	-4	0	0	0	0
<b>SUBTOTAL INCOME</b>	<b>-687</b>	<b>-687</b>	<b>-687</b>	<b>-687</b>	<b>-687</b>
<b>TOTAL NET EXPENDITURE</b>	<b>6,984</b>	<b>6,686</b>	<b>6,686</b>	<b>6,686</b>	<b>6,686</b>
GROWTH & REGENERATION	Detailed Plans	Outline Plans			



	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Opening Gross Expenditure (MTFS 2016)</b>	<b>15,936</b>	20,461	19,738	20,061	20,054
Permanent Virements in 2016/17	613				
Hierarchy Changes	3,680				
<b>REVISED OPENING GROSS EXPENDITURE</b>	<b>20,229</b>	<b>20,461</b>	<b>19,738</b>	<b>20,061</b>	<b>20,054</b>
<b>Prior Year Investment</b>					
Local Development framework - Inspection cost of review of documents	0	-75	0	75	0
Maintenance at Rhubarb Bridge	200	-200	250	-250	300
Property management	116	122	127	133	139
Concessionary Fares	200	200	200	200	200
<b>Prior Year Savings</b>					
Reduce costs of maintaining bus shelters	0	5	0	0	0
Joint venture savings	0	-150	0	0	0
Reduce costs of office accommodation	0	0	-25	-25	-25
Peterborough Highway Services	240	210	0	0	0
Street lighting maintenance	25	30	0	0	0
Street Lighting	-180	-180	-90	0	0
Future delivery of Property Services	0	-50	0	0	0
<b>GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS</b>	<b>20,830</b>	<b>20,372</b>	<b>20,201</b>	<b>20,194</b>	<b>20,668</b>
<b>INFLATION</b>	269	0	0	0	0
<b>INVESTMENTS</b>					
Arboriculture- Tree and woodland health and safety	422	-272	0	0	0
<b>SUBTOTAL INVESTMENTS</b>	422	-272	0	0	0
<b>SAVINGS</b>					
Concessionary Fares	-686	-152	-140	-140	-140
Highways Roadmap	-120	0	0	0	0
Highways Capital Maintenance	-240	-210	0	0	0
Public Notices-Communications Striving for excellence award	-8	0	0	0	0
<b>SUBTOTAL SAVINGS</b>	<b>-1,054</b>	<b>-362</b>	<b>-140</b>	<b>-140</b>	<b>-140</b>
<b>BUDGET ADJUSTMENTS</b>	-7	0	0	0	0
<b>TOTAL GROSS EXPENDITURE</b>	<b>20,461</b>	<b>19,738</b>	<b>20,061</b>	<b>20,054</b>	<b>20,528</b>
<b>INCOME</b>					
<b>Previous Years income (MTFS 2016)</b>	<b>-3,362</b>	<b>-7,413</b>	<b>-7,413</b>	<b>-7,413</b>	<b>-7,413</b>
Permanent Virements in 2016/17	-365				
Hierarchy Changes	-3,674				
Fees & Charges Inflation	-12	0	0	0	0
<b>SUBTOTAL INCOME</b>	<b>-7,413</b>	<b>-7,413</b>	<b>-7,413</b>	<b>-7,413</b>	<b>-7,413</b>
<b>TOTAL NET EXPENDITURE</b>	<b>13,048</b>	<b>12,325</b>	<b>12,648</b>	<b>12,641</b>	<b>13,115</b>

PEOPLE & COMMUNITIES	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Opening Gross Expenditure (MTFS 2016)</b>	<b>233,327</b>	232,717	230,988	232,673	235,124
Permanent Virements in 2016/17	-2,239				
Hierarchy Changes	964				
<b>REVISED OPENING GROSS EXPENDITURE</b>	<b>232,051</b>	<b>232,717</b>	<b>230,988</b>	<b>232,673</b>	<b>235,124</b>
<b>Prior Year Investment</b>					
Children Social Care placement costs	-252	-333	-483	0	0
Housing stock survey	0	85	-85	0	0
Mental Health – growth in referrals in statutory work. All growth has been contained in budgets for the last three / four years	25	28	28	28	28
Physical Disability – growth in numbers (includes no residential increases)	123	135	135	135	135
Older People (including older people's mental health services) – growth in numbers	215	238	238	238	238
Children Social Care demography	72	60	98	84	60
Learning Disability – growth in numbers (non transitional)	1,015	978	977	977	978
Home to School Transport (mainstream)	-68	-46	-19	0	0
LAC Transport	-10	-10	0	0	0
Carers Responsibilities	114	0	0	0	0
Social Care Funding changes	69	0	0	0	0
Support for looked after children	594	333	483	0	0
Change in foster care legislation	30	0	0	0	0
Adult Social Care, Health and Wellbeing – Transformation costs	-479	0	0	0	0
Selective Licencing	0	-50	0	0	0
National Living Wage (NLW)	561	565	564	1,566	0
Customer Experience Programme - Resourcing	-507	-967	0	0	0
St Georges Community Hydrotherapy Pool	-5	-6	-6	0	0
<b>Prior Year Savings</b>					
Reduction in costs of supporting looked after children	-342	0	0	0	0
Adult social care demography changes	-519	-528	-458	-600	-600
Managing Demand - The Front Door Project	-2,700	0	0	0	0
Reducing spend on agency social workers - Childrens Services	47	29	0	0	0
Develop a Permanency Service / childrens' placement costs	-650	-250	0	0	0
New Ways of Working	-125	0	0	0	0
New Ways of Working	-125	0	0	0	0
Clare Lodge	-250	0	0	0	0
<b>GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS</b>	<b>228,884</b>	<b>232,978</b>	<b>232,460</b>	<b>235,101</b>	<b>235,963</b>
<b>INFLATION</b>	294	0	0	0	0
<b>INVESTMENTS</b>					
Leaving Care at 25 - New Burdens Update	260	0	0	0	0
Unaccompanied Minors Update	600	-600	0	0	0
Adults transformation costs	115	210	-325	0	0
Better Care Fund - Front line investment	1,355	-1,355	0	0	0
Early Years Funding Formula	149	281	0	0	0
Insurance Premium Tax	92	0	0	0	0
Adult Social Care Cost Drivers	2,337	0	0	0	0
Dedicated Schools Grant	500	0	0	0	0
Home to School Transport	524	0	0	0	0
<b>SUBTOTAL INVESTMENTS</b>	<b>5,932</b>	<b>-1,464</b>	<b>-325</b>	<b>0</b>	<b>0</b>
<b>SAVINGS</b>					
Open Loan Share Arrangement with Cambridgeshire County Council to share Director of Peoples and Communities	-45	45	0	0	0
Academisation - Charging for Costs of Transfer	-30	25	0	0	0
Serco - Insight & Analytics / Front Door	-163	-631	514	0	0

PEOPLE & COMMUNITIES	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
National Funding Formula- Charging schools for ESG services	-1,100	0	0	0	0
Passenger Transport - & Equivalent Saving	0	-33	0	0	0
Direct Revenue Funding (DRF) Review	-519	22	24	23	23
Hardship Fund- Removal of budget/ Use of credit union	-50	0	0	0	0
Private enforcement- Kingdom	-47	47	0	0	0
Public Notices-Communications Striving for excellence award	-1	0	0	0	0
PFI - Insurance (Schools)	-100	0	0	0	0
<b>SUBTOTAL SAVINGS</b>	<b>-2,055</b>	<b>-525</b>	<b>538</b>	<b>23</b>	<b>23</b>
<b>BUDGET ADJUSTMENTS</b>	<b>161</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL GROSS EXPENDITURE</b>	<b>233,217</b>	<b>230,988</b>	<b>232,673</b>	<b>235,124</b>	<b>235,986</b>
<b>INCOME</b>					
<b>Previous Years income (MTFS 2016)</b>	<b>-159,989</b>	<b>-154,682</b>	<b>-155,621</b>	<b>-157,977</b>	<b>-157,977</b>
Permanent Virements in 2016/17	2,813				
Hierarchy Changes	-875				
Fees & Charges Inflation	-65	0	0	0	0
<b>Changes to grants</b>					
Improved Better Care Fund	-354	-2,632	-2,359	0	0
Better Care Fund - Transformation	1,689	0	0	0	0
Better Care Fund - Protecting ASC	1,207	0	0	0	0
Independent Living Fund grant	4	4	4	0	0
Better Care Fund	-1,689	1,689	0	0	0
National Funding Formula- removal of the Education Services Grant	2,242	0	0	0	0
Directorate Budget Adjustments - income budget SEND grant	-165	0	0	0	0
<b>SUBTOTAL INCOME</b>	<b>-155,182</b>	<b>-155,621</b>	<b>-157,977</b>	<b>-157,977</b>	<b>-157,977</b>
<b>TOTAL NET EXPENDITURE</b>	<b>78,034</b>	<b>75,367</b>	<b>74,697</b>	<b>77,148</b>	<b>78,010</b>

PUBLIC HEALTH	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Opening Gross Expenditure (MTFS 2016)</b>	<b>11,402</b>	<b>11,507</b>	<b>11,507</b>	<b>11,507</b>	<b>11,507</b>
Permanent Virements in 2016/17	105				
<b>REVISED OPENING GROSS EXPENDITURE</b>	<b>11,507</b>	<b>11,507</b>	<b>11,507</b>	<b>11,507</b>	<b>11,507</b>
<b>INCOME</b>					
<b>Previous Years income (MTFS 2016)</b>	<b>-11,479</b>	<b>-11,301</b>	<b>-11,010</b>	<b>-10,726</b>	<b>-10,726</b>
Permanent Virements in 2016/17	-105				
<b>Changes to grants</b>					
Expected pressure to Public Health Grant	210	214	208	0	0
Additional Expected pressure to Public Health Grant	73	77	76	0	0
<b>Subtotal Income</b>	<b>-11,301</b>	<b>-11,010</b>	<b>-10,726</b>	<b>-10,726</b>	<b>-10,726</b>
<b>TOTAL NET EXPENDITURE</b>	<b>206</b>	<b>497</b>	<b>781</b>	<b>781</b>	<b>781</b>

RESOURCES	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Opening Gross Expenditure (MTFS 2016)</b>	<b>128,537</b>	125,543	127,142	128,812	131,302
Permanent Virements in 2016/17	-7,195				
Hierarchy Changes	1,173				
<b>OPENING GROSS EXPENDITURE</b>	<b>122,515</b>	<b>125,543</b>	<b>127,142</b>	<b>128,812</b>	<b>131,302</b>
<b>Prior Year Investment</b>					
Vivacity withdrawal from council's support services	4	2	4	4	3
Waste disposal	575	258	267	753	304
Pension costs	331	339	0	0	0
Energy inflation indices updated to DECC forecast	-24	32	0	0	0
Energy Parks - delay costs	-4,304	-287	-291	-130	-33
removal of renewables wind and ground mounted income	4,563	555	549	391	298
Mausoleum Income	0	123	0	0	0
Procurement (Serco)	31	-9	-9	-9	0
Waste Management / Recycling	-38	0	0	0	0
Metal Culture Peterborough	0	-50	0	0	0
Green Flag/Pocket Parks	-18	0	0	0	0
Statutory Testing	-50	-50	0	0	0
Empower	-409	0	0	0	0
Car Parking	35	40	41	43	0
Rounding adjustments	-11	-17	11	-38	15
<b>Prior Year Savings</b>					
Manor Drive Managed	328	-5	0	-11	-510
Solar Energy	-145	-146	-148	-150	-151
EfW - removal of (Landfill) existing treatment budget	-517	-197	-203	-685	-230
EfW Operating income	-97	-40	-129	-68	-7
Pension Strain budget	42	42	42	43	42
EfW Operating cost	163	169	176	183	190
Wind and Solar energy	-114	-122	-109	-111	-114
Reduced costs through new Broadband provision	4	0	4	3	0
Serco Contract	61	0	0	0	0
Serco Strategic Partnership	-266	0	0	0	0
Environment capital including CRC	0	0	-300	0	0
Customer experience	-1,000	0	0	0	0
Empower – per Cabinet report	-24	60	0	-18	0
Expansion of Solar PV Schemes	636	0	0	0	0
Future Customer Exp net savings already counted in MTFS position	1,000	0	0	0	0
Vivacity - Premier Fitness	-70	0	0	0	0
Workforce Modernisation	-356	0	0	0	0
Cross Key Homes VAT Shelter	560	0	0	0	0
<b>GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS</b>	<b>123,403</b>	<b>126,239</b>	<b>127,045</b>	<b>129,012</b>	<b>131,109</b>
<b>INFLATION</b>	<b>1,231</b>	<b>1,718</b>	<b>1,772</b>	<b>2,272</b>	<b>1,885</b>
<b>INVESTMENTS</b>					
Internal Audit Partnership	52	0	0	0	0
CFO Insights Analysis	10	0	-10	0	0
Grass/Hedge Cutting & Littering Proposals	127	0	0	0	0
Terms & Conditions - Lease Cars	54	0	0	0	0
Amey Parks - Eye Nature reserve	10	0	0	0	0
Apprenticeship Levy- Charge for schools	302	0	0	0	0
Employee Terms & Conditions (including Living wage increase)	96	0	0	0	0
Insurance Premium Tax	-80	0	0	0	0
Task and Finish group- street cleansing	187	0	0	0	0
The Digital Front Door	340	-145	88	0	1
Employee Terms & Conditions- HMRC salary sacrifice changes	32	0	8	6	0

RESOURCES	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
ICT	796	-305	-37	67	0
<b>SUBTOTAL INVESTMENTS</b>	<b>1,926</b>	<b>-450</b>	<b>49</b>	<b>73</b>	<b>1</b>
<b>SAVINGS</b>					
Internal Audit Services to schools	-52	0	0	0	0
Cross Keys VAT Shelter Review	-375	175	200	0	0
CFO Insights Analysis- saving impact	-20	-20	-20	0	0
Fees & Charges Review	-82	0	0	0	0
Social Care Platform- SPA / SPA plus (Arcus) & PeopleToo	-31	-57	-159	19	19
The Peterborough Lottery (Aylesbury Vale)	-23	-39	0	0	0
Apprenticeship Levy- Charge for schools	-302	0	0	0	0
Procurement Resource	-9	-34	-25	-50	0
Parking Review	-168	-20	-51	-23	20
Amey Contract termination	0	-100	0	0	0
Early repayment scheme of suppliers for rebates (Oxygen)	50	-100	0	0	0
Music Hub	-15	0	0	0	15
Vivacity	0	-170	0	0	0
<b>SUBTOTAL SAVINGS</b>	<b>-1,027</b>	<b>-365</b>	<b>-55</b>	<b>-54</b>	<b>54</b>
<b>BUDGET ADJUSTMENTS</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>-1</b>	<b>1</b>
<b>TOTAL GROSS EXPENDITURE</b>	<b>125,543</b>	<b>127,142</b>	<b>128,812</b>	<b>131,302</b>	<b>133,050</b>
<b>INCOME</b>					
<b>Previous Years income (MTFS 2016)</b>	<b>-96,433</b>	<b>-92,079</b>	<b>-92,079</b>	<b>-92,079</b>	<b>-92,079</b>
Permanent Virements in 2016/17	6,187				
Hierarchy Changes	-1,815				
Fees & Charges Inflation	-18	0	0	0	0
<b>SUBTOTAL INCOME</b>	<b>-92,079</b>	<b>-92,079</b>	<b>-92,079</b>	<b>-92,079</b>	<b>-92,079</b>
<b>TOTAL NET EXPENDITURE</b>	<b>33,465</b>	<b>35,064</b>	<b>36,733</b>	<b>39,223</b>	<b>40,971</b>

CAPITAL FINANCING COSTS	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>2016/17 Budget</b>	<b>18,626</b>	<b>12,465</b>	<b>25,578</b>	<b>24,787</b>	<b>30,281</b>
Permanent Virements in 2016/17					
<b>OPENING GROSS EXPENDITURE</b>	<b>18,626</b>	<b>12,465</b>	<b>25,578</b>	<b>24,787</b>	<b>30,281</b>
<b>Investment</b>					
Costs of inescapable capital schemes	52	30	-4	2	29
Costs of essential capital schemes	404	236	162	97	97
Capital Receipts Adjustments	0	-28	-14	0	0
Fletton Parkway J1-2	-9	-13	1	1	1
Riverside Opportunity Area	0	2	2	2	2
Departmental capital programme new bids	0	3	2	1	3
Schools Additional Capital Requirement	181	13	14	14	15
Additional cost of capital programme re Efw	-1	10	10	11	12
Operations capital bids revenue cost	252	31	19	20	20
Solar Energy	0	-1	0	0	0
Capital Financing - Investment costs	146	0	136	4	121
Capital financing costs following capital investment	206	39	13	10	9
Highways Capitalisation proposal	4	0	1	0	0
Jack Hunt School	89	0	0	0	0

CAPITAL FINANCING COSTS	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Multi-Storey Car Parks - Suicide Prevention	8	0	0	0	0
Housing Joint Venture	282	204	129	-62	0
Street Lighting	100	280	190	-60	-60
ICT Investment	145	37	1	1	0
<b>Prior Year Savings</b>					
Revenue budget saving from re-phasing capital programme	20	5	158	175	206
Capital Financing	-322	138	14	-49	-144
Capital Financing - Savings	320	627	603	252	80
Growth Capital programme	180	300	42	0	0
Resources Capital programme	240	-2	-1	-8	0
Update on capital programme	60	53	0	0	0
Revenue impact on changes to Schools Capital requirement	291	294	950	573	0
MRP	453	459	409	290	0
Capital Receipts	567	1,522	646	-260	0
Offset Adjustment in Resources	105	-204	-119	-457	-1,264
<b>GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS</b>	<b>22,399</b>	<b>16,500</b>	<b>28,942</b>	<b>25,344</b>	<b>29,408</b>
<b>INVESTMENTS</b>					
Highways Capital Maintenance - costs of delivery	5	16	16	16	16
North West Gate- MRP costs	45	90	68	23	0
Capital impact of schools organisation plan	13	603	-60	-95	34
Capital Bid- Agile working/Fletton Quays	8	121	0	-1	0
Capital Bid- Future Transport projects	84	249	186	97	97
Capital Bid- Whitworth Mill development	0	32	65	0	0
Capital Bid-Operation Can do area	21	103	153	61	0
<b>SUBTOTAL INVESTMENTS</b>	<b>176</b>	<b>1,214</b>	<b>428</b>	<b>101</b>	<b>147</b>
<b>SAVINGS</b>					
Capital Receipts Update	-4,511	4,476	35	0	0
MRP Review	-149	0	0	0	0
Capital Programme / Asset investment Plan Review & Forecast	267	-2,264	-1,309	1,114	-1,396
Capital Receipts- Investment property receipts & loss of rebate income	-4,928	4,963	-3,309	3,723	0
Fletton Quays cash- South Bank	-689	689	0	0	0
Espo Dividend	-100	0	0	0	0
<b>SUBTOTAL SAVINGS</b>	<b>-10,110</b>	<b>7,864</b>	<b>-4,583</b>	<b>4,837</b>	<b>-1,396</b>
<b>TOTAL GROSS EXPENDITURE</b>	<b>12,465</b>	<b>25,578</b>	<b>24,787</b>	<b>30,281</b>	<b>28,159</b>
<b>INCOME</b>					
Previous Years income (MTFS 2016)	-12	-12	-12	-12	-12
<b>SUBTOTAL INCOME</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>
<b>TOTAL NET EXPENDITURE</b>	<b>12,454</b>	<b>25,567</b>	<b>24,775</b>	<b>30,270</b>	<b>28,148</b>

## 10. Schedule of Fees &amp; Charges

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Governance	Mayoralty/Civic	Civic Room Lettings	3.0%	Council Lead
Governance	Land charges	Search fees	0.0%	Council Lead/Statutory
Growth and Regeneration	Passenger Transport	Queensgate Bus Station	0.0%	Council Lead
Growth and Regeneration	Street Works	Licenses and permits	3.6%	Council Lead
Growth and Regeneration	Asset Management	Street naming & numbering information	20.0%	Council Lead
Growth and Regeneration	Trans and Development	Highways Development	0.4%	Council Lead
Growth and Regeneration	Planning	Planning Fees and Charges	0.0%	Council Lead/Statutory
Growth and Regeneration	Archaeology Service	Archaeology Services	0.0%	Council Lead
People and Communities	St. Georges Hydrotherapy Pool	St. Georges Hydrotherapy Pool	0.0%	Council Lead
People and Communities	Housing & Healthy Living - Communities	Gladstone Park	0.0%	Council Lead
People and Communities	Community Protection	Environmental Enforcement	0.0%	Statutory
People and Communities	Enforcement	Houses of Multiple Occupation License	0.0%	Statutory
People and Communities	Housing & Healthy Living - Housing	Selective Licensing	0.0%	Council Lead
People and Communities	Learning & Skills	Parental contribution to Bus Passes issued	0.0%	Council Lead
People and Communities	Parking Services	PCN's - Off Street Parking	0.0%	Statutory
People and Communities	Parking Services	PCN's - On Street Parking	0.0%	Statutory
People and Communities	Children & Families	Accommodation charges	0.0%	Council Lead
People and Communities	Children & Families	Inter agency adoption fee	0.0%	Statutory
People and Communities	Childrens Social Care	Unauthorised absence penalty notice	0.0%	Statutory
People and Communities	Independent Sector Placements	Homecare - hourly rate	0.0%	Council Lead
People and Communities	Independent Sector Placements	Extra Care Schemes	0.6%	Council Lead
People and Communities	Independent Sector Placements	Day services	4.6%	Council Lead
People and Communities	Independent Sector Placements	Direct payment rates	0.0%	Council Lead
People and Communities	Independent Sector Placements	Respite	0.0%	Council Lead
People and Communities	Independent Sector Placements	Meals on wheels	0.0%	Council Lead
Resources	Parking Services	On Street Parking	18.2%	Council Lead
Resources	Parking Services	Off Street Parking	1.6%	Council Lead
Resources	Parking Services	Off Street Parking Season tickets	0.0%	Council Lead
Resources	Parking Services	Staff Parking	0.0%	Council Lead
Resources	Parking Services	Residential Parking	0.0%	Council Lead
Resources	City Centre Services	City Services Street Trading	2.0%	Council Lead

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Resources	Tourism	Tickets sold on behalf of event organisers	0.0%	Council Lead
Resources	Licensing	Gambling Act Licensing	1.9%	Statutory
Resources	Licensing	Hackney Carriage Licensing	4.4%	Council Lead
Resources	Licensing	Animal Welfare Licensing	2.5%	Council Lead
Resources	Business Regulations	Other Environmental Health Licensing	7.4%	Council Lead
Resources	Business Regulations	Construction, Design and Management Fees	4.0%	Statutory
Resources	Business Regulations	Trading Standards	0.0%	LACORS
Resources	Business Regulations	Street Trading Consents (Non Pedestrian Area)	5.1%	Council Lead
Resources	Licensing	Lottery Licensing	0.0%	Statutory
Resources	Community Protection	Environmental Protection Act	0.0%	Statutory
Resources	Business Regulations	Other charges	0.9%	Council Lead/Statutory
Resources	Bereavement Services	Crematorium fees	3.7%	Council Lead
Resources	Bereavement Services	Memorial Sales	3.1%	Council Lead
Resources	Bereavement Services	Cemetery fees	4.0%	Council Lead
Resources	Registration Services	Private Citizenship Ceremonies	2.6%	Council Lead
Resources	Registration Services	Approved Premises/Registration Office	2.6%	Council Lead
Resources	Registration Services	Nationality Checking	30.2%	Council Lead
Resources	Registration Services	Baby Naming/Renewal of Vows	4.4%	Council Lead
Resources	Registration Services	Registration Services – Statutory fees	0.2%	Statutory
Resources	Strategic Property	Property Rents	Varies - see comment	Council Lead



**Schedule D - Treasury Strategy, Minimum Revenue Provision Policy**



# Treasury Management Strategy 2017/18 to 2026/27

Including:

Minimum Revenue Provision Policy 2017/18

## 1. Introduction

### 1.1 Background

1.1.1 The Council is required to operate a balanced budget, which means that cash raised through the year will meet cash expenditure. The role of treasury management is to ensure cash flow is adequately planned so that cash is available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Council's low risk appetite ensuring that security and liquidity are achieved before considering investment return.

1.1.2 Another role of treasury management is to fund the Council's capital programme. The programme provides a guide to the borrowing needs of the Council and the planning of a longer term cash flow to ensure capital obligations are met. The management of long term cash may involve arranging short or long term loans or using longer term cash flow surpluses.

1.1.3 CIPFA defines treasury management as:

*“ The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

### 1.2 Reporting requirements

1.2.1 The Council is required to receive and approve, as a minimum, three reports each year. These reports are to be scrutinised by the Audit Committee before being recommended to Council.

1.2.2 The Treasury Management Strategy report will cover:

- the capital programme (including prudential indicators)

- a Minimum Revenue Provision (MRP) Policy
- the Treasury Management Strategy including treasury indicators; and
- an Investment Strategy

1.2.3 A mid-year Treasury Management Report will update members of the Audit Committee with the progress of the capital programme and amending prudential indicators as necessary.

1.2.4 Any revisions to the Treasury Strategy will need to be approved by Full Council.

1.2.5 An Annual Treasury Report will provide details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy presented alongside the Statement of Accounts.

### 1.3 Treasury Management Strategy for 2017/18

1.3.1 The strategy for 2017/18 will cover

- |   |  |
|---|--|
| • Policy on use of external advisors              | • Borrowing strategy                       |
| • Capital programme and the Prudential Indicators | • Policy on borrowing in advance of need   |
| • MRP strategy and policy                         | • Debt rescheduling                        |
| • Current treasury position                       | • Investment strategy                      |
| • Treasury indicators                             | • Creditworthiness policy                  |
| • Interest rates                                  | • Treasury Management Scheme of Delegation |

1.3.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance,

the CIPFA Treasury Management Code and the CLG Investment Guidance.

#### 1.4 Treasury Management Advisors

- 1.4.1 The Council uses Capita Asset Services, as its external treasury management advisors who have a contract until December 2017.
- 1.4.2 The Council recognises that responsibility for treasury management decisions remain with the organisation at all times and will ensure that undue reliance is not placed upon external advisors.
- 1.4.3 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The

Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

#### 2. Capital Prudential Indicators 2017/18 to 2026/27

- 2.1.1 The Council's capital programme is the key driver of the treasury management activity. The output of the capital programme is reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.
- 2.1.2 **Indicator 1** – Capital Expenditure – this Prudential Indicator is a summary of the Council's estimated capital expenditure for the forthcoming financial year and the following nine financial years.

(1a) Capital Expenditure	2015/16 Actuals £m	2016/17 Est. £m	2017/18 Est. £m	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 4Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m
Governance	-	-	0.4	-	-	-	-	-	-	-	-	-
People & Communities	22.6	35.7	65.5	65.6	25.8	9.4	5.0	3.7	3.7	3.7	3.7	3.7
Resources	31.2	16.6	10.1	4.1	4.1	4.1	4.5	3.7	3.8	4.1	3.9	3.9
Growth & Regeneration	18.5	32.3	64.6	46.7	19.4	9.7	8.2	8.2	6.4	6.4	7.3	7.3
Invest to Save	9.3	93.7	78.7	52.5	42.6	25.0	-	-	-	-	-	-
<b>Total</b>	<b>81.6</b>	<b>178.3</b>	<b>219.3</b>	<b>168.9</b>	<b>91.9</b>	<b>48.2</b>	<b>17.7</b>	<b>15.6</b>	<b>13.9</b>	<b>14.2</b>	<b>14.9</b>	<b>14.9</b>
<b>Financed by:</b>												

Capital receipts	-	1.0	0.9	1.0	-	-	-	-	-	-	-	-
Capital grants & contributions	17.1	38.4	44.3	48.1	20.2	8.1	5.6	5.7	5.8	5.8	5.8	5.8
<b>Net financing requirement</b>	<b>64.5</b>	<b>138.9</b>	<b>174.1</b>	<b>119.8</b>	<b>71.7</b>	<b>40.1</b>	<b>12.1</b>	<b>9.9</b>	<b>8.1</b>	<b>8.4</b>	<b>9.1</b>	<b>9.1</b>
<b>Total</b>	<b>81.6</b>	<b>178.3</b>	<b>219.3</b>	<b>168.9</b>	<b>91.9</b>	<b>48.2</b>	<b>17.7</b>	<b>15.6</b>	<b>13.9</b>	<b>14.2</b>	<b>14.9</b>	<b>14.9</b>

2.2 The previous table summarises the capital expenditure which is shown in more detail in the Capital Strategy Annex One including how it will be funded either from grants, contributions, or capital receipts with the remaining 'net financing need for the year' to be sourced via borrowing. The capital receipts shown in the tables for future years relate to the return of the LAMS capital loan and Fletton Quays loan notes.

2.3 The Invest to Save schemes are included in the tables that detail total capital expenditure and the funding resources to be used. However, these schemes will either generate income or generate savings. Therefore the borrowing costs associated with these projects will have a minimal impact on the Council's MTFS position.

2.4 **Indicator 2** – Capital Financing Requirement (CFR) – the CFR is the total historic capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR.

2.5 The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) included on the Council's balance sheet following the IFRS conversion in 2010/11. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The following table shows the CFR estimates for the next ten financial years:

<b>(2) Capital Financing Requirement</b>	<b>2015/16 Actuals</b>	<b>2016/17 Est.</b>	<b>2017/18 Est.</b>	<b>2018/19 Est.</b>	<b>2019/20 Est.</b>	<b>2020/21 Est.</b>	<b>2021/22 Est.</b>	<b>2022/23 Est.</b>	<b>2023/24 Est.</b>	<b>2024/25 Est.</b>	<b>2025/26 Est.</b>	<b>2026/27 Est.</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
CFR B/fwd	422.5	480.9	609.8	694.3	800.5	857.5	882.6	880.5	876.0	869.3	862.4	855.6
Borrowing/Repayment	49.1	35.2	6.2	53.7	14.4	0.1	(2.1)	(4.5)	(6.7)	(6.9)	(6.8)	(7.2)
Invest to Save*	9.3	93.7	78.3	52.5	42.6	25.0	-	-	-	-	-	-
CFR C/fwd	480.9	609.8	694.3	800.5	857.5	882.6	880.5	876.0	869.3	862.4	855.6	848.4
<b>Movement in CFR</b>	<b>58.4</b>	<b>128.9</b>	<b>84.5</b>	<b>106.2</b>	<b>57.0</b>	<b>25.1</b>	<b>(2.1)</b>	<b>(4.5)</b>	<b>(6.7)</b>	<b>(6.9)</b>	<b>(6.8)</b>	<b>(7.2)</b>
<b>Net financing requirement</b>												
	64.5	139.0	174.1	119.8	71.7	40.1	12.1	9.9	8.1	8.4	9.1	9.1
Less MRP & other financing	(6.1)	(10.1)	(89.6)	(13.6)	(14.7)	(15.0)	(14.2)	(14.4)	(14.8)	(15.3)	(15.9)	(16.3)
<b>Movement in CFR</b>	<b>58.4</b>	<b>128.9</b>	<b>84.5</b>	<b>106.2</b>	<b>57.0</b>	<b>25.1</b>	<b>(2.1)</b>	<b>(4.5)</b>	<b>(6.7)</b>	<b>(6.9)</b>	<b>(6.8)</b>	<b>(7.2)</b>

\* The cost of borrowing associated with this scheme will be offset by the income generated in accordance with the approved business case (see comment in 2.3)

# This includes the ECS Peterborough 1 LLP loan repayment of £77m which is the level that has been approved but not yet utilised

2.6 **Indicator 3** – Actual and estimates of the ratio of financing costs to net revenue budget. This indicator identifies the proportion of the revenue budget which is taken up in financing capital expenditure i.e. the net interest cost and the

provision to repay debt.

<b>3) Ratio of financing costs to net revenue budget</b>	<b>2015/16 Actuals</b>	<b>2016/17 Est.</b>	<b>2017/18 Est.</b>	<b>2018/19 Est.</b>	<b>2019/20 Est.</b>	<b>2020/21 Est.</b>	<b>2021/22 Est.</b>	<b>2022/23 Est.</b>	<b>2023/24 Est.</b>	<b>2024/25 Est.</b>	<b>2025/26 Est.</b>	<b>2026/27 Est.</b>
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total ratio	<b>4.2%</b>	<b>4.7%</b>	<b>6.2%</b>	<b>6.7%</b>	<b>7.3%</b>	<b>7.5%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.4%</b>

2.7 **Indicator 4** – Actual and estimates of the incremental impact of capital investment decisions on council tax. The calculation of this indicator is based upon the estimated amount of the capital programme that is to be financed from borrowing.

2.8 The calculation is based on the interest assumptions for borrowing and MRP charges that have been included in the previous and this MTFS for the capital financing budget.

2.9 This indicator is showing the incremental impact of capital investment decisions along with the MRP policy as contained in Section 3.

2.10 This indicator shows the incremental impact on the council tax base.

<b>(4) Incremental impact of capital investment decisions on Council Tax</b>	<b>2015/16 Actuals</b>	<b>2016/17 Est.</b>	<b>2017/18 Est.</b>	<b>2018/19 Est.</b>	<b>2019/20 Est.</b>	<b>2020/21 Est.</b>	<b>2021/22 Est.</b>	<b>2022/23 Est.</b>	<b>2023/24 Est.</b>	<b>2024/25 Est.</b>	<b>2025/26 Est.</b>	<b>2026/27 Est.</b>
	£	£	£	£	£	£	£	£	£	£	£	£
Incremental change in capital financing budget between MTFS's on Band D Council Tax (£)	<b>(188.43)</b>	<b>(12.67)</b>	<b>13.49</b>	<b>(6.58)</b>	<b>(21.16)</b>	<b>(0.15)</b>	<b>(25.41)</b>	<b>(16.78)</b>	<b>(17.27)</b>	<b>(9.73)</b>	<b>(7.45)</b>	<b>13.49</b>

### 3. Minimum Revenue Provision (MRP) Policy

- 3.1. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, equipment, etc. Such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).
- 3.2. CLG Regulations require full Council to approve a MRP statement in advance of each year. A variety of options are provided to Councils to calculate this revenue charge and the Council must satisfy itself that the provision is prudent.
- 3.3. A comprehensive review of the Council's method for calculating its MRP was undertaken in 2015/16 and approved in the MTFS in order to ensure that the amount of revenue put aside to repayment debt represents a fair charge compared to the life of the asset that is being financed via borrowing.
- 3.4. Councils are allowed by statute to use capital receipts for the repayment of any borrowing previously incurred. The application of capital receipts to repay debt would reduce the level of MRP chargeable to revenue, but statutory guidance does not address how such a reduction should be calculated. When the Council uses its capital receipts to redeem borrowing, the value of the MRP which would otherwise have been set aside for that year will be reduced by the amounts which have instead been repaid from capital receipts. This results in a prudent level of MRP, as there will be no reduction in the overall level of funding set aside to redeem debt.
- 3.5. The Council intends to make secured loans to third parties. These loans are only made after the Council's formal decision making process has been followed, which includes formal approval by the Corporate Director: Resources. As

part of the formal decision to grant the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment. The Council have approved the secured loans to three third parties which are Axiom Housing Association (Council - 8 October 2014), ECS Peterborough 1 LLP (Council - 17 December 2014) and the Housing Joint Venture (Jul 2016). The Council has held some preliminary discussions with Peterborough Regional College regarding the possibility of the Council lending to them to invest in new facilities. These discussions are at a very early stage, but it is recommended that PRC are added to the list of organisations the Council can make secured loans to. This does not commit the Council making such a loan, it simply means that the Council can consider this during the year. This could only proceed following an appropriate executive decision'.

- 3.6. Axiom are in preliminary discussions with Longhurst regarding joining the Longhurst Group. If this does happen, then the existing loan facility would still remain in place. The majority of terms within that facility would remain the same, but there may be some alignment of banking covenants. The capital programme also has provision for the Council to consider an additional loan facility to the group. This would require separate negotiation and would only proceed following an appropriate executive decision.
- 3.7. The Council participates in the Local Authority Mortgage Scheme (LAMS). During 2011/12 the Council deposited £1m with Lloyds, which was repaid in December 2016 and a further £1m during 2013/14 which is due to be repaid in 2018/19. Such deposits are treated as capital expenditure, as a loan to a third party. The CFR increased by the total of these indemnities. Operation of the Scheme sees these

deposits returned in full at maturity, a period of five years, with interest paid annually. Once the deposit matures, and funds are returned to the Council, the funds are classed as a capital receipt (as it is a loan) and the CFR will reduce accordingly. As this is a temporary five year arrangement and the funds are anticipated to be returned in full, there is no MRP application.

- 3.8. Repayments for PFI scheme and finance leases are applied as MRP, and the associated amounts are included in these Prudential Indicators.

### Summary of the MRP Policy Adopted 2016/17

Age of Debt	Current method	Method Adopted
Pre 2007/08 debt (ie debt up to 31.03.2007)	Charged at historic 4%	Change the length over which the debt is paid – from budgeted 25 years (4%) to 42 years (2.38% - based on the actual weighted average of the Councils assets, so a direct link to asset base)
		Using the 2.38% in an annuity calculation rather than an equal instalment or reducing balance method
Supported Borrowing post 2007/08		As per above points - this debt is currently calculated on the same 4% basis
Unsupported borrowing 2007/08 & 2008/09	Charged in relation to asset life on equal instalment method	There are two years of debt that are calculated using the old equal instalment method. The Council moved from this methodology in 2009/10. Proposal to amend these elements of the calculation so that repayment of this debt to be based on annuity method also.
Unsupported borrowing Post 2008/09	Charged in relation to asset life on annuity method	Continue to use existing annuity methodology based on actual life of asset to which borrowing has been taken for (this is net of Invest To Save schemes).
Private Finance Initiative (PFI) - Finance Lease	Charged derived from using the PFI model	Change the length over which the debt is paid from 30 years as per contract life to 39 years per asset life. As part of this change in life apply on an annuity method calculation.
Other Finance Leases	Charged in relation to asset life on annuity method	Continue to use existing annuity methodology based on actual life of asset to which borrowing has been taken for.



#### 4. Treasury Management Strategy

##### 4.1. Treasury Management Policy

4.1.1. The treasury management function ensures that the Council's cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet the Council's service requirements. This will involve both the management of cash flow and, where the capital programme requires, the organisation of appropriate borrowing facilities. This strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

4.1.2. The Council's primary treasury management objectives are:

- a) to invest available cash balances with a number of high quality investment counterparties (see 4.8.12) over a

spread of maturity dates in accordance with the Council's lending list;

- b) to reduce the revenue cost of the Council's debt in the medium term by obtaining financing at the cheapest rate possible; and
- c) to seek to reschedule debt at the optimum time.

##### 4.2 Current Treasury Position

4.2.1 **Indicator 5** - The Council's treasury position at 31 March 2016, with estimates for future years, are summarised below. The table below shows the actual external borrowing (Gross Debt) against the CFR.

(5) Gross debt & capital financing requirement	2015/16 Actuals £m	2016/17 Est. £m	2017/18 Est. £m	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m
<b>External Borrowing</b>												
Market Borrowing	305.8	363.0	491.9	576.2	682.9	739.9	765.0	765.0	765.0	765.0	765.0	765.0
Repayment of borrowing	(37.0)	(22.0)	(16.8)	(9.0)	(8.0)	(7.5)	(4.5)	(7.1)	-	(8.0)	-	(1.0)
Expected change in borrowing	94.2	150.9	101.5	114.9	65.0	32.6	4.5	7.1	0.0	8.0	0.0	1.0
Other long-term liabilities	36.7	37.6	36.7	35.9	35.4	34.9	34.3	33.7	33.0	32.3	31.5	30.7
<b>Gross Debt at 31 March</b>	<b>399.7</b>	<b>529.5</b>	<b>613.2</b>	<b>718.4</b>	<b>774.9</b>	<b>799.5</b>	<b>798.9</b>	<b>798.3</b>	<b>797.6</b>	<b>796.9</b>	<b>796.1</b>	<b>795.3</b>

CFR	480.9	609.8	694.3	800.5	857.5	882.6	880.5	876.0	869.3	862.4	855.6	848.4
<b>% of Gross Debt to CFR</b>	<b>83.1%</b>	<b>86.8%</b>	<b>88.3%</b>	<b>89.7%</b>	<b>90.4%</b>	<b>90.6%</b>	<b>90.7%</b>	<b>91.1%</b>	<b>91.7%</b>	<b>92.4%</b>	<b>93.0%</b>	<b>93.7%</b>

4.2.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its total borrowing does not, except in the short term, exceed the total of the CFR in the year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

4.2.3 The Corporate Director: Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes

into account current commitments, existing plans and the proposals in this medium term financial strategy (MTFS).

4.2.4 **Indicator 6** - The Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed. If the operational boundary was exceeded this would be reported immediately to the members of the Audit Committee with a full report taken to the next committee meeting. In the current year it has not been exceeded.

<b>(6) Operational Boundary</b>	<b>2015/16 Actuals</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	458.0	658.4	774.3	844.6	846.9	834.6	803.9	798.3	797.6	796.9	796.9	796.1
Other long term liabilities	36.7	37.6	36.7	35.9	35.4	34.9	34.3	33.7	33.0	32.3	31.5	30.7
<b>Total</b>	<b>494.7</b>	<b>696.0</b>	<b>811.0</b>	<b>880.5</b>	<b>882.3</b>	<b>869.5</b>	<b>838.2</b>	<b>832.0</b>	<b>830.6</b>	<b>829.2</b>	<b>828.4</b>	<b>826.8</b>

4.2.5 **Indicator 7** - The Authorised Limit for external borrowing - this represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by full Council.

4.2.6 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Council's plans, or those

of a specific Council, although this power has not yet been exercised.

4.2.7 The Council is asked to approved the following Authorised limit:

<b>(7) Authorised Limit</b>	<b>2015/16 Actuals £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
Borrowing	458.0	770.8	877.4	869.0	857.0	844.6	813.9	808.3	807.6	806.9	806.9	807.1
Other long term liabilities	36.7	37.6	36.7	35.9	35.4	34.9	34.3	33.7	33.0	32.3	31.5	30.7
<b>Total</b>	<b>494.7</b>	<b>808.4</b>	<b>914.1</b>	<b>904.9</b>	<b>892.4</b>	<b>879.5</b>	<b>848.2</b>	<b>842.0</b>	<b>840.6</b>	<b>839.2</b>	<b>838.4</b>	<b>837.8</b>

## Prospects for Interest Rates

4.2.8 The Council utilises the treasury services of Capita Asset Services and part of their service is to assist the Council to formulate a view on interest rates to assist with borrowing and investment decisions. The Capita Asset Services

forecast for bank base rate (as at January 2016) and PWLB new borrowing (as at November 2015) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

Interest Rate (All rates shown as %)	Now	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Bank Rate View	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.75	0.75
5yr PWLB Rate	1.60	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	2.00	2.00
10yr PWLB Rate	2.30	2.30	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.70
25yr PWLB Rate	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30	3.40
50yr PWLB Rate	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.90	2.90	3.00	3.00	3.10	3.10	3.20
Budget Assumption	2.70		2.75				2.90				3.10			

4.2.9 The Council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, during the period 1 November 2016 to 31 October 2017. This results in the Council being able to benefit from reduced interest rates on PWLB loans by 20 basis points (0.20%). The Council is assuming that there will be a similar scheme in place when this scheme expires. The Council will submit a new application to ensure it qualifies.

4.2.10 The MTFs assumes borrowing is taken at the 50 year period with an average taken across the quarters for that year but then adjusted with a range of borrowing periods and associated interest rates. The Chief Finance Officer believes this prudent as it mitigates some of the risk of PWLB rate rise.

4.2.11 Capita Asset Services interest rate forecasts, detailed above, are based on their views of the future economic climate, and

below are some extracts taken from their economic forecasts:

- The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.
- Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further

amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

- PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.
- The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.
- Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
  - Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
  - Major national polls within the Eurozone.
  - A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free

movement of people and how to handle a huge influx of immigrants and terrorist threats.

- Weak capitalisation of some European banks.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- The potential for upside risks to current forecasts for UK gilts yields and PWLB rates especially for longer term PWLB rates include:
  - UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
  - A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
  - The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
  - A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

### 4.3 Borrowing Strategy

4.4.1 The Council is currently maintaining an under-borrowed position, where CFR balance is greater than gross debt, see table 4.2. This is in line with the agreed strategy that the Council's cash balances be used to fund capital expenditure before additional borrowing is undertaken.

4.4.2 The MTFs is based on the following borrowing assumptions for the next ten years. However, the borrowing strategy is under constant review throughout the year as a result to changes in interest rates and borrowing opportunities. The proposed strategy for 2017/18 financial year is:

- a) To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.
- b) If there was a significant risk of a sharp fall in long and short term rates e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- c) If there was a significant risk of a much sharper rise in long and short term rates than currently forecast, perhaps rising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- d) Loans will primarily be arranged from the PWLB and other Local Authorities.

- e) To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.
- f) To give full consideration to other debt instruments e.g. Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations. The Council is monitoring the development of the scheme and may participate if this proves beneficial.

This manages risk and reduces the impact of any adverse movement in interest rates. The indicators are:

- **Indicator 8** – Upper limit on fixed interest rate exposure. This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.
- **Indicator 9** - Upper limit on variable rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

4.4.3 There are three debt treasury indicators which ensure the activity of the treasury function remains within certain limits.

Interest Rate Exposure (Upper Limits)	2015/16 Actuals £m	2016/17 Est. £m	2017/18 Est. £m	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 4Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m
<b>(8) Limits on fixed interest rates based on net debt</b>	494.7	525.0	877.4	869.0	857.0	844.6	813.9	808.3	807.6	806.9	806.9	807.1
<b>% of fixed interest rate exposure</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>(9) Limits on variable interest rates based on net debt</b>	-	-	219.3	217.2	214.3	211.2	203.5	202.1	201.9	201.7	201.7	201.8
<b>% of variable interest rate exposure</b>	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%

- **Indicator 10** - Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

<b>(10) Maturity Structure of borrowing</b>	<b>Upper Limit</b>
Under 12 months	40%
12 months to 2 years	40%
2 years to 5 years	80%
5 years to 10 years	80%
10 years and above	100%

**4.5 Policy on Borrowing in Advance of Need (Future Capital Expenditure)**

- 4.5.1 The Council will not borrow more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. However, at any time the Council may obtain a loan or other financing at what are considered advantageous opportunities in anticipation of future capital expenditure, which can be invested temporarily. The Council may also borrow in the day to day management of its cash flow operations or as an alternative to redeeming higher yielding investments.
- 4.5.2 Any decision to borrow in advance of need will be within forward approved CFR estimates, and will be considered carefully to ensure value for money.
- 4.5.3 The Council will ensure there is a clear link between the capital programme across the future years and the maturity

profile of the existing debt portfolio which supports the need to take funding in advance of capital expenditure.

- 4.5.4 The Council will ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered and factored into the MTFS.
- 4.5.5 Consideration will be given to the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

**4.6 Debt Rescheduling on Existing Debt Portfolio**

- 4.6.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates there may be potential to generate savings by switching from the existing long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Debt rescheduling will only be carried out on current debt portfolio as future borrowing will be carried out as per this strategy and over shorter periods of time.
- 4.6.2 The reasons for rescheduling will include:
  - the generation of cash savings and/or discounted cash flow savings;
  - helping to fulfil the treasury strategy;
  - enhance the balance of the debt portfolio.
- 4.6.3 All rescheduling will be reported to the Audit Committee at the earliest opportunity.

**4.7 Annual Investment Strategy – Changes to Credit Rating Methodology**



- 4.7.1 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.
- 4.7.2 In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements of the process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.
- 4.7.3 The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. The new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. This is in relation to the fact that the underlying domestic and where appropriate,

international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

- 4.7.4 It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

#### **4.8 Annual Investment Policy**

- 4.8.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury

Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”).

- 4.8.2 The Council’s investment priorities are the security of capital and the liquidity of investments. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 4.8.3 Investment instruments identified for use in the financial year are listed in Appendix 1 under the ‘Specified’ and ‘Non-Specified’ Investment categories. Counterparty limits will be as set through the Council’s Treasury Management Practices.
- 4.8.4 **Investment Counterparty Selection Criteria and Investment Strategy**
- 4.8.5 As the Council has run down its cash balances, surplus cash will be generated from cash flow movements e.g. a grant received in advance of spend or from borrowing in advance of need. Therefore investment activity will be kept to a minimum.
- 4.8.6 However, where it is necessary for investments to be undertaken in order to manage the Council’s cash flows, the Council’s primary principle is for the security of its investments. After this main principle the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security.
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be

committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

- 4.8.7 The Corporate Director: Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.
- 4.8.8 The Councils minimum criteria will apply to the lowest rating for any institution according to the type of investment account being used. For instance, the credit rating criteria for the use of the Council’s call accounts and Money Market Funds, which are used for short term investments only, will use the Short Term credit ratings in the table shown within 4.8.13 if an institution is rated by the three credit agencies and two meet the Council’s criteria and the other one does not, the institution will fall outside the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.
- 4.8.9 In order to minimise the risk to investing, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The Council uses the creditworthiness service provided by Capita Asset Services which uses ratings from all three rating agencies, Fitch, Moody’s and Standard and Poor’s, as well as Credit Default Swap (CDS) spreads. Capita Asset Services monitors ratings on a real time basis and notifies clients immediately on any rating changes or possible downgrades.
- 4.8.10 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three rating agencies by Capita Asset Services.

- If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria it will be removed from the Council's lending list immediately.
- In addition to the use of credit ratings the Council will be advised of information in movement in CDS's against the iTraxx (brand name for the group of credit default swap index products) benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

4.8.11 Sole reliance will not be placed on the use of Capita Asset Service's advice. The Council will also use market data, market information, information on government support for banks and the credit ratings of that government support.

4.8.12 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments), and is shown in the order of use by the Council, follows:

- UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF)).
- Bank of Scotland call account (part of the Lloyds Banking Group).
- UK Local Authorities.
- All of the above would be subject to continuous credit rating reviews, specifically with regards to the credit rating methodology changes noted in 4.7.1.

4.8.13 Barclays Bank, the Council's own banker. If Barclays fall below the criterion in 4.8.12 then the following strategy will be followed:

- With regard to the three credit rating agencies, if one reduces its rating but the other two remain the same or improve, no action will be taken with regards to funds held with Barclays, ie maximum of £5m in the call account
- If two or more credit rating agencies reduce their ratings only, as the Council will still require to use the Barclays accounts for transactional purposes, a maximum balance of £500k will be left overnight to prevent the account becoming overdrawn and incurring overdraft fees
- Seek advice from Capita Asset Services
- The above action applies to Barclays only due to its status as the Council's banking provider. Use of other bank accounts would be subject to criteria set out in the point above.

The above approach has been developed following consideration of:

- that the Council needs banking facilities to process daily banking transactions, and such activity presents a lower risk profile compared to investment activity
- the significant impact, resource requirement, and risk exposure of changing bank provider
- the possible state and stability of the banking sector and viable alternative suppliers
- Local Authority Mortgage Scheme. Under this scheme the Council had placed funds of £2m with Lloyds Bank for a period of five years. The first tranche of £1m has matured and been returned to the Council, leaving £1m still on deposit. This is classified as being an indemnity arrangement and therefore accounted for as a capital expenditure transaction, rather than a treasury management investment. Therefore LAMS is outside the

Specified/Non specified categories but is included in this Strategy for completeness. Any other counterparty used will fall outside the Specified/Non specified categories as per the reason stated above. Therefore the minimum credit criteria need not apply to the LAMS scheme.

- Banks Group 1 - Part nationalised UK banks - Lloyds Banking Group Plc. (Bank of Scotland and Lloyds) and Royal Bank of Scotland Group Plc. (National Westminster Bank, The Royal Bank of Scotland and Ulster Bank Ltd). These banks can be included if they continue to be part nationalised and / or they meet the ratings below.
- Banks Group 2 – good credit quality - the Council will only use banks which are UK banks and have the minimum credit ratings criteria relating to the type of investment being undertaken.

Agency	Short Term	Long Term
<b>Fitch</b>	F1	A
<b>Moody's</b>	P-1	Aa
<b>Standard &amp; Poor's</b>	A-1	A

- Building Societies – if they meet the ratings above
- Money Market Funds - AAA rated by Fitch
- Cambridgeshire and Peterborough Combined Authority
- Bill Payment Service – The Council currently has a contract with Santander UK who collect payments of Council Tax through the post office via various methods of payment such as Paypoint. The funds that are collected are transferred to the Council daily thus minimising the risk of Santander UK

holding the Council's cash. This arrangement for the bill payment service falls outside the investment criteria for investments therefore any downgrade of Santander UK will not affect this service. However this arrangement will be closely monitored to ensure funds continue to be transferred daily.

4.8.14 The Council's lending list will comprise of the institutions that meet the investment criteria above. Each counterparty on the list is assigned a counterparty limit as per the table in Appendix 1. Counterparties that no longer meet the investment criteria due to a credit rating downgrade will be removed from the list and any changes will be approved by the Corporate Director: Resources. Approval will also be required if any new counterparties are added to the lending list.

4.8.15 Capita Asset Services approach to assessing creditworthiness of institutions is by combining credit ratings, credit watches and credit outlooks to produce a colour coding system. The Council will use counterparties within the following maximum maturity periods, in order to mitigate the risk of investing in these institutions:

Capita Asset Services Banding	Description
Blue	1 year (only applies to nationalised / semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	3 months
No colour	The Council will not invest with these institutions

4.8.16 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval. During this time of significant economic uncertainty due regard will be taken of the selection criteria outlined in 4.8.12, when using the options outlined in Appendix 1.

4.8.17 Investment returns expectations - Bank Base Rate is forecast to remain unchanged at 0.25% before starting to rise from 2019/20. Bank Rate forecasts for financial year ends are:

Financial Year	Bank Base Rate	Forecast
2016/17	0.25%	There is an upside risk to these forecasts (i.e. if increases in Bank Rate occurs sooner than forecast) if economic growth remains strong and unemployment falls faster than
2017/18	0.25%	

Financial Year	Bank Base Rate	Forecast
2018/19	0.25%	expected. However there is also a downside risk if the pace of growth falls back particularly if the Bank of England inflation forecasts for the rate of unemployment prove to be too optimistic.
2019/20	0.63%	

4.8.18 **Indicator 11** - Upper limit for total principal sums invested for over 364 days. This limit is set with regard to the Council's liquidity requirements and to reduce the need for an early sale of an investment, and is based on the availability of funds after each year-end and up-dates are reported to the Audit Committee at midyear. These upper limits are to provide approved flexibility for future LAMS contributions.

(11) Interest Rate Exposure (Upper Limits)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actuals £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	4Est. £m	Est. £m	Est. £m	Est. £m
Principal sums invested > 364 days	0.0	0.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

4.8.19 At the end of the year, the Council will report on its investment activity as part of its Annual Treasury Report to the Audit Committee.

4.8.20 The Corporate Director Resources may appoint external fund managers to access markets not available to the in-house treasury team, diversify the investment portfolio and to optimise investment income returns. Fund Managers will only be used if the Corporate Director Resources is satisfied the risk of loss is minimised and they can provide material out-performance when compared against comparative cash benchmarks. Fund Managers must comply with the Annual Investment Strategy.

#### **4.9 Peterborough's Growth Delivery Project**

4.9.1 A Joint Venture, Limited Liability Partnership (JV LLP) 50:50 owned and controlled by the Council and Lucent Peterborough Partnership SARL are working to create commercially viable Project Plans. Once a Project Plan is approved by the JV LLP board it will create a Special Purpose Vehicle (SPV) to oversee the plan implementation.

4.9.2 As projects are developed the Council will sell sites previously earmarked for disposal at their current market value to the JV LLP for development. The Council will receive Loan Notes from the JV LLP in consideration. The Council may also receive loan notes in consideration for any other costs it incurs on behalf the JV LLP.

4.9.3 The first scheme, the redevelopment of the Fletton Quays site, is underway. The Council expects to receive the return on this scheme in 2017/18.

#### **4.10 Treasury Management Scheme of Delegation**

4.10.1 The following is a list of the main tasks involved in treasury management and who in the Council is responsible for them:

Full Council / Audit Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Annual Strategy.

Audit Committee / S151 Officer (Corporate Director: Resources)

- Approval of / amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations.

Section 151 Officer (Executive Director Resources) / Service Director Financial Services / Head of Corporate Finance

- Reviewing the Treasury Management Policy and procedures and making recommendations to the responsible body.
- Recommending clauses, treasury management policy/practices and making recommendations to the responsible body.
- Submitting regular treasury management reports.

- Submitting budgets and budget variations.
  - Receiving and reviewing management information reports.
  - Reviewing the performance of the treasury management function.
  - Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
  - Recommending the appointment of external service advisors.

**Specified and Non-Specified Investments****APPENDIX 1****Specified Investment:**

- Offer high perceived security such as placements with Central Government Agencies, Local Authorities or with organisations that have strong credit ratings
- They offer high liquidity i.e. short term or easy access to funds
- Are denominated in £ sterling
- Have maturity dates of no more than 1 year
- For an institution scheme to qualify as a 'Specified Investment' it must have a minimum rating (see 4.8.8)

<b>APPROVED "SPECIFIED" INVESTMENTS</b>				
<b>Investment Type</b>	<b>Maximum Maturity period</b>	<b>Minimum Credit Criteria</b>	<b>Collective Limit £m</b>	<b>Individual Limit £m</b>
Debt Management Agency Deposit Facility	Currently only accepts deposits up to 6 months duration.	UK Government backed	N/A	75
Term deposits with UK Government & Local Authorities	6 months	Sovereign risk / high security although not credit rated	100	20
Term deposits & Certificates of Deposit with Banks Group 1	6 months	Minimum ratings - F1(Fitch - short term) AAA (long term)	100	15
UK Government & Local Authority Stock Issues	6 months	Sovereign risk / high security although not credit rated	100	20
Term deposits & Certificates of Deposit with Banks Group 2	6 months	Minimum ratings – F1 (Fitch-short term) A (long term)	50	10
Deposit accounts with regulated UK building societies	6 months	Minimum ratings - F1 (Fitch short term) A (long term)	50	10



<b>APPROVED "SPECIFIED" INVESTMENTS</b>				
<b>Investment Type</b>	<b>Maximum Maturity period</b>	<b>Minimum Credit Criteria</b>	<b>Collective Limit £m</b>	<b>Individual Limit £m</b>
Money Market Funds	Repayable on call, without notice.	Minimum rating – AAA (Fitch)	50	10
Commercial Paper (short term obligations issued by banks, corporations & other issuers).	6 months	Minimum short term rating - F1 (Fitch) (Held by custodian)	10	10
Gilt & Bond Funds (open ended mutual funds investing in Gov. & corporate bonds)	Highly liquid, may be sold at any time.	Minimum rating - AAA-(Fitch, S&P A-1 etc.)	10	10
Reverse Gilt Repos (Gilts bought with commitment to sell on a specified date or on call, at agreed price)	6 months	UK Government backed (Held by custodian)	10	10
Treasury Bills	Maturities of up to 6 months Issued through a bidding process at a discount to face value	UK Government backed (Held by custodian)	10	10
Bonds issued by a financial institution guaranteed by UK Government	6 months	UK Government backed (Held by custodian)	10	10
Bonds issued by multilateral development banks	6 months	Minimum rating – AAA (Fitch, S&P A-1 etc)	10	10

**Non-Specified Investment:**

- With the same institutions classified as “specified” investments but have maturity dates in excess of one year, or
- Are offered by organisations that are not credit rated or the credit rating does not meet the criteria set out above
- In the current economic climate the Council has run down its cash balances as an alternative to borrowing and investments have been made short term and the Council would not consider using investments that fall under the ‘Non-Specified’ Investments category at this time.

<b>APPROVED "NON - SPECIFIED" INVESTMENTS</b>				
<b>Investment Type</b>	<b>Repayable / Maturity Period</b>	<b>Minimum Credit Criteria</b>	<b>Collective Limit £m</b>	<b>Individual Limit £m</b>
Term deposits with UK Government & Local Authorities	Maturities of 1 - 5 years	Sovereign risk / high security although not credit rated	20	20
Term deposits & Certificates of Deposit with Banks Group 1	Maturities of 1 - 5 years Certificates of Deposit are tradable	Minimum ratings - F1(Fitch - short term) AAA (long term)	10	10
UK Government & Local Authority Stock Issues	Maturities of 1 - 10 years but tradable	Sovereign risk / high security although not credit rated	10	10
Term deposits & Certificates of Deposit with Banks Group 2	Maturities of 1 - 5 years Certificates of Deposit are tradable	Minimum ratings – F1 (Fitch-short term) A (long term)	20	10
Deposit accounts with regulated UK building societies	Maturities of 1 – 5 years	Minimum ratings - F1 (Fitch short term) A (long term)	5	5
Foreign Government Stock Issues (priced in £ Sterling)	Maturities of 1 - 10 years but tradable	Minimum rating – AAA (Fitch, S&P A-1 etc) (Held by custodian)	5	5
Term deposits with UK building societies without formal credit ratings	Maturities of up to 1 year	Financial position assessed by Corporate Director: Resources	5	5

<b>APPROVED "NON - SPECIFIED" INVESTMENTS</b>				
<b>Investment Type</b>	<b>Repayable / Maturity Period</b>	<b>Minimum Credit Criteria</b>	<b>Collective Limit £m</b>	<b>Individual Limit £m</b>
Bonds issued by a financial institution guaranteed by UK Government	Maturities of 1 - 10 years but tradable	UK Government backed Minimum rating – AAA (Fitch, S&P etc.)	5	5
Bonds issued by multilateral development banks	Maturities of 1 - 10 years but tradable	Minimum rating - AAA (Fitch, S&P A-1etc)	5	5
Floating Rate Notes (fixed term but interest rate varies quarterly)	Maturities of 1 - 5 years but tradable	Financial position assessed by Corporate Director: Resources. Requires capital or revenue financing as share or loan capital.	5	5
Bonds issued by corporate issuers other than sovereign bonds	Maturities of 1 - 10 years but tradable	Minimum rating – AAA (Fitch, S&P A-1etc) Requires capital or revenue financing as share or loan capital	5	5

## Explanation Of Credit Ratings

## APPENDIX 2

Agency	Short Term	Long Term
<b>Fitch</b>	<b>F1</b> -Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; a “+” may be added to denote any exceptionally strong credit feature.	<b>A</b> -High credit quality. ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
<b>Moody’s</b>	<b>P-1</b> -superior ability to repay short-term debt obligations	<b>Aa</b> -high quality and are subject to very low credit risk
<b>Standard &amp; Poor’s</b>	<b>A-1</b> -The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.	<b>A</b> -more susceptible to the adverse effects of changes in circumstances and economic conditions. However the obligor’s capacity to meet its financial commitment on the obligation is still strong.



# **Schedule E– Asset Investment Strategy, Acquisition Strategy, Capital Programme and Disposals 2017/18-2026/27**

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## 1 Introduction and Strategic Principles

- 1.1 The Asset Investment Strategy outlines how Peterborough City Council (PCC) will look to make Asset Investment and manage its Asset Investment resources to help achieve the strategic priorities of the Council. It is good practice that the Asset Investment Strategy and Asset Management Plans are regularly reviewed and revised to meet the changing priorities and circumstances. The Council's Asset Investment Strategy is reviewed on an annual basis to reflect the changing needs and priorities of the residents.
- 1.2 The strategy is an integral part of the Medium Term Financial Strategy (MTFS) and intrinsically linked with the Asset Management Plan (AMP) of the Council and should be read in conjunction with these documents.
- 1.3 Over the period of the MTFS, the Council needs Asset Investment to deliver its priorities. In order to achieve this, it recognises the need to deliver efficiencies, seek additional funding and periodically review both the consumption of the Asset Investment resources and stated priorities. It ensures this happens through the four core principles below:
- 1.4 **Principle 1** – Managing the impact of investment decisions on revenue budgets
- Ensuring Asset Investment decisions do not place any unnecessary pressure on the MTFS or Council Tax, and they are also within the Council's Prudential Indicators (see the Prudential Code and Treasury Management Strategy and Minimum Revenue Provision Policy).
  - Promoting Asset Investment which enables invest to save outcomes.
  - Making sure assets yield maximum return, through effective ongoing asset management, consistent with levels of investment. (See AMP).
- 1.5 **Principle 2** – Optimise the availability of Asset Investment funding where that funding supports the priorities for Peterborough
- Disposal of surplus assets (including asset transfer to community organisations where appropriate) and reinvestment.
  - Effective working relationships with potential funders.
  - Listening to and supporting effective partnering arrangements.
  - Having clear policies for the consumption of any reserves.
- 1.6 **Principle 3** – Ensure effective pre and post project appraisal
- Ensuring a system of competition exists for project approval.
  - Building into project appraisal recognition of environmental sustainability.
  - Fully considering project risk.
  - Carefully considering value for money and efficiency of every project.
  -
- 1.7 **Principle 4** – Performance manage the Asset Investment programme
- Integrating the Asset Investment programme with the Verto project management system, Infrastructure Planning systems/processes e.g. Infrastructure Delivery Schedule (IDS) and other service plans.
  - Ensuring the Asset Investment schemes use appropriate project management tools.
  - Ensuring responsibility for the delivery of the Asset Investment programme is clearly defined.

## 2 Aims of the Strategy

2.1 The specific aims of this strategy are to ensure:

- Physical assets and related resources are efficiently and effectively used to support the Council's priorities. These inputs when reviewed against the outputs from Asset Investment schemes will demonstrate value for money;
- Issues related to property and other assets are fully reflected in the Council's planning, for example, ensuring adequate funds for maintenance are available;
- Stakeholders can understand the Council's Asset Investment decisions and the management of its Asset Investment projects;
- Adequate provision is made for delivering corporate priorities and demonstrated through effective resource allocation;
- Invest to save projects are encouraged;
- The Council works within the Prudential Code framework and demonstrates robust and linked Asset Investment and treasury management; (see the Prudential Code and Treasury Management Strategy and Minimum Revenue Provision Policy);
- Optimal use of the Council's existing assets, and reflects the AMP;
- Asset management plans are reviewed to identify surplus assets which can move through a disposal process to generate new Asset Investment and/or revenue resources; (see AMP);
- Asset Investment spending plans are affordable, financially prudent, sustainable and integrated with the MTFS;
- Support for our partners by maximising the potential for joint working and match funding, where this secures better outcomes than could be achieved in isolation.

## 3 Strategic Context

3.1 The Asset Investment Strategy is a high level summary of PCC's approach to Asset Investment in the city for the future. It guides the development of service Asset Investment plans, and sets out the policies and practices that the authority uses to establish, monitor and manage the Council's Asset Investment programme, in line with the MTFS.

3.2 The Council's strategic priorities are:

### 1. Drive growth, regeneration and economic development

- To bring new investment and jobs
- To support people into work and off benefits
- To boost the city's economy and the wellbeing of all people

### 2. Improve educational attainment and skills

- To allow people to seize opportunities of new jobs and university provision

- To keep talent and skills in the city's economy

### 3. Safeguard vulnerable children and adults

### 4. Implement the Environment Asset Investment agenda

- To position Peterborough as a leading city in environmental matters
- To reduce the city's carbon footprint

### 5. Support Peterborough's culture and leisure trust Vivacity

- To deliver arts and culture to all people

### 6. Keep all our communities safe, cohesive and healthy

### 7. Achieve the best health and wellbeing for the city

## 3.3 Sustainable Community Strategy (SCS)

- An influence for the need of Asset Investment is the major growth aspirations of the Council. Growth requires investment in infrastructure, and the Council plays a major role in securing and providing such investment. The context for the growth ambition is Peterborough's SCS which sets ambitious plans for a 'bigger and better Peterborough', including the delivery of 'substantial and truly sustainable growth'
- Like the MTFs the Asset Investment Strategy is driven by the SCS, which sets out a vision and overall strategy for the future of the city and surrounding villages and rural areas, covering the period 2008 - 2021. It reflects both the agenda for growth and the clear desire to ensure that Peterborough grows in the right way, so that economic and population growth leads to genuine improvements in key areas, particularly those where Peterborough currently has specific problems or issues. It takes account of both national and local improvement priorities that are established through effective consultation with residents and partners.

## 3.4 Peterborough Planning Policy Framework

To facilitate and coordinate this growth, the City Council has a fully adopted statutory planning policy framework, or 'Local Plan', which is a set of planning policy documents to guide growth. The key planning policy documents are:

- The Peterborough Core Strategy Development Plan Document (DPD), which sets the headline growth targets (25,500 dwellings, 20,000 new jobs) and sustainable development policy – adopted 2011
- The Site Allocations DPD, which allocates sites and identifies on a map the precise locations for new development – adopted 2012



- Minerals and Waste Core Strategy and Site Allocations Documents – adopted 2011 and 2012 respectively
- Planning Policies DPD - adopted 2012
- City Centre Development Plan – adopted December 2014.

Having these up to date plans in place puts the Council in a good position to encourage and guide public and private investment decisions. The Council is also undertaking a review of its Local Plan. In January 2016 the Council consulted on the Preliminary Draft Local Plan and subject to Council approval, public consultation on the Further Draft Local Plan which was due to commence in December 2016. Public consultation on the final version of the plan is scheduled for June/July 2017 with anticipated final adoption in Spring 2018.

The major growth identified in the above policy documents will require substantial funding for the infrastructure requirements which such growth generates (on top of funding required to maintain our existing infrastructure). The sources of such funding are wide ranging, including government grants, private sector investment and our own corporate resources. It should also be noted that this growth will also in turn generate additional funding which will offset some of the investment cost, such as increases in Council Tax revenues from additional homes built, additional New Homes Bonus grant from government, and through the new funding arrangements surrounding Business Rates where local authorities are able to keep an element relating to growth.

- To coordinate the infrastructure requirements associated with growth, the Council prepares an Infrastructure Delivery Schedule (IDS)<sup>1</sup>. The IDS is intended to be refreshed and approved regularly by Cabinet and a refresh has been prepared for approval by Cabinet in November 2016. The IDS is a 'live' schedule of the entire infrastructure needed to support sustainable growth in Peterborough, with an indication of when such infrastructure is needed and how much it might cost. The IDS is linked into the Council's project management system (Verto). A variety of funding sources will then be used to pay for the items on the IDS, in a prioritised way, including from:
  - Developer Contributions received from S106 Planning Obligations and Community Infrastructure Levy (CIL) Charging Schedule. CIL has now replaced Section 106 planning obligations for many forms of infrastructure funding, although Section 106 agreements can still be used for site-specific mitigation measures and for affordable housing provision. The Developer Contributions already accumulated by the Council from Section 106 Planning Obligations will be continue to be allocated through the IDS.
  - Government and Other Grants.
  - City Council's own Asset Investment.

#### **4 Key Areas of Council Asset Investment**

- 4.1 The Council's Asset Investment Programme for 2017/18 to 2026/27 totals £609.9m and is summarised in Annex 1. Individual schemes are itemised in Annex 3.

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<sup>1</sup>IDS - [http://www.peterborough.gov.uk/planning\\_and\\_building/planning\\_policy/planning\\_policy\\_framework/community\\_infrastructure\\_levy.aspx](http://www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/community_infrastructure_levy.aspx)

4.2 The following is a summary of the key elements of the strategy by service area.

**People and Communities Directorate**

**4.3 Adult Social Care**

Adult Social Care is going through a major transformation which will focus on increasing prevention, reducing dependency and increasing personal choice. The Asset Investment Strategy over the next few years needs to reflect the implications of the transformation and also take into account the additional responsibilities arising from the Care Bill.

Areas where investment will be required in this context are as follows:

- Extra Care housing is an area where development is needed as an alternative to more expensive residential care. Additional investment in Extra Care is required as part of the Older Person's Accommodation Strategy.
- The provision of supported housing within Peterborough for people with learning disabilities or mental health difficulties will continue to be a requirement. It is intended that such housing will be provided by social housing landlords and private sector landlords. However, funding may be required in order to alter existing properties to make them fit for their new purpose of providing supported housing.
- Investment in aids and adaptations and assistive technology is essential in delivering cost effective services which support people to remain living at home. This will include investment for mental health services aimed to decrease social exclusion, encourage healthy lifestyles and support mental health recovery.
- The Care Act and Better Care Fund bring some significant requirements around IT and technology. As a Local Authority we need to be able to offer interactive information and advice to the public, we also need to enable self-assessment and in the long term a customer view of their record. We also need to undertake joint assessments and share care plans with health colleagues, which requires our systems to talk to each other. In addition we need to be able to increase our efficiencies by creating assessment and support planning tools that can be completed in real time with our service users.

We require Asset Investment to develop a range of delivery tools which will be funded through the Customer Experience programme or Invest to Save.

- Co-Location - conversion of the existing Gloucester Centre building to workplace compatible offices. The co-location will be made up of the 0 to 25 Transitions Team, SEND Inclusion Team and The CAMs Team. This is a joint location initiative that will improve the service experience received by clients delivered through key workers and professionals in education, health and social care.
- The strategy as presented is in the context of a developing service relating to the Transformation of Social Care and the implications of the emerging

Care Act Bill and future integration with health, so will need to be kept under constant review.

#### 4.4 Community Infrastructure

- Community Infrastructure incorporates community centres, sports facilities, open space, affordable housing, and ensuring safe, warm and affordable housing in the private sector and other community infrastructure related items for the period 2016-2026. Funding for community infrastructure needs primarily come forward via new developments as part of the S106/POIS/CIL.
- During the first 30 years of the contract governing the Large Scale Voluntary Transfer of the Council's housing stock to Cross Keys Homes (CKH) in October 2004, the Council receives part of the sale proceeds under the Preserved Right to Buy (Council tenants transferred to CKH retain the right-to-buy) on an agreed basis. As part of a budget approval decision by Full Council for 2016/17 that agreed to the creation of a housing Joint Venture , it was also agreed that the funds accumulated from these Right to Buy receipts would be directed to the housing joint Venture to build new affordable homes in Peterborough.
- A significant percentage of new affordable housing provision will continue to come forward via developers as part of S106 planning agreements. The Council's current planning policy aims to secure 30% of all new housing (on eligible sites) to be affordable homes, subject to negotiation with developers. The delivery of affordable housing varies each year according to national funding allocations, local funding and planning permissions approved.
  - Affordable Houses completed over the last few years are as follows;
    - 2012/13 – 276 Houses
    - 2013/14 – 162 Houses
    - 2014/15 – 492 Houses
    - 2015/16 -167 Houses
- For 2016/17, current projections indicate at least 135 new affordable homes should be completed.
- There is a proposal to build 1,100 new developments per year of all types of housing.
- In 2015 PCC commissioned the Building Research Establishment (BRE) to undertake an Integrated Dwelling Level Stock Modelling Report on the private sector housing stock. This modelling exercise also included Energy Performance Certificate (EPC), Land & Property Gazetteer (LLPG) and vacant property data provided by the Council. The headline results of this report are:
- The estimated number of dwellings with HHSRS Category 1 hazards in Peterborough's private sector stock is 7,952. The estimated average cost of mitigating hazards per dwelling is £3,548 resulting in the total cost of mitigating all hazards within those dwellings as £28,215,236

- 7.3% (4,821) of all private sector dwellings and 8.8% (1,454) of private rented dwellings in Peterborough are estimated to have an Energy Performance Certificate (EPC) rating below band E
- In Peterborough's private sector stock there is an estimated 13,374 dwellings with un-insulated cavity walls and 9,652 dwellings with less than 100mm of loft insulation
- The highest concentrations of fuel poverty and excess cold hazard in the private sector are found in the wards of Central, Park, Eye & Thorney, Northborough and Barnack. Peterborough City Council is engaged in a number of initiatives to help alleviate fuel poverty including:
  - Working in partnership with Empower Community Management LLP to offer free solar PV's to all private sector residents in Peterborough
    - Offering the UK's second council branded community tariff 'Peterborough Energy' allowing householders to switch provider with overall average savings of around £223 per annum
- As well as commissioning the stock modelling, the Council also commissioned a quantitative Health Impact Assessment which utilises the data in the stock modelling to better understand the effect of private sector housing hazards and intervention strategies on the health of residents in Peterborough. The key findings of the Health Impact Assessment are:
  - It is estimated there are 11,796 Category 1 hazards in Peterborough's private sector stock, of which over 3,700 are within the privately rented sector. The estimated total cost of mitigating the Category 1 hazards is £27 million with £8.4 million in the private rented sector
  - It is estimated that poor housing conditions are responsible for over 631 harmful events requiring medical treatment every year. The estimated cost to the NHS of treating accidents and ill health caused by these hazards is £2.1 million each year. If the wider costs to society are considered, the total costs are estimated to be £5.2 million each year. If these hazards are mitigated then the total annual savings to society are estimated to be £4.9 million, including £1.9 million of savings to the NHS.
  - Disabled Facility Grants provides funding to older and disabled people in owner occupied, private rented and registered provider properties to help them make changes to their home environment. Facilities can include the installation of showers and lifts and suitable ground floor wheelchair accessible rooms in order for them to remain living in their own homes and reduce the cost of care.
  - The Care Act 2014 focuses on prevention. Guidance states "*Local authorities must provide or arrange services, resources or facilities that maximises independence for those already with such needs, for example interventions such as rehabilitation/reablement services, e.g. community equipment services and adaptations.*" The guidance goes on to state "*Integrated services built around an individual's needs are often best met within the home. The suitability of living accommodation is a core component of an individual's wellbeing and when developing integrated services, local authorities should consider the central role of housing within integration.*"

- In 2014 the Disabled Facility Grant allocation became part of the Better Care Fund with the aim to provide more joined-up and customer focused services to reduce hospital admissions and expensive care packages and enable people to return from hospital more quickly. In recognition of the rising need for adaptations, central government funding for the DFG has been increased from £220 million to £394 million in 2016/2017 and it is projected to increase to over £500 million by 2019/2020.
- In August 2016 there were approximately 1,800 empty properties in Peterborough of which 480 have been empty for six months or more. There are approximately 3,300 households are on the Council's Housing Register awaiting suitable accommodation. The current housing situation in Peterborough has been further impacted by an increase in homeless presentations resulting in increased use of temporary hostel and bed & breakfast accommodation. This clearly demonstrates the need for affordable housing in the city and the waste of housing resource the long term empty properties represents. The option of offering Empty Homes Assistance to owners in order to fund refurbishment costs is currently being explored. It is proposed that the properties are placed on a private leasing scheme and are allocated to families in housing need with the Empty Home Assistance being recouped from the rental income throughout the period of the lease.
- Future Community Infrastructure will be delivered through a principle of 'co-located' facilities providing flexible use of space as a community hub which will incorporate multiple needs for service provision such as health and wellbeing, police/emergency services, community, sport and leisure facilities, learning and skills, libraries etc. The revised approach is intended to provide greater consistency and innovative approaches to providing infrastructure which reduce cost whilst ensuring well designed, quality places to live and work.
- Evidence for community infrastructure requirements will be captured via community needs assessments, Parish or Community Group Plans and/or Neighbourhood Plans.
- The is undertaking a community asset review following which a new community centre 'offer' for the communities of Peterborough will be developed, agreed and implemented. The principles for this work are:
  - To develop existing and new groups who can support the community and the local authority
  - To maximise the use of community buildings, libraries and other community assets as hubs for the delivery of activities and services
  - To ensure assets can be used flexibly to help prevent loneliness and isolation
  - To use community buildings as an access point of information and advice and services
- The Council is committed to working with the civil sector to assist successful community asset transfers in Peterborough that will result in successful, vibrant and inclusive community managed assets that are sustainable in the long term.
- The Green Open Space Strategy (GOSS) for Peterborough has been developed by Enterprise Peterborough as part of their partnership

commitment with the Council. This is delivered via the Green Open Space Implementation Programme (GOSIP).

- The Council recognises that there is a need within the city to provide adequate amenities to meet the needs of the Traveller and Gypsy community. Within Peterborough there are two permanent Traveller and Gypsy sites located at Norwood Lane and Oxney Road. The management of these sites has now been brought back in house to ensure that the service is effective and efficient. Investment will be required at these sites, currently comprehensive inspections are underway to identify all repair and improvement work to ensure statutory and welfare requirements are met for our tenants and to inform the Asset Investment programme.
- The Council continues to see a high number of illegal encampments in the City and have developed and implemented expedient processes in order to minimise the effect of these encampments on the residents and businesses in the City. In September 2014 Cabinet approved the designation of 3 Locations in the City as Emergency Stopping Places. These sites can be used for 28 days in a 12 month period. These sites will be used to move illegal encampments onto, where those encampments are on vulnerable or high risk sites.
- The council has worked in partnership with 8 other Local Authorities to prepare an up to date Gypsy, Traveller and Travelling Showpeople's Accommodation Needs Assessment. The assessment takes into account the definition of Gypsies and Travellers as provided in the revised national Planning Policy for Traveller Sites which came into force in August 2015. This states that households who have ceased travelling permanently, will no longer meet the definition of a Traveller for the purposes of assessing accommodation needs in a Gypsy and Traveller Accommodation Assessment. To inform the assessment a survey was undertaken which attempted to interview all known Gypsy and Traveller households in the study area. Based on the findings from the survey, and applying the updated planning definition, the assessment identified no additional 'known need' for Gypsy and Traveller sites in Peterborough or Travelling Showpeople sites and no 'known need' for Transit sites. However, the assessment also took into account the potential accommodation needs of the number of households that did not participate in the survey, but may still meet the new planning definition. This 'unknown need' results in a potential need for up to 16 pitches between 2016 and 2036 in Peterborough. Local authorities are not required to identify pitches to meet this 'unknown need' but can use the information to inform policy development. Therefore while the emerging Local Plan does not identify specific land for the development of Gypsy and Traveller sites to meet this potential 'unknown need' the proposed policy sets out the criteria that the Council will apply when considering individual planning applications for Gypsy and Traveller sites from households that meet the new planning definition.

#### 4.5 Children's Services

The Council is responsible for ensuring there are sufficient school places within its area to meet the needs of the population. The Council is responsible for

providing transport where children have to access schools which are some distance from their home, often as a result of a shortage of school places.

4.5.1 The Council has some clear objectives in terms of school place planning:

4.5.2 Local places for local children with the aim to meet parental preferences for catchment schools.

4.5.3 Offering a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies.

4.5.4 High quality places for people to learn that encourage high levels of achievement.

4.5.5 Avoiding significant changes to catchment areas

4.5.6 Limited and temporary use only of mobile accommodation.

4.5.7 However, there are a number of factors that make it more difficult for the Council to meet these objectives:

4.5.8 There has been exceptional growth in the number of children living in Peterborough in recent years due to a number of issues:

- Peterborough remains one of the fastest growing city in the UK. 1,300 dwellings were completed in the year to March 2015 and a further 925 to March 2016. There were an additional 1,020 dwellings under construction as at March 2016.
- Peterborough's birth rate is one of the highest in England, with the second highest total fertility rate (2.34). This figure is the average number of children each woman living in the area would have over her lifetime if current birth rates were consistent. (Source: ONS Live births (numbers rates and percentages) by area of usual residence 2015).
- Peterborough also has one of the country's highest rate of In Year school admissions, ie those outside the normal admissions rounds of starting primary or secondary school. So the population is growing rapidly and is highly mobile. Between January 2015 and January 2016 there was an overall increase in pupil numbers of 981. This increase is the result of a mobile pupil population and high numbers of In-Year admissions coupled with increasingly larger cohorts of children starting school. The 2015/16 Reception year cohort was 3037 compared to the 2014/15 Year 11 cohort of 2278. As cohorts move through school, trends demonstrate that the year group population increases further.
- During the school summer holidays of summer 2016, 600 In Year applications for primary and secondary school places were received. Of these 56% were new to Peterborough (ie from overseas or other part of the UK). Schools notified us of just under 250 children that left their schools in September 2016.
- As at March 2016, there were planning permissions in place for over 6,000 further dwellings that have not yet been started. This includes 3000 at Hampton East which are expected to start to be developed from late 2016. It is anticipated that as the economy recovers the rate of house building will increase.

- The quality of the City's schools continues to attract students from other local authorities. Peterborough is a net importer of children overall which means the City has more children coming into it from outside the boundaries than Peterborough children studying at schools outside the boundaries.
- 4.5.9 Peterborough has been allocated government grants of £1.9m to cover schools capital maintenance in 2016. The only funding the Council is expected to receive for 2017/18 onwards is devolved formula capital grant which is passported direct to the schools and capital maintenance associated with condition works.
- 4.5.10 For 2017/18 the Council has been allocated £6.9m in Basic Need funding for increasing school places and £14.7m in 2018/19.
- 4.5.11 The Education Funding Agency (EFA) has agreed a grant of £22m for the Hampton Gardens Secondary Free School which is due to open in September 2017. This was a significant contribution towards the capital cost of the build.
- 4.5.12 The availability of land to create school places especially in certain areas of the city is limited. The Council will continue to look at more creative solutions to finding suitable accommodation and this includes reusing buildings currently used for other purposes. The Council will also work with the EFA who support the acquisition of premises for Free Schools.
- 4.5.13 The Council needs to assess its 'school place needs' now and in the future. If schools are built to cater for a short-term pressure created by a high birth rate one year or the pressures of migration and this demand decreases in the future, this could lead to empty schools which would not be an efficient use of public funding. The challenge is to balance these short and long term issues to ensure public money is used as effectively and efficiently as it can be for now and the future. The impact of BREXIT on school places is unknown but we will assess the reasons for children leaving the school system in 2016/17 as well as analysing In Year applications to determine whether children are moving to Peterborough from overseas or within the UK or their requests are for children moving school within Peterborough.
- 4.5.14 Limited places remain in the city but these are not always in the right places where demand exists. This is particularly the case with rural schools against the demand from the city.
- 4.5.15 Significant pressures are within primary schools where the number of four year olds in the city has risen from 2,165 in 2006. 3,118 children were allocated a reception school place for September 2016. This is expected to rise to 3,332 by September 2021. This has meant significant investment has been required during the past 3-4 years to meet basic need. A desk top study has also commenced to assess the capacity of every primary school site for expansion and is due for completion by the end of 2016
- 4.5.16 The impact of this significant growth in primary school age children means that this will eventually put pressure on the Council's secondary schools too. Current forecasts suggest pressure for year 7 places started in 2015 and be critical by 2018. Hence, expansion projects are planned for Ormiston Bushfield Academy and Nene Park Academy to increase their capacity by 2 forms of entry. Additional capacity will also be required regardless of the planned secondary schools for the new housing developments at Hampton East and Paston Reserve. As a consequence, the Council is and must as a priority monitor very closely the demographic trends along with the growth in housing developments. The Council is



analysing the post code data of children attending city schools to ensure expansions are taking place in the right parts of the City.

4.5.17 Free School bids were submitted during September 2016 to the New Schools Network for the proposed Paston Reserve Primary school and the first primary school due at Hampton East. A Free School bid will also be submitted in March 2017 for the Paston Reserve Secondary School

4.5.18 The Education Capital Programme addresses the dual pressures caused by an increase in population and the growth in housing developments in the City.

4.5.19 The schemes provisionally proposed for 2017/18 onwards are shown in the Schedule in section 4.6 below. This list is under constant review as the school place planning situation changes in the City. Full costings are not yet known as school building specifications continue to change and the value of projects are commercially sensitive. The Council will continue to monitor building costs through the procurement process to ensure value for money. Construction costs are however increasing due to rising demand across the construction industry and in particular in the South East of England.

4.5.20 The Council has a rolling five year Asset Investment programme for schools owing to the variability of pupil numbers and the inability to predict numbers for children pre-birth. Demography forecasts are updated annually. Beyond this, there are a number of schools planned as part of new developments around Peterborough. As developments receive planning permission, the Asset Investment programme will be updated to reflect the new schools intended to be built funded partially by developer contributions.

#### 4.6 School Places

The Schools Organisational Plan Report that went to Cabinet on 16 January 2017 proposed the following schemes for 2017/18 onwards. The list is under constant review as the school place planning situation changes in the city.

<b>Scheme</b>	<b>Description</b>	<b>Expected Year of Opening</b>	<b>Additional places created</b>
St Michael's Primary School, Stanground	Phase 2 extension from one FE to two FE in response to growth at the Cardea development	September 2017	210
Hampton Gardens Secondary School	Joint development of secondary school with Cambridgeshire County Council to support growing needs in the South West of Peterborough.	September 2017	1,500 (including 6 <sup>th</sup> form)
St George's Pupil Referral Unit	Re-location to West-Town Primary existing site	February 2017	Nil but provides scale
Jack Hunt	1 FE expansion	September 2018	150

<b>Scheme</b>	<b>Description</b>	<b>Expected Year of Opening</b>	<b>Additional places created</b>
Paston Reserve Primary School	A new two FE primary school to support new development	September 2018	420
Hampton Gardens Primary school	First of two new FE primary schools to support new developments east of A15	September 2019*	420
Ormiston Bushfield Academy	2 FE expansion	September 2018	300
Nene Park Academy	2 FE expansion	September 2018	300
Additional Secondary Places	Up to 5 more FE through expansion	September 2019**	750
Paston Reserve Secondary	8 FE new school	September 2019*	1,500 (including 6th form)
Roxhill Primary (North of Great Haddon)	1 FE new school	September 2019 *	210
Great Haddon Primary School	Three primary schools are planned under Section 106 agreement	September 2021*	1,260
Great Haddon Secondary	A seven FE secondary school is planned for the new township only	September 2021*	1,050

\* Subject to monitoring off housing developments

\*\* Subject to on-going demographic review

## **Growth and Regeneration Directorate**

### **4.7 Delivery of Growth Schemes**

4.7.1 Through its Planning Policy Framework, the City Council is translating the Sustainable Community Strategy into a series of land allocations and planning policies to guide public and private investment decisions. The various documents making up the Framework identify and programme new growth which will require funding for the infrastructure requirements it generates. This sits alongside developer contributions and community infrastructure levy mechanisms for securing the necessary contributions towards funding and maintaining this infrastructure.

4.7.2 The City Centre Development Plan<sup>2</sup> adopted in December 2014 is a key driver in helping the city centre become more vibrant, dynamic and diverse.

<sup>2</sup> City Centre Action Plan – [fly-through demonstration link](#)

Offering a high quality built environment, employment, and learning and leisure opportunities by encouraging new investment into the city.

- 4.7.3 Improving the city centre began in earnest with the completion of the first phase of a revitalised public realm in Cathedral Square and the nearby St John's Square. This gave a much-needed face lift to a key part of the city centre, helping Peterborough to better compete regionally, and has been continued with major improvements in Long Causeway, Cowgate and Wheel Yard. Work is now underway to update the public realm in Lower Bridge Street and further improvements are scheduled to commence at Bishops Road in the coming months.
- 4.7.4 The Peterborough Long Term Transport Strategy identified the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and is set out in the Peterborough Infrastructure Delivery Plan (IDP) and associated schedule (IDS). The fourth Peterborough Local Transport Plan (LTP4) was adopted in April 2016 and sets out the Long Term Transport Strategy (LTTTS) for the area to 2026 and a more detailed programme of works to 2021.
- 4.7.5 The Council is increasingly working with partners in joint ventures to actively drive the delivery of growth and regeneration in the city. Building on the success of the Peterborough Investment Partnership (which in its first year of operation obtained planning consent for a landmark scheme on Fletton Quays), the Council is creating a new joint venture with Cross Keys Homes to drive the delivery of housing.
- 4.7.6 The Council's increasingly commercial and active role in delivery (which includes a willingness to leverage its own assets and covenant as appropriate) is a key facilitator for bringing sites forward, and remains a pillar-stone for delivering Peterborough's growth agenda. It will take this active role in bringing North Westgate forward, using its unique position to support land assembly on this historically challenging site that the market has failed to bring forward

#### 4.8 **Street Lighting**

- 4.8.1 Street Lighting - It is proposed to replace the remaining existing street lighting to utilise LED lighting across the Peterborough network, while maintaining and or improving the required lighting levels. Currently over 7,000 street lights have been replaced to the new more efficient and effective LED luminaires across the Peterborough administrative area since January 2012. The existing Asset Investment scheme for lighting replacement over the next ten years will be re-profiled to refurbish the network within a three year timeframe. The total Asset Investment project costs increased by £3.6m, but accelerating the programme will enable the Council to bring forward energy efficiency savings of around £10m over the next 20 years.

#### 4.9 **Transport**

- 4.9.1 Transport incorporates new roads, bus and railway stations, street lighting, footways/cycle ways and other transport related infrastructure items for the period 2016/26.

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<sup>2</sup> City Centre Development Plan - [www.peterborough.gov.uk/planning\\_and\\_building/planning\\_policy/planning\\_policy\\_framework/development\\_plan\\_documents/city\\_centre\\_plan.aspx](http://www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/development_plan_documents/city_centre_plan.aspx)

- 4.9.2 To provide the context, the fourth Peterborough Local Transport Plan (LTP4) was adopted in April 2016 and sets out the Peterborough Long Term Transport Strategy (LTTS) for the area to 2026 and a more detailed programme of works to 2021. The LTTS identifies the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and a programme of works is set out in the transport element of the IDS.
- 4.9.3 The transport Asset Investment programme, as reflected in the IDS, takes account of the following goals:
- Drive growth, regeneration and economic development
  - Improve educational attainment and skills
  - Safeguard vulnerable children and adults
  - Implement the Environment Capital agenda
  - Support Peterborough's culture and leisure trust Vivacity
  - Keep all our communities safe, cohesive and healthy
  - Achieve the best health and wellbeing for the city
- 4.9.4 LTP4 sets out how the forecast increased demand to travel will be met by a combination of increased use of sustainable travel and a programme of targeted highway infrastructure improvement and Asset Investment maintenance works.
- 4.9.5 The Council awarded as of 1st October 2013 a new 10 Year Highway Services contract, which can be extendable by a further 10 years. This contract gives the authority more flexibility in meeting its strategic objectives and goals in an efficient and effective manner.
- 4.9.6 The Council is progressing with the Department for Transport's incentive fund requirements to ensure it maximises the LTP maintenance block allocation to maintain the existing highway infrastructure. In order to determine the level of funding, each local highway authority in England (excluding London) is required on an annual basis to compile a report answering 22 questions with 3 assessment bands. Currently, Peterborough City Council is a band one but hopes to progress to band 2 for 2017/18 by undertaking a number of work streams as well as further investment in asset surveys.
- 4.9.7 The Council has experienced a reduction in transport Asset Investment allocations through a reduction in Government LTP allocations in 2011/12 partly as a result of the cessation of Primary Route Network (PRN) structures funding. Since 2015/16, there have been further reductions in transport Asset Investment allocations as a proportion of this funding has been given to the LEPs. Funding for Major Schemes is now primarily delivered through the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGP LEP). Peterborough City Council will concentrate on promoting and delivering projects that enhance the economic wellbeing of Peterborough.
- 4.9.8 The Combined Authority of Cambridgeshire and Peterborough will channel certain other funding streams and the main source initially is the Local Transport Plan capital grant (both the maintenance and integrated

transport elements). The Combined Authority will allocate these finds in line with its transport plan to the highways authorities.

#### 4.10 Regeneration

4.10.1 Peterborough is a growth city, from when it expanded rapidly as a 'New Town' in the 1970s through to the present day when the city is the third fastest growing by population in the country. Peterborough's population will rise to around 237,000 in 2031 – an increase of 28% from 2013. This growth creates challenges as well as opportunities: for example, despite the fourth highest housing stock growth nation-wide, housing demand increasingly outstrips supply. (Last year, the average time for a house to sell in the city was 13 days – the fastest in the country.)

4.10.2 It is in this context that the Council is evolving its role in driving growth, a change that has only accelerated as its benefits have become clear. This change in approach has a core series of principles:

- The Council should not just be a facilitator, but an active deliverer of growth
- Times of financial constraint mean the Council needs to look at new sources of income and at what other than grant it can use to drive regeneration and economic development
- The Council should extend its existing partner arrangements and enter new ones where both parties have synergies that can drive growth effectively and at pace

Over recent years the Council has taken an increasingly hands-on and commercial approach to driving regeneration. Its work on Fletton Quays, following the establishment of the Peterborough Investment Partnership in January 2015, has seen a long-term underused and derelict brownfield site taken successfully through the planning process and at a point where physical transformation is starting to begin. Over the next two years this site will be transformed, seeing new offices and an entirely new residential area of the city created along a revitalised riverside promenade.

The Council is continuing this approach. In November 2016 it established a housing joint venture company with Cross Keys Homes that will see it working to deliver all types and tenures of housing across the city, helping meet the needs of its growing population. The Council has also allocated £15m over the next three years to support land assembly for the delivery of the North Westgate regeneration, which - like Fletton Quays before it - has languished and stalled as a development opportunity, one which the Council will now take a direct hand in delivering. Earlier in 2016, the Council entered into a joint venture with Norse Property Services, which will bring new and extended property capabilities and capacity to the Council.

As well as equipping itself with these new mechanisms for delivery, the Council is reviewing its approach to its land and property assets, both current and future. Where it can identify assets of strategic growth importance - such as some parts of North Westgate - it will make efforts to acquire them to help secure Peterborough's future and economic strength; where assets offer strong investment returns, the Council will actively examine

acquisitions that can help diversify its income streams and support service delivery.

Beyond these factors, it will continue to explore how taking an active - and far more wide-ranging - view of growth, and its place in delivering that growth, can bring direct and indirect social and economic benefits to the people of Peterborough.

#### 4.11 **Strategic Property**

4.11.0 The Council keeps its property portfolio under constant review; ensuring assets are held only for identified operational, growth or investment purposes. Co-location and further portfolio rationalisation are expected to improve overall efficiency of the operational portfolio and will be used to contribute to the overall growth of Peterborough.

4.11.1 The Council has committed to moving its back office functions to a new office development on Fletton Quays releasing Bayard Place and parts of the Town Hall to be utilised for Investment purposes (subject to Business Case approval).

4.11.2 Overall the Council aims to dispose of surplus assets and use the Asset Investment receipts raised to support other initiatives. A 'best consideration' approach may be applied where the site is in a key growth area. Work is ongoing to identify further sites that are suitable for disposal, recommendations take into account issues such as holding costs, fitness for purpose, alternative use and financial returns.

### **Resources Directorate**

#### 4.12 **Information and Communication Technology - ICT**

4.12.1 ICT has put together a programme of works that will enable departments to undertake transformation projects without any restrictions placed on it due to the ICT infrastructure within the Council. By moving to hosted and cloud based services and improvements in current hardware staff will be truly mobile and "infrastructure free" and ICT will act as an enabler to future transformation projects within Directorates. The investment and therefore the changes that ICT will introduce over the coming years will comply with the Councils ICT Strategy and allow ICT to work more closely with departments and meet their requirements and move away from back end maintenance tasks. ICT will have a key role to play in the transformation of the Council and the service needs to be in a position to help deliver this.

#### 4.13 **Culture and Leisure**

4.13.1 Peterborough's projected growth places greater challenges on its cultural services than at any time in the city's past. Not only will population growth lead to increases in demand, but the increasing variety of demographics across the city will change the nature of that demand. The Council has recognised this, and the need to respond to current challenges, and its commitment to protecting and enhancing cultural and leisure services, both now and in the future.

- 4.13.2 Cultural Services within the city face significant challenges which relate to growth and the re-development of existing facilities to meet changing customer expectations.
- 4.13.3 The Council invested in a new technology called Open+ which enables increased public access and opening hours to nine of Peterborough libraries. Through the system the libraries are now open for an extra 126 hours a week with a yearly saving to the council of £285,000 for the first eight years after which the saving increases to £305,000 a year. The next stage to this project will be to invest in updating existing library kiosks to enable printing during Open+ hours, which is currently unavailable.
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- 4.13.5 The Council will publish its updated Sports Strategy in September 2017, The Council will be considering options and opportunities from the document including investing in a 3G pitch in Werrington to replace the existing sand pitch which has come to the end of its life. And the possible replace the Regional Pool.
- 4.13.6 The Council will invest in a new cultural complex based at the Mill on The Fletton Quays area with the intention to develop the buildings into a multi-disciplinary artist's creative and digital hub for the city led. The creative and digital sector is one of the top four sectors prioritised by the Greater Cambridge Greater Peterborough Enterprise Partnership as a strategic priority and the Mill project will have both an immediate and long term benefit for this sector both in Peterborough as well as regionally, nationally and internationally. External grant funding is being bid for to support this project.
- It is proposed that the 'cultural hub' will prioritise 'creation' rather than the 'presentation' of work. The vision for the Mill is as a creation centre rather than a standard arts centre model. This will not be a public space in the way that conventional art centres are. It will be public at times, used for educational purposes at all levels, it will be where work is developed, discussed, supported and made. It will therefore require a mixture of flexible 'clean' and 'dirty' workspaces and studios, rehearsal spaces for performance (dance, music, theatre), and overnight accommodation for visiting artists and companies with associated facilities (en-suite bedrooms, access to kitchen and communal eating/living spaces).

#### 4.14 Invest to Save

- 4.14.1 The Asset Investment Programme contains funding for Invest to Save schemes. This budget is included on the basis that any projects funded via this budget will deliver savings to the Council, for example renewable energy schemes. Business cases for future proposals are required to demonstrate how the cost of borrowing will be covered, e.g. through income generation, etc. Therefore, each scheme will be self-financing so that Invest to Save schemes will have no overall impact against the Council's bottom line.
- 4.14.2 The following set of principles are applied in assessment of such schemes:

- Each project needs to complete the Council's standard full business case. This includes the required officer evaluation and approvals as for all business cases.
- Schemes should deliver savings that improve the financial position of the Council as presented in this MTFS.
- Schemes will also be considered that maintain the MTFS position (ie neither improve nor worsen the position), but contribute towards delivery of service improvements, or contribute to achievement of Council priorities.
- The MTFS assumes that payback from schemes commence in the same year the project starts. If this is not the case, proposals will need the following additional analysis in the business case:
  - A full net present value (NPV) analysis
  - An outline of how the finance will be covered across financial years if schemes are not cost neutral within each financial year
- Proposals will need to be subject to the Council's decision making requirements, e.g. any schemes above £500k will be subject to a Cabinet Member Decision Notice (CMDN) approved by the Cabinet Member for Resources and relevant portfolio holder.
- An update on schemes is included in future financial reports to Cabinet during the year.

Schemes are not approved and budget is not allocated until all of the above are in place.



#### 4.15 Invest to Save Current Schemes:

- 4.15.1 Solar PV Installation - PCC has completed installations on industrial estates, corporate buildings and 26 schools. With the reduction in the Feed In Tariff it is unlikely that PCC will install further PV on its properties in the short term.
- 4.15.2 Energy Performance Contract Framework (ENPC) – PCC is currently using its contract with Honeywell to develop proposals for works to its corporate buildings using the framework to reduce utility costs.
- 4.15.3 The Council has continued to investigate further ways it can support the development of housing, and has agreed a facility to provide finance of up to £30million to Axiom Housing Association. The capital programme has provision to support a similar facility of up to £100m to the Longhurst Group. This proposal would be subject to due diligence and an executive decision. This would enable the housing association to deliver more housing as it will enable it to secure lower cost finance through the council. The benefit for the council and its residents is that the loan would generate a financial return to support the council's budget and to protect other council services. This loan is treated as Asset Investment expenditure, and as such will be financed from the invest to save budget.
- 4.15.4 The Council is developing other projects - further details of this will be brought forward should the option be financially beneficial to the council. Any projects will comply with the terms and conditions outlined to obtain invest to save funding.
- 4.15.5 The Empower community solar panel scheme is covered in the next section. The Council has also agreed an arrangement to provide additional funding for the expansion of the project, enabling more installations to be undertaken and for the Council to generate further income from the interest on the loan. The solar installation is free of charge on properties that are assessed as suitable (for example orientation, shading, size and access).

#### 4.16 Renewable Energy / Energy Efficiency

- 4.16.1 Energy Performance Contracts - The Council entered into an Energy Performance framework agreement (EnPC) with Honeywell Control Systems ("Honeywell") in June 2013 by which energy efficiency improvements would be made initially to Council properties with the possibility of widening the scope of the scheme to other local authorities, social housing and other organisations.
- 4.16.2 Empower Solar Panel Scheme - The Council has agreed to enter into a partnership with social enterprise Empower Community Management LLP to deliver solar panels on private properties in the city, and to finance such schemes outside the city.

Under the scheme, property owners benefit from in the region of £200 worth of free energy each year generated by the solar panels.

The number of properties in Peterborough that have been completed by Empower are 302 private residential and 40 Axiom properties. Over 2051 properties outside Peterborough have benefitted.

The scheme will continue to be funded in the short term at a commercial rate of interest until the scheme is refinanced by long term funding by a private funder. There is an objective to refinance in the second quarter of

2017.

- **Green Leases** – In August 2014 the Council agreed to issue a memorandum of understanding to all existing tenants of Council owned buildings (and new tenants as they enter into leases) to ensure that it was explicitly clear that the Council would not prohibit a tenant from undertaking any works that would improve the energy performance of a building. In addition to this the Council committed to carrying out a review to identify which of the council's assets have a low energy efficiency rating and are likely to be rented out now or at some point in the future. This includes an assessment of the potential loss of income that may be felt if these properties become un-rentable in the future, alongside a potential schedule for invest to save works that would prevent this as appropriate
- **Energy Recovery Facility (ERF)** - In February 2013 Peterborough City Council signed a contract with Viridor, to build and operate a new 'energy from waste' facility (known as an Energy Recovery Facility) in the City. The plant is now operational, and will offer a more environmentally friendly and lower-cost alternative to burying the City's waste in landfills.

The energy from waste facility will save over 10,000 tonnes of CO<sub>2</sub> equivalent every year compared to sending the City's waste to landfill. The facility is close to the power station in Fengate, and is designed to meet the City's needs for the next 30 years. The facility will burn any waste that cannot be recycled to ash and in so doing allow significant energy to be captured from an otherwise wasted resource. In doing so, the weight of rubbish needing to be sent to landfill will be reduced by more than 93 per cent. The remaining ash can also be recycled, for example as aggregate for building roads, diverting potentially 100 per cent from landfill.

The facility will also harness the energy released in the process to generate around 53,000 megawatt hours of electricity, which can generate savings. This is enough electricity to power approximately 15 per cent of the homes in Peterborough for a year.

- In order to maximise the potential of the Councils investment in the ERF it is investigating a number of schemes aimed at improving the income the facility generates from energy production as well as improving its environmental benefits.

A plan for the development of Combined Heat and Power (CHP) at the facility is under development with the heat created feeding into a number of proposed developments over a period of a number of years. The key element of the CHP development is to consider securing of long term offtake arrangements for the heat generated by the ERF, hence the growth and regeneration team are working closely with resources on this project. Producing heat and power at the facility improves its efficiency as well as improving its carbon reduction performance.

A second project is examining the opportunities to develop private electrical connections to large commercial and industrial users in order to maximise the facilities potential to generate power considering the existing constraints within the local electricity distribution network. In addition options to manipulate the facilities output to match specific grid requirements of peak generation, rapid response and frequency management are being examined to add additional value to the Councils investment.

## **5 Managing the Asset Investment Programme**

- 5.1 To manage the Asset Investment programme the Council operates a project management system (Verto). Option appraisals and feasibility studies are required to support and justify a business case for projects. The Programme Management Team are responsible for co-ordinating and monitoring this process. The longer term property and revenue implications (i.e. whole-life considerations) are part of this process which is consistent with the principles set down in the Prudential Code for Asset Investment Finance in Local Authorities.
- 5.2 Project officers monitor the implementation of the Asset Investment Programme on a regular basis with reports being submitted monthly to Verto. Heads of Service or project leads offer regular updates which are reported to Department Management Teams.
- 5.3 The Asset Investment programme as a whole (both expenditure and income) is reported to CMT on a quarterly basis. The quarterly report sent to CMT contains an overview of the current position and provides CMT with the information required to ensure that the Asset Investment programme is sustainable in the long term through revenue support by the Council or its partners and that use of Asset Investment resources reflects what was agreed in the production of the Council's MTFS.

## **6 Sources of Asset Investment Funding**

- 6.1 A summary of the sources of Asset Investment funding is shown in Table 1, Annex 1.
- 6.2 External sources arise from the Council's aims, together with partners, to maximise opportunities for funding from any source, including European and Government Grants and applications for National Lottery funding for schemes. Corporate resources can consist of Asset Investment receipts and borrowing. Under the Prudential Code for Asset Investment Finance, the Council has the ability to borrow money. To do this, the Council must be able to show that any borrowing is affordable, prudent and sustainable, see the Treasury Management, Prudential Code and Minimum Revenue Provision Strategy.
- 6.3 The Council is required to pay the Homes and Communities Agency (HCA) a percentage of gross Asset Investment receipts from sales of Community Related Assets (CRA) transferred to it from the Peterborough Development Corporation. From August 2016, this is 42% (diminishing annually by 2%). Although this represents a significant loss of opportunity for the Council, the HCA is encouraged to reinvest the receipt back into Peterborough. The Council is currently awaiting consultation from the HCA regarding the policy surrounding these arrangements.
- 6.4 Developers are required to contribute resources to ensure appropriate infrastructure comes forward alongside growth. Some of this contribution is made directly by the developer, such as the provision of new community facilities as part of a development scheme. Developers also commonly contribute financially to the Council, so that the Council can pool contributions to deliver infrastructure. This process is through the Council's adopted Community Infrastructure Levy. Legislation requires the Council to hand over a proportion of any CIL money it receives to the parish council (the neighbourhood proportion) in which the development is located (if it is in a parished area) or to discuss with the local community how to spend that proportion locally (if the development is in an un-parished area). The proportion to be handed over depends upon whether there is or is not a statutory neighbourhood development plan in place. The Council will also retain a proportion of CIL receipts for administration of the charge.

Provisionally, the Council has agreed that the remaining CIL receipts are to be split via the thematic areas outlined below (though it is important to note that such thematic areas will receive other funding via other sources in addition to the CIL)

#### 6.5 Neighbourhood Proportion

	<b>Proportion of CIL to be allocated where development has taken place</b>
<i>Parishes / neighbourhoods without a neighbourhood plan</i>	<i>15% - capped at £100 per Council tax dwelling</i>
<i>Parishes / neighbourhoods with an adopted neighbourhood plan</i>	<i>25% - uncapped</i>

#### **Remaining CIL receipts - Proposed funding split by infrastructure theme**

Transport and Communications	30%
Education and Learning	40%
Community and Leisure	10%
Emergency services / health and well-being	10%
Environment	10%

#### 6.6 Alternative Financing Arrangements

- The Council has actively investigated public/private partnerships (PPP) and other innovative financing arrangements in relation to a range of Asset Investment projects. Examples include:-
  - Close collaborative working with our private sector contractor within the Environment, Transport and Engineering service to investigate ways of making significant savings and providing increased value for money. A new contract, contracts or contract extensions has been procured to cover these work areas and commenced in October 2013.
  - Partnership arrangements with various Registered Social Landlords for the provision of affordable housing.
  - Alternative structures for the development of key sites within Peterborough including the establishment of joint ventures.

#### 6.7 Capital Receipts

- A Capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The need to generate Capital receipts is a fundamental part of the Asset Management Plan. The rationalisation of the asset portfolio has benefits such as reducing revenue costs that relate to surplus assets and also releases assets for disposal. Capital receipts are an important funding source for the Council.
- The Council takes a holistic approach to funding its Asset Investment programme and will adapt its approach based on overall financial circumstances and the needs of particular services. An outcome of this approach is to treat all Capital receipts as a corporate resource; enabling investment to be directed towards those schemes or projects with the highest corporate priority and to ensure the Council achieves value for money from its Capital receipts. This means that individual services are not reliant on their ability to generate Capital receipts.

- The timing and value of asset sales is the most volatile element of funding, especially in the current financial climate. As a result, the Corporate Director Growth and Regeneration closely monitors progress on asset disposal. Any in year shortfalls could potentially need to be met from increased corporate resources.
- The Government has announced proposals to enable Councils to use Asset Investment receipts more flexibly to support transformation and help meet the financial challenges councils face. The Council has agreed to use receipts flexibly to help meet costs of the minimum revenue provision. Further detail is included within the Treasury Management Strategy report in the MTFS.

## 7 Procurement Strategy

- 7.1 Delivery of the majority of the Asset Investment programme is commissioned from external providers. The Council will either use a tender process, or use some of the following frameworks for the major contracts that it has in place for example:
- Skanska – for highways works
  - Carillion – for major school development works
- 7.2 The Councils approach is governed by its Procurement Strategy. This five year strategy sets out how the Council intends to purchase goods, works or services from third parties that:
- contribute towards achieving the Council’s priorities (para 7.8 ) and aligns to the seven commissioning principles the Council has adopted to become a Commissioning Led Council (7.9);
  - supports Peterborough’s Sustainable Community Strategy<sup>3</sup> and ambition to become the UK’s Environment Capital, to substantially improve the quality of life of the people of Peterborough and to raise the profile and reputation of the City as a leading city in environmental matters and a great place in which to live, visit and work;
  - complies with the legislative requirements for procurement; and
  - meets the challenge within local government and the wider public sector to spend within its means. The Council has already seen its government funding cut by £54m (50%) over the previous six years, with this downward trend set to continue over the next four years.
- 7.3 The Council spends in excess of £200 million per year on procuring works, goods and services through a variety of procurement and contracting arrangements covering a wide and diverse spectrum of council functions. For example, this includes buying stationery, energy, insurance, home to school transport for eligible pupils, care packages for eligible adults and children in social care, services from our strategic partners such as building maintenance and highway maintenance, to major IT systems and construction projects. The majority of the Asset Investment Expenditure incurred is undertaken by the Council’s partner organisations.

<sup>3</sup> <https://www.peterborough.gov.uk/council/strategies-policies-and-plans/strategic-priorities/>

7.4 This strategy will align to the Council's Customer Strategy<sup>4</sup> which is fundamental in the understanding of our customer and business needs that will shape the way we deliver our services as a Commissioning Led Council.

7.5 The outcomes of this strategy will be to:

- Undertake procurement that achieves the Council's Strategic Priorities and being a Commissioning Led Council;
- Achieve agreed efficiencies, effectiveness and economies of scale that demonstrates value for money for the residents, partner organisations, businesses and other interested parties, taking into account environmental, social and economic impacts and whole life costs when procuring products and services;
- Achieve improved business processes that streamline how the council interacts with its supply chain including through maximising digital technology; and
- Promote and supports small medium enterprises including community groups and local businesses

7.6 Monitoring arrangements

Progress and monitoring of the procurement strategy outcomes will be done in the following ways:

- Regular monitoring as part of a programme of works through the council's Procurement Working Group, a cross representative group of officers that are involved in procurement, legal, finance and commissioning activity.
- The corporate management team to receive monitoring reports of the Procurement Working Group.
- An annual performance report is scheduled to go Cabinet members in March 2017.

7.7 **Council Strategic Priorities 2017**

Peterborough is one of the fastest growing cities in the country bringing new housing, jobs and opportunities for the people who live here and attracting new residents from across the UK and beyond. Our vision is to create a bigger and better Peterborough that grows the right way, and through truly sustainable development and growth:

- Improves the quality of life of all its people and communities, and ensures that all communities benefit from growth and the opportunities it brings
- creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment Asset Investment of the UK

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<sup>4</sup> <https://www.peterborough.gov.uk/council/strategies-policies-and-plans/customer-service-strategy/>

## 7.8 Commissioning Led Council and Principles

### What is a commissioning led council?

This means that the Council will deliver better outcomes for customers through identifying the most efficient, effective and economic models of service delivery.

This may mean the Council continuing to deliver services on its own, or directly through other agencies and organisations or as a partnership between the Council and other organisations. This will provide a range of different abilities, skills and knowledge to enable targeted services to be delivered in the right place at the right time.

A commissioning approach offers significant benefits to local residents and businesses alike. Services will be delivered in more efficient ways, stimulating local enterprise by creating new markets in the provision of local services, and an increased emphasis on the scrutiny of those services.

## 7.9 Commissioning principles

- Demand management - We will prioritise the commissioning of services and solutions that will prevent or delay escalating support and service needs.
- Efficient and effective - We will take an evidence based approach to commissioning services and solutions that demonstrate efficient and effective use of resources. Services and solutions will be commissioned on the basis of best value.
- Return on investment - We will commission on the basis of a clear, whole-life costed benefits realisation for service users, PCC and other stakeholders. This will include analysis of the value of social and environmental outcomes of commissioning activities as well as financial outcomes.
- Market Development - We will develop the market with providers and partners to ensure that strategic commissioning activity across health and social care is coordinated and best value and outcomes are delivered.
- Statutory duties - We will ensure PCC complies with its legal duties within the statutory legislative and policy framework.
- Political - Commissioning activity will take account of and be sensitive to the national and local political context. Engagement with elected members will be carried out throughout the commissioning process.
- Collaborative commissioning - We will work to commission services and co-produce solutions with strategic partners where this best delivers PCC outcomes and objectives.

## 8 Conclusion

- 8.1 The Asset Investment Strategy demonstrates and sets the framework for how the Councils Asset Investment programme supports its strategic priorities. The Asset Investment Strategy is subject to continuous review and has been prepared in collaboration with other services to ensure it's consistent with the MTFS, which itself has been reviewed and updated. Any revenue implications from the Asset Investment Strategy have been built into the MTFS.
- 8.2 The Council has implemented and continues to implement changes to its core business and culture to ensure that limited funding is prioritised and effectively targeted to deliver the objectives, through reviewing the current Asset Investment programme for efficiencies in procurement and rationalisation of programmes.





Table 1 - Summary Asset Investment Programme

Annex One - Core Data

Asset Investment Expenditure by Service:	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Governance	387	69	-	-	-	-	-	-	-	-
People & Communities	65,529	65,619	25,758	9,408	4,961	3,694	3,694	3,694	3,694	3,694
Resources - Invest to Save	78,655	52,520	42,550	25,000	-	-	-	-	-	-
Resources	10,302	3,997	1,763	1,700	1,738	1,115	1,115	1,115	1,190	1,190
Growth & Regeneration	64,439	46,656	21,790	12,103	11,006	10,837	9,075	9,364	9,988	9,988
<b>Total Asset Investment Expenditure</b>	<b>219,312</b>	<b>168,861</b>	<b>91,861</b>	<b>48,211</b>	<b>17,705</b>	<b>15,646</b>	<b>13,884</b>	<b>14,173</b>	<b>14,872</b>	<b>14,872</b>
<b>Financed by:</b>										
Grants & 3 <sup>rd</sup> Party Contributions	44,297	48,106	20,127	8,098	5,626	5,738	5,736	5,792	5,761	5,761
Asset Investment Receipts	942	1,000	-	-	-	-	-	-	-	-
Asset Investment Financing Requirement (Borrowing)	174,073	119,755	71,734	40,113	12,079	9,908	8,148	8,381	9,111	9,111
<b>Total Asset Investment Financing</b>	<b>219,312</b>	<b>168,861</b>	<b>91,861</b>	<b>48,211</b>	<b>17,705</b>	<b>15,646</b>	<b>13,884</b>	<b>14,173</b>	<b>14,872</b>	<b>14,872</b>

Summary of Fixed Asset Values as at 31<sup>st</sup> March 2016

Fixed Asset Values	Gross book value £000	Depreciation £000	Net book value £000
Land & buildings	441,283	(32,793)	408,490
Vehicles, plant & equipment	40,915	(20,725)	20,190
Infrastructure assets	237,434	(94,695)	142,739

Community assets	1,199	(298)	901
Heritage assets	688	-	688
Investment properties	31,770	-	31,770
Surplus assets	2,710	(8)	2,702
Assets Under Construction	8,718	-	8,718
<b>Total</b>	<b>764,717</b>	<b>(148,519)</b>	<b>616,198</b>

*(These values follow recommended practice for presenting accounts and are not indicative values for insurance purposes nor do they reflect potential disposal values.)*

## Annex Two

Peterborough City Council Planning Obligations Implementation Scheme Supplementary Planning Document (as per Section 7.1.3):

[http://www.peterborough.gov.uk/pdf/Planning-policy\\_Planning%20Obligation%20Implementation%20Scheme%20SPD1.pdf](http://www.peterborough.gov.uk/pdf/Planning-policy_Planning%20Obligation%20Implementation%20Scheme%20SPD1.pdf)

[http://www.peterborough.gov.uk/pdf/Planning-policy\\_Planning\\_Obligation\\_Implementation\\_Scheme\\_SPD1.pdf](http://www.peterborough.gov.uk/pdf/Planning-policy_Planning_Obligation_Implementation_Scheme_SPD1.pdf)

Asset Investment Programme Budget & Funding Summary 2017/18 to 2026/27

Annex Three

Project	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2017 to 2022 Total 5 Yrs		2017 to 2027 Total 10 Yrs	
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>GOVERNANCE</b>														
Civil Enforcement Officers Cars	50	-	-	-	-	-	-	-	-	-	50	-	50	-
Organisational Change – New	337	69	-	-	-	-	-	-	-	-	406	-	406	-
<b>Total Governance</b>	<b>387</b>	<b>69</b>	-	-	-	-	-	-	-	-	<b>456</b>	-	<b>456</b>	-
<b>PEOPLE &amp; COMMUNITIES</b>														
Aids and Adaptations	216	216	216	216	216	216	216	216	216	216	1,080	-	2,160	-
ASC Customer Experience Assistive Technology	50	-	-	-	-	-	-	-	-	-	50	-	50	-
Capital Maintenance on Schools	7,007	600	600	400	400	400	400	400	400	400	9,007	-	11,007	-
Communities - Other Infrastructure	3,078	59	-	-	-	-	-	-	-	-	-	3,136	-	3,136
Customer Services Transformation - Tranche 13: Adult Social Care	300	-	-	-	-	-	-	-	-	-	151	149	151	149
Hampton Gardens - new secondary school	7,216	-	-	-	-	-	-	-	-	-	-	7,216	-	7,216
New School Places	8,850	20,200	12,550	4,542	-	-	-	-	-	-	28,671	17,471	28,671	17,471
Other Schools	2,167	1,917	167	-	-	-	-	-	-	-	2,250	2,000	2,250	2,000
Repair Assistance	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	5,100	-	10,200	-
Schools Direct Spend	426	458	458	916	458	458	458	458	458	458	-	2,716	-	5,006
Schools Private Finance Initiative (PFI)	200	200	200	200	200	200	200	200	200	200	1,000	-	2,000	-
Second extension to Heltwate Special School	1,000	-	-	-	-	-	-	-	-	-	1,000	-	1,000	-
TDA Key Stage 2 extension	500	-	-	-	-	-	-	-	-	-	500	-	500	-
Thomas Deacon Junior Academy	450	-	-	-	-	-	-	-	-	-	450	-	450	-
Schools - 2016/17 Review - New	30,150	35,550	7,147	714	1,267	-	-	-	-	-	16,035	58,793	16,035	58,793
Operation Can Do Area – New	1,500	4,000	2,000	-	-	-	-	-	-	-	7,500	-	7,500	-
<b>Total People &amp; Communities</b>	<b>65,529</b>	<b>65,619</b>	<b>25,758</b>	<b>9,408</b>	<b>4,961</b>	<b>3,694</b>	<b>3,694</b>	<b>3,694</b>	<b>3,694</b>	<b>3,694</b>	<b>75,150</b>	<b>96,125</b>	<b>86,685</b>	<b>103,060</b>
<b>RESOURCES - INVEST TO SAVE</b>														
Invest to Save	50,000	25,000	-	-	-	-	-	-	-	-	75,000	-	75,000	-
CE Social Studio	905	20	-	-	-	-	-	-	-	-	925	-	925	-
Invest to Save - AXIOM	27,750	27,500	42,550	25,000	-	-	-	-	-	-	122,800	-	122,800	-

Project	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2017 to 2022 Total 5 Yrs		2017 to 2027 Total 10 Yrs	
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Total Invest to Save</b>	78,655	52,520	42,550	25,000	-	-	-	-	-	-	198,725	-	198,725	-
<b>RESOURCES</b>														
Car Parks	100	100	100	100	100	100	100	100	100	100	500	-	1,000	-
Cloud Infrastructure	225	225	250	250	250	250	250	250	250	250	1,200	-	2,450	-
Crematoria/Cemeteries Development - Cemetery provision	643	769	-	35	73	-	-	-	-	-	1,332	188	1,332	188
Cycle Track Embankment	500	-	-	-	-	-	-	-	-	-	125	375	125	375
ICT Projects	-	-	348	250	250	250	250	250	250	250	848	-	2,098	-
New build of a Household Recycling Centre in Peterborough	3,082	-	-	-	-	-	-	-	75	75	2,226	856	2,376	856
Play Area Improvement Programme	185	185	185	185	185	185	185	185	185	185	925	-	1,850	-
Schools Capital Reserve	900	800	800	800	800	250	250	250	250	250	4,100	-	5,350	-
Waste 2020 Programme	80	80	80	80	80	80	80	80	80	80	400	-	800	-
Agile Working - Chrome Books - New	601	-	-	-	-	-	-	-	-	-	601	-	601	-
ICT Budget - New	3,224	1,800	-	-	-	-	-	-	-	-	5,024	-	5,024	-
Digital Front Door - New	762	38	-	-	-	-	-	-	-	-	762	38	762	38
<b>Total Resources</b>	<b>10,302</b>	<b>3,997</b>	<b>1,763</b>	<b>1,700</b>	<b>1,738</b>	<b>1,115</b>	<b>1,115</b>	<b>1,115</b>	<b>1,190</b>	<b>1,190</b>	<b>18,043</b>	<b>1,457</b>	<b>23,768</b>	<b>1,457</b>
<b>GROWTH &amp; REGENERATION</b>														
A1260 Nene Parkway (Jct 3 to Jct 15)	775	-	-	-	-	-	-	-	-	-	775	-	775	-
Bourges Boulevard	4,500	-	-	-	-	-	-	-	-	-	0	4,500	-	4,500
Growth & Regeneration - Other Infrastructure	2,500	-	-	-	-	-	-	-	-	-	2,500	-	2,500	-
Highways Capitalisation	250	250	250	250	250	250	-	-	-	-	1,250	-	1,500	-
Housing Joint Venture	14,300	14,300	4,000	-	-	-	-	-	-	-	32,600	-	32,600	-
INTSI Intelligent Transport Systems Infrastructure	250	250	-	-	-	-	-	-	-	-	500	-	500	-
Local Transport Plan & Integrated Transport Programme	295	100	100	100	100	100	100	100	100	100	695	-	1,195	-
LTP Highway Maintenance Programme 2015/2016	600	-	-	-	-	-	-	-	-	-	600	-	600	-
LTP Highway Maintenance Schedule	180	-	-	-	-	-	-	-	-	-	180	-	180	-
PCC Capital Highway Maintenance Programme 2015/2016	1,958	1,813	1,813	1,813	1,813	1,813	1,813	1,813	1,813	1,813	2,030	7,235	4,060	14,270
PCC Capital Highway Maintenance Schedule	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,353	14,365	6,998	28,295

Project	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2017 to 2022 Total 5 Yrs		2017 to 2027 Total 10 Yrs	
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
PCC Footway Slab Replacement Programme 2015/2016 (Ring Fenced)	230	230	170	170	170	170	170	170	170	170	970	-	1,820	-
Growth Delivery partnership projects	-	500	500	500	500	500	500	500	500	500	2,000	-	4,500	-
Public Realm	1,750	-	-	-	-	-	-	-	-	-	1,750	-	1,750	-
ROADS & BRIDGES (including footpaths)	3,341	250	2,250	1,500	-	-	-	-	-	-	7,318	-	7,318	-
Street Lighting LED Project	2,193	-	-	-	-	-	-	-	-	-	2,193	-	2,193	-
Street Lightning	5,848	5,939	-	-	-	-	-	-	-	-	11,787	-	11,787	-
Structural Bridge Works	4,748	330	330	330	330	330	330	330	330	330	5,950	83	7,600	83
UTMC and Urban traffic Control route	180	-	-	-	-	-	-	-	-	-	-	40	-	40
Health & Safety Adaptations - Disabled Access	150	150	150	150	150	150	150	150	150	150	750	-	1,500	-
Phase 2 London Road Community Stadium Project - Design/Technical Study London Road Terrace	982	-	-	-	-	-	-	-	-	-	982	-	982	-
Property Capital Portfolio	350	350	350	350	350	350	350	350	2,007	2,007	1,750	-	6,814	-
Strategic Property Portfolio Asset Management Plan	1,719	1,668	1,362	1,425	1,828	1,659	1,647	1,936	33	33	7,463	447	11,883	1,335
Supporting the Council's MTFP - Asset Disposals - Programme Delivery - QUARTERLY REPORTS	500	500	500	500	500	500	500	500	500	500	2,500	-	5,000	-
Whitworth Mill Project - New	1,500	3,000	-	-	-	-	-	-	-	-	2,500	2,000	2,500	2,000
North Westgate Development - New	6,000	6,000	3,000	-	-	-	-	-	-	-	15,000	-	15,000	-
Fletton Quays Business Case - New	5,825	1,010	-	-	-	-	-	-	-	-	6,927	-	6,927	-
Highways - Roads and Bridges - New	-	6,500	3,500	1,500	1,500	1,500	-	-	-	-	13,000	-	14,500	-
<b>Total Growth &amp; Regeneration</b>	<b>64,439</b>	<b>46,655</b>	<b>21,790</b>	<b>12,103</b>	<b>11,006</b>	<b>10,837</b>	<b>9,075</b>	<b>9,364</b>	<b>9,988</b>	<b>9,988</b>	<b>127,323</b>	<b>28,671</b>	<b>154,722</b>	<b>50,524</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>219,312</b>	<b>168,861</b>	<b>91,861</b>	<b>48,211</b>	<b>17,705</b>	<b>15,646</b>	<b>13,884</b>	<b>14,173</b>	<b>14,872</b>	<b>14,872</b>	<b>419,697</b>	<b>126,253</b>	<b>464,356</b>	<b>155,041</b>

**Asset Investment Receipts Summary from 2016 to 2020 (Subject to ongoing review)**  
**Annex Four**

Property Description	Ward	2016/17	2017/18	2018/19	2019/20
Bretton Residential Land	Bretton	*			
7-23 London Road	Fletton & Woodston		*		
Assets at Church Street Thorney	Eye & Thorney		*		
Bretton Court - Investment Office and Retail Block Over Three Storeys	Bretton	*			
Caxton Court/ Coneygree Road	Stanground Central		*		
Chauffeur's Cottage	Central			*	
City Clinic - NHS Operated Clinic Facility	East			*	
Duke of Bedford Primary School - Surplus land	Eye & Thorney		*		
First Drove, Fengate - Land	East	*			
Fleet surplus Assets - Land	Stanground Central	*			
Former Depot Land Wittering	Glington & Wittering	*			
Gostwick - Orton Brimbles - Land	Orton Waterville		*		
Heltwate School , Bretton	Bretton				*
John Mansfield - Main Site & Remote Site Land	Central	*			
Land at Corner of Marholm Road/Lincoln Road	Marholm	*			
Land at Squires Gate Gunthorpe	Paston		*		
Land at Stanground Academy	Stanground Central	*			
Lindens	Central	*			
John Mansfield (Medical Centre site)	Central	*			
Miscellaneous Surplus Farm Buildings Americas Farm	Various	*			
Miscellaneous Surplus Farm Buildings Olympia Farm Cottage	Eye & Thorney	*			
Nab Lane, Welland - Allotment Land	Dogsthorpe		*		

Schedule E – Asset Investment Strategy, Acquisition Strategy, Capital Programme & Disposal

No of Allotment Sites & Open Space locations	All Wards	*	*	*	*
Operational Assets Pending Property Rationalisation	All Wards		*	*	
Orton Centre Filling Station	North	*			
Play Area Smithfield	Eye & Thorney			*	
Pyramid Centre, North Bretton	Bretton	*			
Royce Road Ground Rent Portfolio	East		*		
St George's PRU	Park		*		
Substations	All Wards north of river	*	*		
Tenterhill/Thistle Drive - Land		*			
Welland House - Former Care Home	Dogsthorpe	*			
Wellington Street Car Park	East				*
WhitWorths Mill Surplus Land Fletton Quays	Fletton & Woodston			*	
Willow Drove Newborough	Newborough	*			
<b><u>Investment Properties</u></b>					
Herlington Centre - Investment Retail Units	Orton Longueville		*		
Laxton Square (non-market)	Central				*
Surplus land & buildings at New England Complex, Lincoln Road - Investment asset - Former School	Central			*	
Northminster House, Ground Lease - Investment Asset - Freehold Office	Central		*		
Orton Bowling Green	Orton Longueville	*			
Peterscourt - Investment Asset - Offices	Central		*		
Saville Road Estate	Stanground				*
Saville Road Portfolio of individual Ground Rents	Stanground				*
St Botolph's Caretakers House	Orton Longueville	*			
Westwood 7 Estate Saville Road Ground Lease	Stanground				*

N.B. Land disposals linked to schools will be discussed further with Children's services nearer the relevant financial year to ensure they remain compatible with any emerging expansion plans.





## Annex 5

# Acquisitions Strategy

## Contents

<b>1</b>	<b>Introduction</b>
1.1	Context & Purpose & Strategy
<b>2.0</b>	<b>A Framework for Acquisitions</b>
2.1	The Rationale for Growing the Portfolios
2.2	The Criteria for Acquisitions
2.3	An Outline of Governance Arrangements for Acquisitions
<b>3.0</b>	<b>Review &amp; Performance</b>
3.1	Operational Portfolio
3.2	Investment Portfolio
3.3	Growth Portfolio

# 1 Introduction

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## 1.1 Context & Scope of Strategy

Although the City Council has been successful in generating capital receipts from the disposal of its surplus assets, the number of assets that can come forward from the Council's operational portfolio will to reduce. Sites that do come forward remain subject to increasing scrutiny for shared use by public sector partners and communities, or have increasing constraints from a planning perspective. The Asset Management Plan (AMP) is articulating a revised direction for asset management focussed on an emphasis on *using property to support growth, inward investment and financial security*.

It will be increasingly important to focus on the Council's investment and growth portfolios and to grow these through strategic acquisitions to generate improved rental income or to secure sites for future development. This will require capital which can be utilised to respond quickly to market opportunities within a clear governance framework and with the benefit of defined acquisition and performance criteria. This will allow the Council to respond to current financial constraints by growing its rental income stream from commercial assets and to take a lead in commissioning and delivery of new developments through existing and new delivery vehicles. It will be similarly important to change the composition of the operational portfolio as this needs to be reinvigorated since many assets are not 'fit for purpose'; in a poor physical condition or costly to use. Whilst this may not necessarily see a growth in the size of the operational portfolio it is likely to see new acquisitions allied with the disposal of existing properties to change the overall nature of the portfolio.

The purpose of this strategy is to set out:

- The rationale for Growing the Portfolios
- The criteria for Acquisitions
- An Outline of Governance Arrangements
- An Outline of Approach to Review and Performance

## 2.0 A Framework for Acquisitions

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The AMP identifies the need for specific management action for three distinct portfolios; the operational, investment and growth portfolios. The AMP also identifies that in the future there could be pressures to reduce the size of the operational portfolio whilst growing the size of both the investment and growth portfolios. There is likely, however to be a need to acquire assets from time to time across all three portfolios. These acquisitions need to be set within a clear decision making framework with defined criteria

## 2.1 The Rationale for Growing the Portfolios

Increasingly Councils are moving to a 'self-funding model' with Government changes around reduction in grant funding and future retention of business rates. This will require Councils to be more innovative and commercial in how they generate funds to support local services and provides a strong impetus for the council to grow income generated from its investment portfolio – both through improved management and acquisitions to enhance the portfolio. Having an acquisition strategy enables the Council to pursue assets identified and also to respond to unexpected market opportunities that arise from time to time. The availability of pump-priming capital will allow speedy intervention in the market; subject to appropriate governance arrangements. Good quality commercial investments are in strong demand. There is therefore a necessity for a defined strategy and acquisition framework to be adopted in order to allow the Council to bid competitively, particularly on a timescale basis, in the open market.

There is similarly a need to enhance the Council's holding of strategic assets which can be used to support growth and regeneration. This will be necessary to fulfil the Councils vision to grow the city and to create employment opportunities and also its need to respond to population increase and housing pressures.

The principle of using of property returns to fund front line services is not new with many local authorities actively involved to a greater or lesser degree for many years. However, historically an acquisition of investment property by local government has not necessarily been on a structured basis. With the changing operating climate and an imperative to improve income generation there will increasingly be a need to adopt more formal approaches to ensure compliance with financial statutes and a focus on the performance of the investment portfolio.

Whilst emphasis is increasingly likely to be placed on growing the investment and growth portfolios it will still be vital that the Council retains an operational portfolio to support service delivery. This will require a change in portfolio composition so that through selective acquisitions and disposals the portfolio can be adapted to ensure it meets service needs; is functional suitable for its purposes and is cost effective for the Council.

A renewed focus on the Council's operational, investment and growth portfolios with a clear framework for decision making will allow the Council to:-

- Allow a change in the operational portfolio to ensure it is 'fit for purpose' and cost effective to use and maintain
- Identify new assets to generate long term income streams for the Council
- Provide improved financial security and certainty in support of the revenue budget
- Acquire sites to support land assembly and strategic developments (such as housing)
- Support Council priorities around growth, sustainability and prosperity for all
- Invest in 'green assets' to promote the Council's aspiration as UK's Environment Capital

## 2.2 The Criteria for Acquisitions

The Council will only acquire assets where it meets defined criteria. Whilst there are some overarching criteria there will also be criteria which may vary across the three portfolios. The Council will

acquire assets where it can demonstrate:

Portfolio	Criteria	Geographic scope
	▪	
<b>Over-arching Criteria</b>		
All	<ul style="list-style-type: none"> <li>▪ There is an approved budget allocation for the acquisition</li> <li>Or</li> <li>▪ The Council's invest to save criteria are met</li> <li>And</li> <li>▪ There is a robust business case which identifies any inherent risks from the acquisition</li> </ul>	Within or outside the city
<b>Portfolio Specific Criteria</b>		
Operational	<ul style="list-style-type: none"> <li>▪ There is a specific service need</li> <li>▪ There is an opportunity to improve service delivery</li> <li>▪ There is an ability to provide a shared service use that will release other assets for alternative use or disposal</li> <li>▪ The acquisition meets current or future service needs of the Council</li> </ul>	Within the city or in the case of shared service use within areas covered by joint working arrangements
Investment	<ul style="list-style-type: none"> <li>▪ Land and / or buildings where:</li> <li>▪ A sound income return can be generated</li> <li>Or</li> <li>▪ There is an opportunity to add value to existing assets</li> <li>And</li> <li>▪ Contribution to the maintenance of a balanced portfolio (to minimise income risk)</li> <li>And</li> <li>▪ The income generated is greater than the Council's costs of borrowing</li> </ul>	Within or outside the city. (Can be UK wide and managed by external agents)
Growth	<ul style="list-style-type: none"> <li>▪ Sites which have the potential to support development and regeneration Or mixed use commercial / residential development</li> <li>Or</li> <li>▪ Sites which can contribute to the stock of under supplied asset groups in the city</li> <li>Or</li> <li>▪ Sites which can act as a catalyst for regeneration which will benefit the health, housing, wellbeing, education or business economy of the city</li> <li>Or</li> <li>▪ Sites which are likely to have a strategic benefit that may provide future opportunity and bring wealth to the city</li> </ul>	Within the city or within areas covered by joint working or devolution arrangements. Use of CPOs where appropriate within Peterborough

## 2.3 An Outline of Governance Arrangements for Acquisitions

A set of clear, simple governance arrangements which ensure consistency with the Council’s financial regulations and the appraisal of a robust business case are in place. All acquisitions will be undertaken using these Council’s existing protocols; but there may also be specific instances where the Council has to act in a speedy and confidential manner because of market circumstances and the need for commercial confidence. This is possible using current governance arrangements using special urgency provisions for example to ensure that they allow the Council to participate in the market to acquire assets in a timely, competitive and confidential way. In some instances, details of proposed acquisitions may be limited due to these criteria. An outline approach for this is given below. The Council will acquire assets where it can demonstrate that criteria in 2.2 above are met. The process for acquisitions will cover the stages outlined below:

- All acquisitions will be assessed through a robust business case and with particular reference to the costs, benefits, impacts and risks of the property and how it relates to the Council’s corporate objectives.
- In all cases an independent valuation will be obtained from a properly qualified member of The Royal Institution of Chartered Surveyors to ensure that the transaction represents good value.
- Acquisitions and disposals will, under the Council’s Rules of Financial Governance require consultation with and agreement of the Section 151 Officer. In all cases, be supported by a financial appraisal providing the financial / budgetary implications. Under the Council’s scheme of delegations nominated senior officers along with Corporate Management Team and/or Cabinet can approve acquisitions or disposals subject to a maximum value.

It is recommended that the procedures for acquisitions are kept under review and adjusted to allow the Council to operate in the property market in a manner consistent with other commercial property investors, with speed and confidentiality.

## 3.0 Review & Performance

Each portfolio needs to be reviewed on a systematic and regular basis. The rationale for holding assets in each portfolio differs and therefore the performance measures for each portfolio will differ. The Asset Management Plan (AMP) provided a high-level summary of the focus of approach that needs to be adopted.

Asset Type	Management Objectives		
Operational – held primarily to support the delivery of council services	Functional suitability	Running	Condition

		cost	
<b>Investment</b> – held solely for generating rental income or capital growth	Rate of return	Value	Occupancy rates
<b>Growth</b> – held by the Council to facilitate growth or regeneration	Planning potential	Development potential	Opportunity cost

### 3.1 Operational Portfolio

Operational assets are primarily acquired for service delivery. There are well established performance metrics for such buildings developed through the property practitioners associations – including NaPPMI (National Property Performance Initiative). The AMP has identified the Council’s approach to developing a performance measurement framework focussed on developing a rounded-perspective on property – with performance measures covering the physical, legal, financial and functional suitability aspects of property.

### 3.2 Investment Portfolio

The investment portfolio is directed to securing long term stable income and potential for capital growth. The Council will need to take a view on the portfolio structure; portfolio mix; the holding period for each asset and the geographical scope for the portfolio.

- Portfolio Structure – the Council will seek to create a balanced commercial property portfolio that provides long term rental returns and growth. A core portfolio of property assets will be sought with a view to diversification on individual assets by sector (industrial, offices and retail), location and risk.
- Portfolio mix – the Council will seek to maintain a balance between Office, Industrial and Retail assets without a predominance of assets in any individual sector. The Council will seek to avoid investing in existing operating leisure and hospitality assets unless they are new build.
- Holding or Review Period for Assets – The Council will determine a ‘holding period’ for each property at acquisition. This is to counter any significant depreciation eroding the value and to ensure a formal periodic review of the rationale for holding and performance of individual assets.
- Geographical Scope – whilst there is a presumption for investment in assets within the city and immediate surroundings there will be no geographical restrictions if the investment offers significant returns and there is a sound business case.

### 3.3 Growth Portfolio

The growth portfolio is directed to supporting the city’s needs for additional housing, jobs and facilities. As such acquisitions will focus on strategic sites capable of supporting housing or required facilities or strategic sites that can act as a catalyst for regeneration.

- Development potential - The likelihood of securing planning permission or consistency with the Local Development Framework; particularly for housing provision.
- Regeneration potential – the ability of a specific site (in conjunction with other adjacent sites or on its own) to act as a catalyst for wider city regeneration to create job opportunities, provide new facilities or improve the public realm.
- Mixed use developments and unlocking development opportunities, working with developers and other investors via Joint Ventures, for example, to create long term income

## Schedule F- Asset Management Plan

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4.6 Statutory Compliance

**5.0 Performance & Monitoring**

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5.1 Key Achievements

5.2 Measurement of Portfolio Performance

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**Appendices**

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A Service Strategies & Portfolio Implications

B Consistency with 'Best Practice'

C Asset Management Policies & Procedures

D Summary of Property Portfolio

## Foreword

**Local government is re-inventing itself with the whole process of democracy, accountability and service delivery changing. Central to this transformation is the concept of sustainable communities – communities which are vibrant and self-sustaining places in which to live and work. Physical infrastructure, such as buildings are important in creating a sense of place and the property assets which the council owns must make a contribution to creating sustainable communities within Peterborough. This presents the Council with the challenge of critically examining our asset base to ensure that it is optimised in terms of our aspirations, resource efficiency and the contribution it makes to supporting community needs and the Council’s budget.**

**Property is a key resource of the Council. It has value; costs money to use and maintain, and is a critical component in supporting service delivery. The Council has a vision to improve the economic, environmental and social wellbeing for our communities. To realise this vision we must radically alter our approach to the management of our property portfolio; so that we use it as a catalyst for service improvement and regeneration whilst also ensuring value for money in terms of scarce financial resources. Increasingly we must also exploit the latent value of land and property so that its contribution in supporting the Council’s revenue budget can be maximised. This means treating property as an investment opportunity as well as simply a place through which to provide services; and this in turn will require a more commercial approach to acquiring property assets that can generate revenue.**

This document describes the Council’s asset management policy and practice. It builds upon previous Corporate Asset Management Plans. It is a ‘live’ document subject to review and it is intended to raise awareness of property matters and to seek wide engagement throughout and beyond the Council. It articulates our broad direction to managing our property assets over the medium term and beyond.

**Cllr. Seaton**

**Cabinet Member for Resources**

## Executive Summary

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Nationally the operating context for public services is changing. These changes are driven by factors such as demographics, rising public expectations and in particular financial pressures. This changing context is promoting a transformation in how public services are provided and also changing the funding basis of these services. Locally Peterborough is a rapidly growing city with the pressure this imposes in terms of housing, infrastructure, employment opportunities and Council services.

The Council has a vision for a bigger and better Peterborough that grows in the right way - improving quality of life for all its communities and creating a sustainable and thriving sub-regional centre as an exciting place to live, work and visit; and which is the environmental capital of the UK. To realise this vision, management of the Council's property must change with a revised direction for asset management focussed *on using property to support growth, inward investment and financial security*. Whereas in the past portfolio changes have been incremental in the future the pace of change needs to accelerate with a need for more radical changes in the size, nature and distribution of the portfolio. The critical elements in this are:-

- Segmentation of the portfolio; so that operational, investment and growth assets are clearly identified and their specific management objectives recognised.
- Providing organisational capacity with adequate resources directed to asset management and day to day management of the portfolios.

In practice this means directing investment towards assets that can generate an improved rental yield or support growth and regeneration with use of capital to support acquisitions to the portfolio. It also means lowering the costs of operational buildings through release of poorly performing assets, rationalisation and targeting discretionary elements of property spend. It means supporting provision of seamless, integrated access to public services through commissioning joint working with partner agencies to create multi-agency facilities where opportunities allow.

The most significant change required is to embrace a more innovative approach to the management of property assets with a strong delivery capability to secure change in a short time. Working with its strategic partners this will allow the Council to enhance its investment and growth portfolios whilst improving the utilisation and cost of the core assets retained in its operational portfolio. This allows asset management to optimise its contribution to the revenue budget and meet the Council's growth and regeneration priorities.

# 1 Introduction

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## 1.1 Purpose & Scope of AMP

**Property is a key resource of the Council. It has value, costs money to use and maintain, and is critical in supporting service delivery. The Council has a vision for a bigger and better Peterborough that grows in the right way - improving quality of life for all its people and communities and creating a sustainable and thriving sub-regional centre which is an exciting place to live, work and visit; and which is the environmental capital of the UK. To realise this vision, the Council's property must be managed to support growth, inward investment and the Council's financial security.**

This Asset Management Plan (AMP) identifies the key strategic policy and resource influences affecting the Council and in response to these sets a broad direction for asset management over the medium term enabling its property portfolio and associated professional support to be optimised to meet identified needs. It facilitates rational property decision making based on Council priorities. The plan has a 5-year horizon with annual reporting on progress, plus revisions or updates according to changes in local or national circumstances. The AMP is restricted to consideration of property assets that the Council owns or uses (excluding residential and school properties) and sets a programme of action over the medium term. It is a practical tool which helps to define, implement and measure how the Council:

- Integrates decision making on property assets with wider Council processes
- Makes its investment decisions
- Enhances the financial value from its property holdings
- Maintains and improves its assets
- Increases the cost effectiveness of its portfolio
- Ensures the property portfolio is 'fit for purpose'
- Promotes innovation and development in asset management
- Supports the Council's aspirations as an environmental city
- Listens and responds to property users evolving needs

## 1.2 Overview of the Portfolio

The Council owns a large and diverse property portfolio. These properties are held;

- in support of direct service provision (the operational portfolio),
- primarily to generate income for the Council (the investment portfolio),
- As strategic development sites to support growth and regeneration (the growth portfolio).

Basic dimensions of the portfolio are provided below and these are amplified through Section 4.

Total Number of Properties			
1821 land and property assets with a gross site area of 3227 HA			
Value	Cost	Income	Condition
£442.0M For capital accounting	£17.5M Annual running costs	£4.6M Generated from lettings	£46.6M Estimated repair requirement

### 1.3 Links to Other Plans

The AMP does not exist in isolation but is set against wider corporate and service strategies. The AMP itself is amplified through a range of supporting policies.

## 2 Strategic Context & Direction

### 2.1 Influences for Change

There are a range of influences that are driving change in the city and to which the Council must respond through its portfolio management. These can be recognised nationally and regionally and also locally through the Council's own policies.

#### National

In the medium term the national context is shaped by significant national debt which needs to be reduced. This means an era of public spending constraint and a drive for efficiency savings to encourage better use of limited financial resources. This emphasis on efficiency allied with rising public expectations of Council services implies a need for public service transformation and a focus on exploring new ways of delivering services. An implicit assumption through public spending reviews is that property will contribute to efficiency savings through capital receipts from disposals or reduced running costs. There is also a policy drive to promote sustainable communities with an aspiration to create vibrant areas, which are attractive places, to live, work and play. Part of this is concerned with encouraging community participation and place shaping with the Council and community collectively

articulating a new vision for the character of the area.

The government's localism agenda has a policy drive around decentralisation – moving resources and decision making towards individuals, communities and Councils. Voluntary groups, social enterprises, parish Councils and others now have a 'community right to challenge' local authorities over their services and in future could compete to provide services. New rights mean communities can ask Councils to list certain assets as being of value to the community. If a listed asset comes up for sale communities have the right to bid to buy it. There is also the potential under Community Asset Transfer (CAT) for the transfer of the management and/or ownership of council land and buildings to a community organisation at less than market value to achieve a local social, economic or environmental benefit.

There is a strong drive for partnership working. At a national level this is seen as both a policy and resource imperative exemplified through the One Public Estate initiative which is focussed on managing collective public property assets in an area as a single portfolio. The aims of the one public estate initiative are to generate receipts, reduce running costs and liabilities; promote growth; support housing development and encourage more optimal use of assets through co-location and sharing arrangements.

### **Regional**

Under government's devolution drive a proposal for a Cambridgeshire & Peterborough Authority has been approved. This will facilitate joined up working but with each authority retaining its sovereignty. The Combined Authority will have a directly elected Mayor and new powers and funding including: funding for new homes; for infrastructure (such as roads and rail) plus more discretion on how services are provided. The new Combined Authority will also encourage public sector reform. The Council is part of the Local Enterprise Partnership that covers Greater Cambridgeshire and Greater Peterborough. The LEP's role is to provide a broad vision for the area which is facing a significant growth in population, to explore ways of funding infrastructure and to encourage the development of local skills.

### **Local**

From 2002 to 2012 the city's population rose by 27,600 to 186,400 at an annual rate of increase of 1.62% which makes the city one of the fastest growing in the UK. Whilst the number of migrants has contributed to this growth the city also enjoys one of the highest birth rates and lowest death rates in the country. This population growth is projected to continue with an estimate of 192,400 by 2021. This growth requires investment in infrastructure, particularly housing and also imposes demands on services such as schools, social care and health. The population growth in the city to a degree reflects growth in the wider sub-region including Cambridgeshire supported in part by its proximity to London with good transport links.

## **2.2 Council & Service Priorities**

The Council recognises that in meeting its aspirations for the community it serves it too has to change. These changes need to improve value for money in services, support growth and

promote prosperity across the city. The Council's vision is to create a bigger and better Peterborough that grows the right way, and through truly sustainable development and growth:

- Improves the quality of life of all its people and communities, and ensures that all communities benefit from growth and the opportunities it brings
- Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.

The key priorities underpinning this vision are:

- Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and the wellbeing of the people concerned.
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city.
- Safeguarding vulnerable children and adults.
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.
- Supporting Peterborough's culture and leisure trust, Vivacity, to continue to deliver arts and culture.
- Keeping our communities safe, cohesive and healthy.
- Achieve the best health and wellbeing for the city.

There are a range of corporate strategies to which the Council's property portfolio must respond in terms of its size, nature and management. The most significant of these are highlighted briefly below.

- ***People & Communities Strategy*** – The Council will develop new models of service delivery in response to the pressures of a growing city but working within constrained financial resources. In the future the focus will be through targeting services rather than universal support using a commissioning model. There will be a need to re-think service delivery with fewer services provided directly by the Council, increasing 'shared services' with partner agencies and more use of community and voluntary bodies to assist with services. Whilst the Council will retain a role for regulating and ensuring service standards it in the future is likely to be smaller with less directly employed staff.
- ***UK's Environmental Capital*** – The Council has a vision to be a sustainable city. Its aspirations are encapsulated in '*Creating the UK's Environmental Capital: Action Plan*'. This sets targets around 10 themes which include: zero carbon energy; sustainable water; land use & wild life; sustainable materials; sustainable local food; waste;

transport and heritage. All these will impact to a degree on how the Council manages and uses its property portfolio.

- **Customer Service Strategy** – The council is undergoing a programme of transformation to provide clients greater choice over how they engage with the Council. This will involve improved on-line access through a remodelled web site, access by e-mail or social media and access via ‘My Peterborough App’. Whilst there will be a focus on digital access the Council will retain the ability for customers to access the Council by phone or in person through face to face contact. At the heart of this transformation are high service standards with contact provided in the right way, by the right people at the right time.

In response to the challenges identified in above the Council is undertaking a process of transformation. This is focused on better use of scarce resources; re-positioning the Council as a ‘commissioner’ rather than direct provider of services; streamlining internal processes; working with partner organisations and ensuring responsiveness to client needs. This will provide a blueprint for a leaner Council, with less directly employed staff, use of technology to support self-service and agile working.

### 2.3 Service Strategies & Partnerships

There are a range of existing service strategies and partnerships which directly affect properties to which the AMP will need to respond. These are shown in appendix A.

### 2.4 Resource Context

The Council’s budget is set within a national context of continuing uncertainty over public finances. Local government is facing significant funding cuts and the way local authorities are funded will also change. For the Council this means it is facing a rising demand for services whilst at the same time severe reductions in its funding. The Council’s priorities continue to be focussed on driving growth and regeneration; improving educational attainment; safeguarding vulnerable children and adults; implementing the Environmental Capital agenda; supporting the city’s culture and achieving health and well-being for the city.

The Council faces a significant funding gap from 18/19 onwards and to respond to this the will need to pursue efficiency savings; explore new forms of service delivery to reduce costs and generate income by operating more commercially. Whilst savings targets for property have yet to be defined there is an expectation of reducing its costs of ownership; growing income from the investment portfolio and achieving savings defined in the Fletton Quays office rationalisation business case. There is also expectation of capital receipts from property disposals, which can be used to support the revenue budget. The Council has capital available and will consider borrowing to acquire properties subject to a robust business case on an asset by asset basis. Within the operational portfolio there will be a need to bear down on costs through better utilisation, asset sharing and a reduction of discretionary costs such as energy.

### 2.5 Challenges in the Portfolio

A number of issues have been identified which need to be addressed to ensure the effective management of the portfolio as they represent risk to the Council in achieving its objectives



- Ageing Portfolio – The operational portfolio is ageing and thus has increasing maintenance and repair needs as well as being not fully ‘fit for purpose’. This is a potential liability for the Council and a drain on scarce capital and revenue resources. There is a need to identify and if appropriate dispose of assets with high maintenance costs. Often buildings have a physical life that exceeds their functional life and it becomes increasingly problematic to accommodate service needs in an ageing, inappropriate building stock. As the Council adopts a more ‘commissioning’ model for services there will be a need to review the portfolio to optimise its utilisation, reduce costs but also seek to support shared use and provide the flexibility that services will need for the future.
- Portfolio balance – Within the investment portfolio there is a need to ensure balance between different assets types (industrial, offices & retail etc.) in order to create a balanced risk profile for the security of financial returns. There is also a need to ensure there is no ambiguity between social or economic purposes for holding these assets; with a presumption that assets within the investment portfolio are only held to optimise financial returns.
- ‘Portfolio Intelligence’ – Whilst the Council has robust data at an individual property level through its Technology Forge database the resource capacity to draw this together to provide strategic oversight of the portfolio is constrained. A lack of ‘portfolio intelligence’ means that strategic opportunities within the portfolio may be currently overlooked.
- Profile of Asset Management – There is a need to assert a corporate, strategic role for asset management both to counteract any perception of service ‘ownership’ of assets and to respond to challenges articulated through this AMP. A clear role for asset management is key to delivery of the actions identified in this AMP; and it will be important to provide clarity of roles of the Council’s client function and its strategic partner, NPS Peterborough Ltd.
- Planned Preventative Maintenance – the Council has a good level of information about the condition of the portfolio, and when totalled, the liability is large. However, a more strategic approach to the actual useful life of individual buildings relating to the actual market value and active liaison about the future requirements of service users or the property place within the growth or investment market will see this liability diminish.
- Change – individual properties will move between the three portfolios at different times as their primary purpose changes. For example, Fletton Quays will become an operational building (currently growth) whilst Bayard Place will become an Investment building. Such changes in property categorisation are a direct result of active asset management with the changes implying a different management focus and resources as properties are re-classified.

## 2.6 Strategic Direction

The planning context outlined above implies a revised direction for asset management focussed on *using property to support growth, inward investment and financial security*. In the future asset management needs to:

- Promote greater segmentation of the portfolio. The portfolio is not a homogenous set of assets but a series of portfolios each of which are held for a specific need, with specific objectives requiring a specific management focus and a specific set of skills and expertise. The portfolio needs to be segmented to reflect:

Asset Type	Management Objectives		
<b>Operational</b> – held primarily to support the delivery of council services	Functional suitability	Running cost	condition
<b>Investment</b> – held solely for generating rental income or capital growth	Rate of return	Value	Occupancy rates
<b>Growth</b> – held by the Council to facilitate growth or as a strategic regeneration site.	Planning approval	Development potential	Opportunity cost

- Direct investment towards assets which can generate an improved rental yield for the Council or support strategic developments with the use of ‘ring fenced’ capital to support acquisitions to the Council’s investment and growth portfolios.
- Adopt a robust approach to allocation of scarce capital with investment in planned maintenance directed to supporting Council priorities and to assets which are considered ‘core’ assets which will be retained over the long term.
- Lower the operating costs of property through release of unwanted or poorly performing assets; rationalisation of the operational portfolio and targeting discretionary elements of property spend, such as energy, to lower overall costs.
- Support provision of integrated access to public services through joint working with partners to create multi-agency service facilities where opportunities allow.
- Identify and exploit the latent value of the estate with emphasis on where sites can be more intensively used or where opportunities to generate income / value from alternative uses (commercial and residential) can be realised.

- Minimise future liabilities of the Council by reducing the maintenance backlog of the portfolio or lowering its overall carbon footprint by releasing buildings which are poorly performing in terms of CO<sub>2</sub> emissions or maintenance unless they are service critical; and retro-fitting retained buildings to improve their sustainability.

The nature of the financial pressures facing the Council means that the changes to the portfolio will need to be radical rather than incremental and implemented over a short timescale. This more radical approach will require strong corporate direction in order to drive out potential savings and may also require a greater appetite for risk and reward through strategic investment to enhance the value of the portfolio. Over time this will support a change in the size and nature of the portfolio to one where there is a greater degree of segmentation between the operational, investment and growth portfolios and with each having specific management objectives and focus. It will also require the Council to improve its overall delivery capacity (working through its partners) to adopt a more commercial approach to its portfolio management.

## 2.7 Key Themes

This future direction for asset management based on *using property to support growth, inward investment and financial security* is underpinned by four broad themes around which future action and resources need to be coordinated. These themes are briefly amplified below:-

- **Enhancing Portfolio Value** – There is an imperative for the Council to improve its rental yield from property to support the revenue budget. This will require acquisitions to grow the investment portfolio in order to generate a reliable and increasing income stream to support the Council’s revenue budget. An acquisitions strategy setting out criteria for acquiring and reviewing investment assets with access to the ‘invest to save’ budget will be required to support growth of the portfolio. This strategy can also support the acquisition of sites for strategic developments including housing. The Council has already created a joint venture to develop housing sites. For operational property there will be a requirement for action to reduce costs and lower maintenance liabilities.
- **Partnership Working** – Increasingly the Council will seek to work with partners to realise its strategic objectives. This includes both public and private sector partners. As part of its transformation programme the Council will need to review its assets base to promote integrated public services through shared asset use. This is a resource and policy imperative to reduce costs and create modern facilities able to support multiples uses and agencies. Similarly there will be a need to secure expertise from the private sector partners, such as that secure through the Peterborough Investment Partnership, to develop strategic growth and regeneration sites and to assist in service delivery.

- ***'Greening' the Portfolio*** – With the Council's aspiration to be the UK's environmental capital it will be important where practicable and affordable to take measures to 'green the portfolio'. New buildings should be developed to highest sustainability standards available within appropriate budgets using locally sourced material with low embodied energy, maximum recycled content and low maintenance needs. It is recognised that progress on this aspiration will be constrained by resources but practical measures should be taken where financially viable. Where possible existing buildings should be optimised in terms of utilisation and retro-fitted to promote improved sustainability.
  
- ***Developing Delivery Capability*** – The nature and pace of change implied through the context and response above also requires change to the governance, processes, capacity and culture of the Council and its partners. The most significant change is a need to embrace more innovative and commercial approaches capable of delivering radical change in a short time. A re-balancing of priorities towards active growth and management of the investment portfolio will be required. There is a need to move towards a more systematic and planned consideration of services space needs rather than the current approach of responding to needs in a reactive short term way.

## 2.8 Making it Happen - A Framework for Action

Looking forward there are a number of actions required to respond to the challenges identified above. An action plan is presented below. The resource implications and timing of these actions are not identified in any detail. Given the Council's resource constraints it will need to determine the relative priority of each action, the risk of not undertaking it and potential scale of benefits which will be delivered. The identified actions are in addition to existing day to day asset management activities.

Diagram 1 – Summary of Key Actions

KEY ACTIONS		KEY THEMES			
<i>Actions identified are strategic initiatives only &amp; are in addition to the normal day to day activities</i> <i>(S) – Short term – with 12 months (M) – Medium Term – 1 to 3 years</i>		Enhancing Portfolio Value	Partnership Working	‘Greening’ the Portfolio	Developing Delivery Capability
<b>Initial Portfolio Actions</b>					
Segmentation of portfolio into Operational, Investment & Growth portfolios	(S)	•			
Establish a Service Asset Management Forum at Director/Head of Service level	(S)	•			•
Develop and approve an Acquisitions Strategy	(S)	•			
Clarify roles within ‘intelligent client’ and NPS Peterborough	(S)	•	•	•	•
Complete the H&S organisational responsibilities flow and implement	(M)	•	•		•
Review EPC and DEC requirements in light of forthcoming changes in legislation	(M)			•	
Review Rating services and costs internally and externally across portfolio to reduce costs	(M)	•			•
Assess the leased in Portfolio for possible savings	(M)	•			
Review fire insurance valuations on a rolling programme to ensure costs & risks are managed	(M)	•			
<b>Operational Portfolio</b>					
Implement office rationalisation (Fletton Quays)	(M)	•	•	•	•

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Review to categorise for retention against suitability, maintenance costs, potential for shared use (M)	•	•	•	
Develop planned maintenance strategy for ‘core’ retained assets (M)	•		•	
Ensure current occupiers directorate are included on Technology Forge and review regularly (M)	•			•
Where assets are not ‘fit for purpose’ - actively look to reuse or replace with new acquisitions (M)	•	•		
Finalise the Community Asset Transfer strategy on remaining community buildings where possible (M)	•	•		

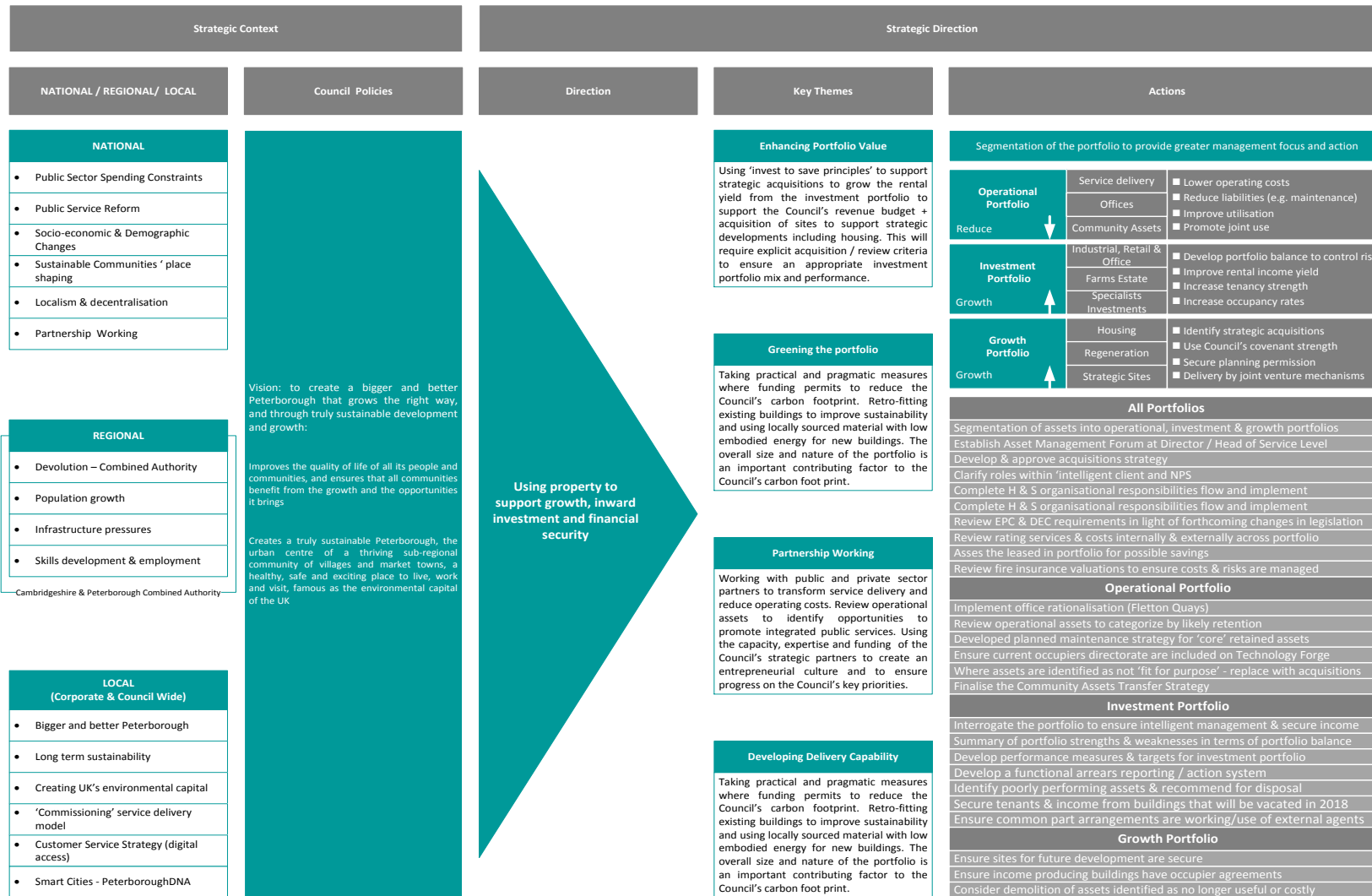
KEY ACTIONS	KEY THEMES			
	Enhancing Portfolio Value	Partnership Working	‘Greening’ the Portfolio	Developing Delivery Capability
<i>Actions identified are strategic initiatives only &amp; are in addition to the normal day to day activities</i>				
<i>(S) – Short term – with 12 months (M) – Medium Term – 1 to 3 years</i>				

Investment Portfolio				
Interrogate the portfolio to ensure intelligent management and secure income (S)	•			•
Prepare a summary of the portfolios strengths and weaknesses in relation to portfolio balance (S)	•			
Develop performance measures & targets for investment portfolio (S)	•		•	
Develop and implement a functioning arrears reporting and action system (S)	•			•
Identify poorly performing assets and recommend for disposal (M)	•			
Secure tenants and income from buildings that will be vacated in 2018 (M)	•			
Ensure common part financial arrangements are apt & working + consider use of external agents (M)	•			•

Growth Portfolio

Ensure sites held for future development are kept secure	(S)	•	•	•
Ensure buildings capable of being income producing have appropriate occupiers arrangements	(S)	•		
Consider demolition of assets identified as no longer useful / costly to keep to avoid capital spend	(M)	•		

Diagram 2 – Summary of Strategic Context & Strategic Direction



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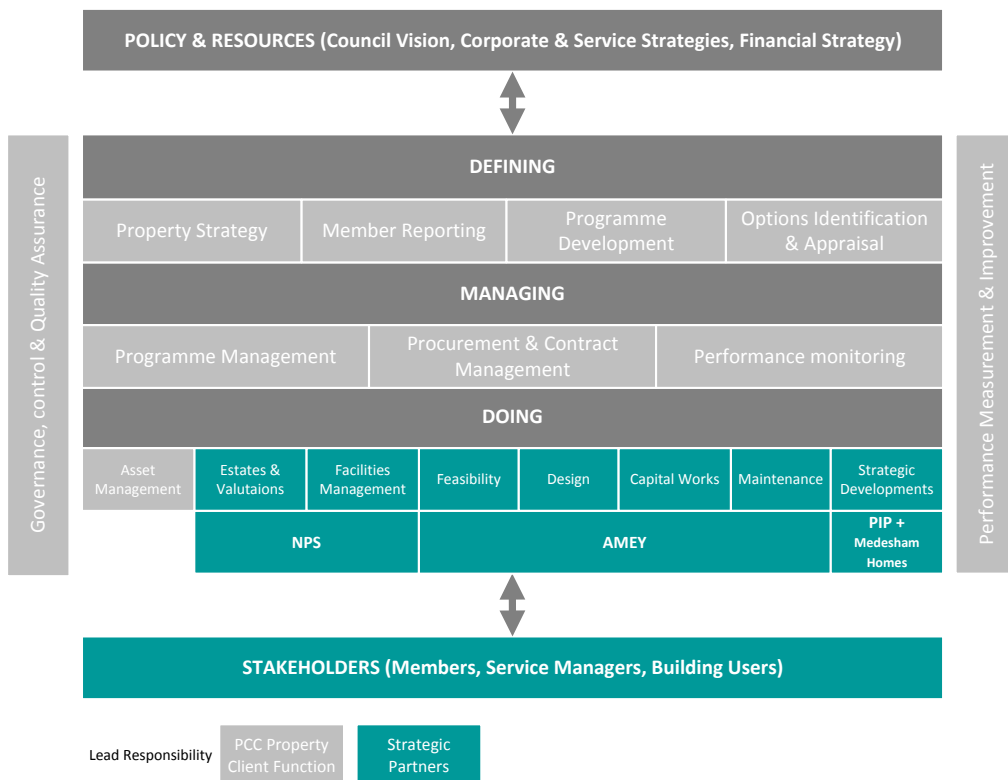


### 3 Asset Management Policy & Practice

#### 3.1 Organisational Arrangements

The CPO (Corporate Property Officer) role is undertaken by the Director of Growth and Regeneration who reports to the Council’s Corporate Management Team and the Council’s Cabinet. Within the Council there is a ‘thin client’ capacity represented by the Head of Property Services with the related professional property activity undertaken through strategic partnerships – NPS Peterborough Ltd (a joint venture partnership) for the broad range of estates and valuation services and Amey for design, capital works and property maintenance. The Peterborough Investment Partnership (PIP) – a 50/50 joint venture with the private sector established in December 2014 supports growth and regeneration through the development of strategic sites. Medesham Homes is a new joint venture company established by the Council and Cross Key Homes to deliver Housing. The Council also has partnerships with Skanska for highways work and Vivacity for culture and leisure services.

This structure gives the Council’s property activities a clear, senior level of accountability and provides clarity of responsibility over the defining – managing – doing aspects of property. It is intended to promote a strengthened corporate property function, helping to ensure that property helps to deliver Council objectives in an effective manner. Within the structure it will be important to promote and build in the role and profile of asset management as a strategic discipline. The operating model is shown in the diagram below.



### 3.2 Governance & Decision Making

The Cabinet Member for Resources has the lead political role for property matters and acting under delegated powers considers reports on property issues from the CPO. The Cabinet or the Cabinet member acting with the CPO are responsible for decisions on acquisitions, use and disposal of assets and for ensuring asset management policy and actions is consistent with the Council's corporate strategies and objectives.

The prioritisation of projects in the capital programme is undertaken as part of the budget setting process. The responsibility for service buildings and their operating budgets lies with service departments. Service managers can place orders directly with strategic partners, such as Amey without necessarily involving property staff and this may mean at times to times works can be placed without appropriate professional advice. Client managers within the Council oversee the specific contracts and budgets for the various joint ventures that that underpin the delivery of the Council's property activities. This approach needs to be reviewed.

### 3.3 Consistency with 'Best Practice'

The Council working with East of England LGA undertook a 'health check' of its asset management governance arrangements, processes and practice in 2013; with a further analysis of asset management services in 2015. This review acknowledged the Council's areas of good practice and innovation in asset management but also identified some areas of risk where further development work was required. The Council has made progress in addressing the identified deficiencies. Appendix B provides an updated review of the Council's existing practices against 'best practice' in asset management as a reference point to help clarify further development according to the Council's priorities and resources.

### 3.4 Supporting Policies & Procedures

This AMP is amplified by a range of further property policies and procedures. These are referenced through Appendix C.

## 4 The Property Portfolio

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### 4.1 Summary dimensions of the portfolio

The Council has a diverse property estate spread throughout its administrative area. The bulk of the estate is operational property used for direct delivery of services for which the Council has a statutory or discretionary responsibility and is predominantly freehold. The broad dimensions of the portfolio are:

- The portfolio comprises 1821 land and property assets
- Is worth £442.0M in terms of book value
- Incurs running costs of 17.5M per annum
- Has a repair requirement of £46.5M

## 4.2 Tenure & Use

The portfolio is predominantly in freehold ownership. Leasehold buildings are a charge against the Council's revenue budget and whilst they can be a flexible option over the short term there is a need to continually assess the tenure mix to ensure an appropriate balance between cost and need. The portfolio has a diverse mix of uses. This is illustrated in a summary of the portfolio in Appendix D.

## 4.3 Condition & Fitness for Purpose

It is important to survey and record the condition of the building stock in order to be aware of immediate health and safety issues in the portfolio, incipient risks and liabilities to the Council and the investment needs associated with ensuring buildings are in a reasonable state of repair - as required by the authority to meet its service delivery obligations and statutory requirements. It is also an important element of 'Best Practice' within current asset management guidance. The relationship between relative levels of expenditure on reactive and preventative provides an indication of the effectiveness of an organisation's overall maintenance strategy. Annual expenditure predominantly on planned maintenance with a stable or reducing backlog trend is indicative of a well maintained portfolio, whereas a high proportion of spend on reactive maintenance suggests an inadequate budget and maintenance strategy. Currently the Council's maintenance spend is directed predominantly to reactive maintenance. A backlog summary is given in Appendix D.

Buildings need to be suitable ('fit for purpose') in order to support service delivery. A building of the wrong type; in the wrong location can be a major inhibitor to effective service provision. It is important therefore to periodically review the suitability of buildings to see if they are having a beneficial or detrimental effect on services. Suitability assessments for schools have been undertaken; but this has not been extended in a systematic way to the non-schools, operational portfolio.

## 4.4 Value, Cost & Income

There is a recurring cost borne from the revenue budget to own and occupy property. Assuming the portfolio is fit for purpose and in a reasonable state of repair the objective should be to minimise this expenditure in order to release revenue for service priorities. Property running costs represent 3.4% of the Council's gross annual spend with energy costs make up 23% of the annual property running costs.

As well as providing accommodation from which to deliver services, property can also be considered as a 'productive asset' which is capable of releasing value (from property disposals) or generating income (from lettings). This can make a valuable offsetting contribution to capital projects or operating costs. The asset value of the portfolio is £442.0M of which £31.8M is the investment portfolio. The asset value is a 'notional value' required for capital accounting purpose and reported on the Council's Balance Sheet through the annual statement of the accounts. It does not necessarily represent the achievable market value of the portfolio.

Profile of Capital Receipts (£m)							
Achieved				Expected			
12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
£4.494	£1.489	£1.769	£1.027	£5.675	£5.685	£1.350	£5.090

#### 4.5 Sustainability & Energy

Energy use in buildings is becoming increasingly important, as organisations lead by example in reducing carbon emissions to meet the UK's national target of reducing carbon emissions by 80% by 2050. The Council also has an aspiration to reduce its carbon emissions and the energy efficiency of Council buildings is important as these represent a significant element of the Council carbon emissions. The Council has entered into an Energy Performance Framework agreement with Honeywell Control Systems with the intention to make energy efficiency improvements to Council properties; with the potential of widening the scheme to other local authorities and partners.

#### 4.6 Statutory Compliance

Ensuring the portfolio conforms to statutory obligations is a high priority of the Council. Failure to do so may expose Council staff and clients to health and safety risks or expose the Council to financial risks. The statutory obligations for the portfolio and related professional services are varied and subject to continued revision and therefore need to be monitored closely.

- Asbestos Management - Asbestos surveys of all properties have been undertaken. Asbestos removal work is carried out on a reactive basis as and when required for refurbishment or demolition.
- Display Energy Certificates (DECs) – With changing legislative requirements there will be a need to re-assess DECs over the short to medium term.

- Water Safety – water management testing (including legionella) is undertaken on a systematic basis in accordance with legislative requirements.
- Fire Safety – Fire Risk Assessments are undertaken within the Council’s corporate buildings to identify risks, issues and whether mitigation is required. Remedial works to address issues identified from the surveys is undertaken as required. Responsibility for undertaking Fire Risk Assessments is delegated to all schools through the Academies Act and the Education Act. Guidance issued by the Department for Education delegates this to head teachers. However, for community schools the Council, in its capacity as employer has responsibility for ensuring Fire Risk Assessments are in place.

## 5 Performance & Monitoring

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### 5.1 Key Achievements

Over the last 12 months the Council has demonstrated its commitment to asset management through a range of initiatives. Whilst not an exhaustive list some of the more significant achievements include: -

- The placement of the CPO (Corporate Property Officer) role with the Director of Growth and to ensure it becomes an integral part of the Council’s Growth Strategy.
- Instigated a joint venture partnership with NPS Property Consultants Ltd to provide estates and facilities management services which could be extended to include Asset Management as a Core Function
- Appointed a Head of Property Services as the client side strategic and day to day lead for property matters and for liaison with NPS as the Council’s joint venture partner for estates and facilities management services
- Created a joint venture partnership (Medesham Homes LLP with Cross Key Homes) to deliver housing.
- Completed the acquisition of the former Whitworths Flour Mill which has concluded the land assembly for the Fletton Quays development. This is the final piece of the land assembly jigsaw for the Fletton Quays development meaning, the Council and Peterborough Investment Partnership can bring forward comprehensive development of this key city centre riverside site in a co-ordinated way.
- Continued to secure capital receipts from property asset disposals to support the Council’s budget.

## 5.2 Measurement of Portfolio Performance

The long-term and multi-faceted nature of property as a resource means it is difficult to measure portfolio performance through a single, simple performance measure. Best Practice in asset management recommends that the adoption of national performance measures where these are available plus the development of local indicators to meet specific local priorities. The Council accepts this approach but with a pragmatic recognition that with its limited resources and capacity progress in developing and reporting on property performance can only be undertaken on an incremental basis.

The Council could adopt a simple reporting approach which is based on each of the principle asset types and within this a range of performance perspectives:

- Asset types - operational, investment and growth.
- Performance perspectives – physical, financial, legal, and functional

These will concentrate on a small number of indicators chosen to provide a rounded perspective of each portfolio. This will provide a framework for the development of a performance led approach to the management of each portfolio.

## 5.3 Review Arrangements

The AMP is a 'live' document and will be kept under review. The AMP will be reported upon annually to Cabinet and updated periodically with progress reported to Cabinet through the Corporate Director of Growth and Regeneration. These will concentrate on the progress of the specific Key Actions identified in the AMP and more general performance of the individual portfolios. This formal reporting will be in addition to the regular formal and informal reporting on property matters which is on-going.

**Appendix A - Service Strategies and Portfolio Implications**

Asset Type	Number Of Assets	Existing & Future Perspectives of the Portfolio
<b>Operational Assets</b>		
Car Parks	24	The Council has 24 designated paying car parking sites, the majority of which as surface car parks. There is a need to review the car parks to assess car parking capacity against current and future demand and to identify whether individual car parking sites may have some strategic development potential.
Offices		Work has progressed on the development of a modern work environment for the Council, along with strategic partners in the form of a new 90,000 approx sqft net office scheme at Fletton Quays. This will be the largest office built in the city for over 20 years. The Council will take a new long term lease, using its covenant strength to support regeneration. This forms a key part of the 17 acre regeneration site adjoining the river, south of the city centres. In addition, it will include a 160 bed hotel, 500 residential units (mainly apartments) a further 60,000 sq. ft. of offices, a 410 space multi-storey car park and 90 space surface car park, new retail units and listed goods shed which will be refurbished to support leisure use. This will be complemented by new public realm including riverside walkways, near public square and improved cycle routes.
Libraries	10	The Council has recently reviewed its library service and implemented Open+ technology enabled facilities which will allow libraries to stay open for longer hours. Libraries are open for a set number of staffed hours with additional hours operating on a self-service basis. The mobile & library at home service has not changed. The Open+ technology is designed to allow libraries to stay open for longer. The future direction for the library service is to encourage greater and more innovative use of the library facilities to promote neighbourhood based multi-use facilities. Reductions in the existing number of libraries are not anticipated.
Schools		Schools are outside the scope of this AMP but included here and in Appendix D for the sake of completeness. Schools are covered by a separate Schools Asset Management Plan.
Community Assets		Community assets are those properties in the Council’s ownership which have a community use or from which a community based activity or service is delivered. The Community Asset Transfer Strategy aims to encourage retention of local facilities without the use of Council funds; increase effectiveness of community assets through local community management and to explore innovative ways to enhance

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existing community facilities. The Strategy sets out the Council’s objectives for community assets and the process and criteria around the transfer of assets to community bodies.

**Investment Assets**

Farms

The Council has developed a strategy for its farm estate which is focussed on retaining it as a viable land holding providing benefits to the people of Peterborough with targeted investment as to repair and improve as required. The strategy promotes twin objectives through the management of the farms estate – in financial terms ensuring viable farming units; maintenance of the rental and capital value of the estate; providing opportunities for new farm entrants and seeking sale of units which are not financially viable – in social terms providing opportunities for the people of Peterborough by integrating non-agricultural uses with the farms estate.

Other

With a commitment to grow the investment portfolio there is a need for a robust strategy to guide acquisitions, review and performance. This needs to set clear objectives and targets for the investment portfolio and a clear set of governance arrangements and operating criteria. The assumption is that the Council will seek to create a ‘balanced’ portfolio with a mix of assets types but with an emphasis on those providing high long term yields.

**Growth Assets**

The portfolio has 3 development sites which are identified as options for Peterborough investment Partnership (PiP) to develop. The focus of developing the Growth portfolio is to retain market awareness of potential opportunities and to intervene where there are strategic opportunities to support the regeneration of the city.

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**Appendix B – Consistency with ‘Best Practice’**

*Demonstrating an effective approach to asset management is important to an organisation's overall performance. Asset management policy and practice needs to be reviewed regularly to ensure it is consistent with latest guidance and relevant to the organisation's own priorities. As a key resource property underpins service delivery and increasingly a link is being made between effective asset management and organisational capability and reputation.*

Roles & Responsibilities		
The council has a designated corporate property function	1	2
There is Corporate Property Officer with defined responsibilities	2	
Corporate Property Officer reports to a strategic committee	2	
Cross-service forum established on property matters	2	
Property occupiers / users role defined	2	
Group to oversee development of AM practice & AMP	2	
Cabinet member lead on property matters	1	2

Decision Making & Consultation		
Clearly defined decision making processes on property matters	2	
Consultation process on the AMP	2	
Views of service users & occupiers sought	2	
Public consultation on property matters	2	
Full member reporting	2	

Identifying Property Needs		
Defined aims & objectives for asset management	2	
Strategic vision and goals	2	

Capital Programme Management		
Option appraisal / prioritisation / whole life costings	1	2
Outcome targets for capital spend	2	
Processes for identifying projects	1	2
Projects assessed using an agreed methodology	1	2
Authority-wide group to oversee programme	2	
Process for post-project evaluation	2	
Projects completed on time & to budget	1	2

Managing Properties in Use		
Maintenance backlog known & reported to members	1	2
Periodic assessment of building condition	1	2
Maintenance spend prioritised	2	

Review of Need, Utilisation & Cost		
3 – 5 Profile of capital receipts	2	
Systematic review programme	2	
Criteria to challenge retention	1	2
Incentives to release property	2	
Identification of under-utilisation	1	2
Specific organisational focus on property review	2	
Disposal processes monitored	2	
Shared use of buildings promoted	1	2
Framework for assessing action in the portfolio	1	2

Data Management		
Inventory & core data available	1	2

Performance Management		
Reporting on national performance indicators	1	2
Portfolio performance reported to members	2	
pPIs related to defined property objectives	1	2
Agreed targets for pPIs	1	2
Comparisons made with others	2	
Local pPIs in place	2	
Improvement plan (informed by performance data)	1	2

Partnership Working		
Integrated approach to assets with other agencies	1	2
Policy on community asset transfer	2	

Current corporate asset management plan	2	
Corporate AMP linked to corporate objectives	2	
Asset management integrated with service planning	2	
Key areas for change (in the portfolio) defined	2	
Commercial portfolio needs identified	2	
Running cost performance known	2	
Statutory obligations met	2	
Targets set for running costs	2	
Suitability of buildings assessed	2	
Satisfaction with buildings measured	2	
Statement of data needs & priorities	2	
Processes to ensure data quality	2	
Organisational focus for data management	2	
Non-core data available (cost, suitability etc.)	1	2
Information easily available to users	2	
Property IT systems Periodically reviewed	2	

Based on English 'Best Practice'

1 Audit Commission Key Lines of Enquiry under CPA / CAA

2 Wider 'Best Practice' (RICS, DCLG & Practitioner Associations)

## Appendix C – Asset Management Policies & Procedures

	Portfolio		
	Operational	Investment	Growth
<b>Strategies &amp; Policies</b>			
Asset Management Plan	■	■	■
Office Accommodation Strategy	■		
Acquisitions Strategy (to be developed)	■	■	■
Investment Portfolio Strategy (to be developed)	■	■	■
Community Asset Transfer Policy	■		
Farms Estate Strategy		■	
Disposals Strategy (within previous AMP)	■	■	■
Service asset strategies (to be improved)	■		
Carbon Reduction strategy	■	■	■
<b>Protocols, Procedures &amp; Partnerships</b>			
Service Asset Management Forum (to be established)	■	■	■
Corporate Asset Management Group (to be established)	■	■	■
AMEY Strategic Partnership	■		
Skanska Highways Partnership	■		
NPS Peterborough Partnership	■	■	
Cross-Keys Housing Joint Venture Partnership			■
PiP – Peterborough Investment Partnership			■

## Appendix D – Summary of Property Portfolio

Portfolio	Sub-Portfolio	Type / Use	Number
<b>Operational</b>	Operational (excl. Schools)	Car parks	
		Children's Centres	
Day centres			
Depots / stores			
Libraries			
Sports Centres			
Play centres			
Pools			
Public Conveniences			
Residential homes			
Waste / Infill sites			
Youth Centres			
Operational (Schools)			
Administrative		Offices	
Community assets	Allotments		
	Cemeteries		
	Community Centres		
	Community related asset land		
	Open Spaces (incl Section 120)		
	Recreation grounds		
	Community Use		
		<b>744</b>	
<b>Investment</b>	Industrial		
	Public Houses		
	Retail		
	Farms Estate	Farms / Agricultural land	
		<b>156</b>	
<b>Growth</b>		Options to PIP Dev Partner	<b>3</b>

<b>Miscellaneous</b>	Former housing land	<b>838</b>
	Land	

Summary of Repair Backlog (£000s)					
Condition	Total Value	%	Category	Total Value	%
A-Good	£292.1	0.63	Urgent	£2,812.0	6.05
B-Satisfactory	£8,831.6	18.99	Essential	£11,331.5	24.37
C-Poor	£28,377.3	61.02	Desirable	£23,370.3	50.25
D-Bad	£9,004.4	19.36			
	<b>£46,505.4</b>			<b>£37,513.8</b>	

Note: The backlog figures are based on the assumption that all properties in the portfolio have a useful life of at least 10 years if all works are progressed as scheduled and do not allow for inflation. These assumptions may not be applicable to the existing portfolio and financial budgeting.



**Medium Term Financial Strategy  
Budget 2017/18 Phase Two  
Proposals Document from  
Cabinet**

**January 2017**

**STRICTLY EMBARGOED UNTIL  
5pm on 27 January 2017**

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## 1. INTRODUCTION

This document sets out the second set of budget proposals that will be considered by Cabinet to ensure Peterborough City Council has a balanced budget for 2017/18.

These proposals have been set in the context of the incredibly challenging financial position that all councils face. Peterborough is no exception to this. Since the financial crash of 2008, the public sector has seen unprecedented reductions in funding.

In the seven years to 2017/18, the council has seen its Government funding cut by £57million, which equates to over 50 per cent of its Government grant. When you include the financial pressures the council has tackled alongside reductions to grant – a total of £178million has been saved since 2010. The council is expecting grants to be reduced further by £10.8million next year.

The Local Government Provisional Finance Settlement was announced on 15 December 2016. The Government has made changes to the allocations of New Homes Bonus (NHB) funding. As such the council will receive £1.4million less in NHB grant next year. The Government is using this money to provide extra funding for Adult Social Care (ASC). However, the council will only receive £0.8million next year, meaning overall it is £0.6million worse off from these changes.

There were no further reductions in the Revenue Support Grant over and above those previously announced, following the approval from Government of the council's [Efficiency Strategy](#), submitted in October, to secure a multi-year finance settlement offer. The council is now in the second year of the four year deal that should offer greater security around Revenue Support Grant allocations (this will still reduce, but we have some level of certainty around the size of these reductions).

Our current estimate is that we will need to find nearly £28million of savings and efficiencies in total next year to balance our budget, or generate additional income to offset the reduction in our budget while protecting services for residents. We will also continue to invest in the city to ensure Peterborough is a great place to live, work, visit and stay.

In doing so, the council maintains its unerring focus on three big issues for the people of Peterborough – prosperity, education and quality of life. These issues are at the heart of everything the council does and in particular how we make increasingly difficult decisions about where to spend the money we have available to provide services.

We are also committed to delivering improved efficiency ahead of any reduction to services. In the 2016/17 budget there were no reductions to services, despite increasing pressure on services and severely reduced Government funding, and we are pleased to say that this trend has continued and there are no service reductions resulting from the proposals for the 2017/18 budget.

The first set of budget proposals, published on Friday 28 October 2016, set out how the council will make savings totalling £9.9million. These were approved by Full Council on 14 December 2016. However, since then additional financial pressures of £6.3million have also been identified, along with further grant reductions of £2.8million which will need to be addressed.

Therefore, the second set of budget proposals, published on Friday 27 January 2017, will close the remaining gap in the budget. These proposals include a further £10.8million of savings, along with the use of £7.2million from the Grant Equalisation Reserve, established from additional savings delivered in 2016/17, to balance the budget. The second set of proposals also includes an update on proposals for levying an Adult Social Care Precept on council tax.

These proposals would mean a balanced budget for the council next year.

To be clear, we still have tough challenges ahead. There are further grant reductions, increased demand for services and emerging national social care pressures; this widens the budget gap further. However, with a clear vision for the future and careful financial management, we believe we will see the city continue to develop into the strong and vibrant community we all want. This vision has already achieved the following for the benefit of the city:

- Peterborough is one of the fastest growing cities in the UK.
- Peterborough is the UK's first Gigabit city with some of the fastest internet speeds in the country.
- Unemployment continues to fall as new jobs are created. The number of residents claiming Job Seekers' Allowance is almost 5,000 lower than just four years ago.
- More than 90 per cent of schools in Peterborough are now rated good or outstanding by Ofsted - above the national average and the highest ever achieved in the city.
- The city council's energy tariff, Peterborough Energy, has saved residents who have switched a combined £1.4million. More than 6,000 households get their gas and electricity from Peterborough Energy.
- All of our libraries remain open and through self-service technology we have extended opening hours.
- City centre regeneration has continued to attract new businesses and investment to Peterborough. Projects are currently underway on Lower Bridge Street and Bishop's Road.
- Plans to regenerate Fletton Quays were approved in 2016 and work is underway on site. The scheme is led by the Peterborough Investment Partnership, of which the council is a joint partner.
- Peterborough is ranked fourth in the UK for the annual growth in the city's housing stock. In a bid to further increase the number of homes constructed in the city, the council and Cross Keys Homes are creating a joint company that will build new houses.

On Friday 27 January 2017 the council launches a city-wide budget consultation to find out what local residents and businesses think about the initial proposals presented in this document. More information is available on page 11.

This document does not seek to outline all of the services we provide or how our total budget is spent. Rather it outlines the financial challenges we face and how we intend to respond to these challenges. A chart on page 14 (Appendix 1) outlines our total budget for 2016/17 of £163.4million and how much is spent in each department.

We have also included some of the investments we are intending to make in the coming year.

We aim to be open and transparent about our proposed spending plans and publish the second round of proposals at this time to give residents, partner organisations, businesses and other interested parties the chance to give their comments.

## **2. APPROACH TO TACKLING THE FINANCIAL GAP**

This document outlines the Cabinet's second phase of proposals for how we will tackle the financial gap. These proposals demonstrate the Cabinet's commitment to protect, as far as possible, the services you care about the most and our vision for the city.

Our approach is now focused on the following:

- Building a **strong and healthy economy** which provides jobs for our residents and helps to reduce dependency on welfare benefits. The council would then benefit financially from business rates, additional council tax receipts and the New Homes Bonus, and reinvest this to support the needs of our residents. While growth can bring additional income for the council, it also creates pressures on services.
- **Generating income** in new ways to make the council less dependent on Government funding. New income will also give us the independence to support our residents and their needs. Ways we can generate income include selling our services to other authorities, such as planning, legal and regulatory services, and through innovative energy schemes. We will also look at how we use our assets most effectively to generate a return for the council.
- Changing our culture to be **more enterprising** as a council by looking for ways to improve value for money and reduce costs.
- **Changing the way we deliver services and the way we work.** We intend to reduce the demand residents have for our specialist services by enabling them to live independent and healthy lives. Providing the right support at an early stage should reduce how often residents need critical and more expensive services. Where there is a need for specialist services, we need to ensure that they properly meet residents' needs.
- **Innovative use of technology.** This will underpin our overall approach. As a council we are recognised as a leader in this field and we will continue to identify, and take advantage of, the benefits that new technology brings.

### **3. PRIORITIES**

The Cabinet remains firm in its priorities this year against the funding challenges it faces. It is worth reiterating those priorities:

- Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned.
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city.
- Safeguarding vulnerable children and adults.
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.
- Supporting Peterborough's culture and leisure trust, Vivacity, to continue to deliver arts and culture.
- Keeping our communities safe, cohesive and healthy.
- Achieve the best health and wellbeing for the city.

### **4. COST INCREASES AND PRESSURES**

Alongside the unprecedented reductions in funding, we are also experiencing significant financial pressures. We have a range of statutory services that we are required by law to provide, and demand for these services is increasing. In some cases, changes in legislation also brings additional costs. Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in priority areas.

This document, therefore, also outlines the financial pressures we are facing which we need to fund. Some of the most significant are outlined below:

- Increasing demand and cost of Adult Social Care services
- Government removing the Education Services Grant, and changing the rules on how we can use other grants
- Reduction in New Homes Bonus funding
- The need to create additional school places

We remain fully committed to the growth, regeneration and economic development of the city to bring new investment and jobs. We want to build upon the progress we have made in the past year in bringing new companies into the city by continuing to position Peterborough as the destination of choice, not only for our own residents, but also for visitors and investors in the future.

## **5. IMPLICATIONS ON COUNCIL TAX**

Council tax bills are made up of council charges and charges from other public bodies to fund their services. The remainder of the bill paid by Peterborough residents funds police, fire and parish councils, with each authority setting its own council tax charge.

We continue to have one of the lowest council tax levels in the country. Out of 56 unitary authorities across the country, Peterborough has the [fifth lowest council tax](#) (£121 per year lower than the English average and £344 lower than the most expensive).

The council has chosen to freeze council tax in four of the last six years. If the council hadn't chosen to freeze bills for residents, and instead increased council tax by the Government threshold each year, a Band D property would have been paying an extra £116 in council tax a year.

The Government's council tax freeze grant ceased to be available from 2016/17, therefore no such grant will be received in 2017/18. Freeze grants were in place to mitigate the financial impact from not increasing council tax, allowing councils to freeze council tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.

Given the scale of the challenges that the council faces going forward, the desire to keep council tax unchanged must be offset against the need to protect vital services. The current Medium Term Financial Strategy assumed a two per cent increase in council tax. Therefore, having fully considered the level of pressures identified and savings required, it is proposed that council tax rises by five per cent, which includes an Adult Social Care Precept of three per cent.

The Adult Social Care Precept was introduced by Government as part of the Provisional Local Government Finance Settlement for 2016/17. Local authorities were given the flexibility to levy an extra two per cent precept on residents to fund the increasing demands for Adult Social Care.

As part of the Local Government Provisional Finance settlement for 2017/18, local authorities were given increased flexibility to 'frontload' the effects of this and levy a three per cent precept on residents in both 2017/18 and 2018/19, removing the ability to levy an Adult Social Care Precept in 2019/20. This money can only be spent on Adult Social Care, and must continue to be spent on Adult Social Care in the future. Within the budget proposals for phases one and two, there has been investment above the level of funding generated by the precept into Adult Social Care Services.

To be clear, whereas the Government was allowing councils to increase council tax to support Adult Social Care by an extra two per cent per year for each of the next three years (six per cent in total), they are now allowing an increase of three per cent per year for each of the next two years (six per cent in total). The Government's intention is that council tax would be no higher in 2019/20 than it otherwise would have been.

Government expected all local authorities with responsibility for Adult Social Care to levy the Adult Social Care Precept and in 2016/17 95 per cent of councils did so.

Peterborough is one of the fastest growing cities in the UK. Analysis of the Peterborough population indicates an increase of 17 per cent by 2021, of which people aged 85 and over are expected to increase by 40 per cent and those aged 55 and over by 26 per cent.

As life expectancy increases older people are living with multiple long-term conditions associated with ageing. For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK.

Between 2014 and 2020 we expect the number of people in Peterborough living with dementia to increase by 15 per cent. There are also growing numbers of residents in Peterborough living with a learning or other disability. Further pressures on our Adult Social Care budget come from the increase in the national living wage and changes to legislation, such as those linked to Deprivation of Liberty Safeguards.

This proposed five per cent increase would mean that overall the Band D council tax charge would rise from £1,173.04 to £1,231.57 per year - an increase of £1.13 per week. The average property in Peterborough is in Band B, meaning council tax would rise from £912.37 to £957.88 per year - an increase of 88p per week. The council tax bill that households in Peterborough receive also includes elements from police, fire and in some cases parish councils. The actual increase that households face will depend on decisions taken by these bodies.

The Government continues to set limits on the maximum increase in council tax. As before, if any council proposes an increase higher than two per cent (excluding the Adult Social Care Precept), they are required to put the matter to local taxpayers through a referendum. The final council tax charge will be agreed by Council on 8 March 2017.

It is also proposed that the Adult Social Care Precept of three per cent will also be levied in 2018/19. It must be noted that where pensioners are in receipt of full council tax support, this support will remain and they will not be impacted by any increase. Other discounts, such as the Single Person Discount, will remain in place.

## **6. OVERALL BUDGET POSITION**

The costs, pressures and investments combined with the grant reductions create a budget gap, which is outlined in the following tables broken down into phases one, two and the overall position for 2017/18.

<b>Phase 1</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening budget before the GE reserve</b>	<b>15,289</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Planned use of the GE reserve	(11,188)				
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Phase 1 - Grant adjustments					

Phase 1 - Pressures	3,330	2,377	2,844	3,136	3,428
Phase 1 - Investments	182	272	330	352	352
Add back planned use of the GE reserve	11,188				
<b>Initial Budget Gap</b>	<b>18,801</b>	<b>26,996</b>	<b>34,344</b>	<b>37,295</b>	<b>38,065</b>
Phase 1 - Efficiencies	(2,692)	(3,729)	(3,410)	(3,507)	(4,060)
Phase 1 - Income	(7,256)	(2,870)	(2,718)	(2,720)	(2,722)
<b>Revised Budget Gap</b>	<b>8,853</b>	<b>20,397</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Use of the GE reserve (£11,444)	(8,853)	(2,591)			
<b>Total Budget Gap</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>

<b>Phase 2</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Budget Gap (post-Phase 1)</b>	<b>0</b>	<b>17,806</b>	<b>28,216</b>	<b>31,068</b>	<b>31,283</b>
Phase 2 - Grant adjustments	2,836	2,167	2,540	3,175	2,908
Phase 2 - Pressures	5,660	5,066	5,040	5,113	5,113
Phase 2 - Investments	653	1,616	2,048	2,110	2,242
<b>Revised Budget Gap</b>	<b>9,149</b>	<b>26,655</b>	<b>37,844</b>	<b>41,466</b>	<b>41,546</b>
Phase 2 - Efficiencies	(1,102)	(1,997)	(2,748)	(2,591)	(2,798)
Phase 2 - income	(9,706)	(8,212)	(13,850)	(10,022)	(12,285)
<b>Total Budget Gap</b>	<b>(1,659)</b>	<b>16,446</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Re-profiling the GE reserve use	1,659	(1,659)			
<b>Total Budget Gap</b>	<b>(0)</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>

<b>Overall Position</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Budget Gap (2016/17 Strategy)</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>	<b>34,285</b>
Grant Equalisation reserve add back	11,188				
Grant adjustments	2,836	2,167	2,540	3,175	2,908
Pressures	8,990	7,443	7,884	8,249	8,541
Investments	835	1,888	2,378	2,462	2,594
<b>Initial Budget Gap</b>	<b>27,950</b>	<b>35,845</b>	<b>43,972</b>	<b>47,693</b>	<b>48,328</b>
Efficiencies	(3,794)	(5,726)	(6,158)	(6,098)	(6,858)
Income	(16,962)	(11,082)	(16,568)	(12,742)	(15,007)
<b>Revised Budget Gap</b>	<b>7,194</b>	<b>19,037</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
Grant Equalisation reserve use - £ 11,444	(7,194)	(4,250)			
<b>Total Budget Gap</b>	<b>0</b>	<b>14,787</b>	<b>21,246</b>	<b>28,853</b>	<b>26,463</b>
<b>Additional savings</b>		<b>14,787</b>	<b>6,459</b>	<b>7,608</b>	<b>(2,390)</b>

The reduction in grants and pressures faced, mitigated in part with the use of the Grant Equalisation (GE) reserve, means the council still needs to find savings of nearly £14.8million in 2018/19. By 2020/21 this gap will have doubled to £29million.

When the council published its phase one proposals, the budget gap was balanced, but only with the use of £8.9million from the GE reserve. Since the first phase of proposals was approved the council has received its provisional finance settlement, which unfortunately meant we would see further grant reductions of £0.6million in 2017/18 and announcements from the DfE highlighted that we would also see a reduction of Educational Services Grant of £2.2million, over and above what we already had included within our current strategy.

In addition, financial pressures of £6.3million have been identified which also need to be addressed during phase two.

The total budget gap we face for 2017/18 will be tackled as follows:

- Phase one - savings proposals of £9.9million approved by Council on 14 December 2016



- Phase two – savings proposals of £10.8million included within this consultation document should contribute towards closing the gap in budget
- Use of £7.2million from the Grant Equalisation Reserve

**7. BUDGET CONSULTATION**

The Cabinet wants to hear the opinions of all residents, partner organisations, businesses and other interested parties as part of the budget setting process.

People will be able to give their opinions by completing an online survey on the city council website - [www.peterborough.gov.uk](http://www.peterborough.gov.uk). Hard copies of the consultation document will also be available from the receptions of the Town Hall, Bayard Place and all city libraries.

Comments received up to 5pm on Thursday 23 February 2017 will be considered by Cabinet on Monday 27 February 2017.

The consultation will close at 5pm on Monday 6 March 2017. Council will consider the phase two proposals on Wednesday 8 March 2017.

The consultation will ask the following questions:

1. Do you have any comments to make about the second phase budget proposals?

.....  
.....  
.....  
.....  
.....  
.....  
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.....  
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.....  
.....

2. Having read the phase two proposals document, how much do you now feel you understand about why the council must make total savings of almost £28million in 2017/18? Tick the answer you agree with.

- A great deal
- A fair amount
- Not very much
- Nothing at all

3. If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:

.....  
.....  
.....  
.....  
.....

.....  
 .....  
 .....

**So that we can check this survey is representative of Peterborough overall, please complete the following questions.**

Are you?

- Male
- Female

Please tick which of the following best describes who you are:

- Resident
- Business person
- Member of council staff
- City councillor
- Work, but don't live in Peterborough
- Member of community or voluntary organisation
- Regular visitor
- Other (please state).....

Which of these age groups do you fall into?

- Under 16
- 16 to 24 years
- 25 to 34 years
- 35 to 44 years
- 45 to 54 years
- 55 to 64 years
- 65 to 74 years
- 75 years or over
- Prefer not to say

What is your ethnic group?

- A White**  
 English/ Welsh/ Scottish/ Northern Irish/ British  
 Gypsy or Irish Traveller  
 Any other white background
- B Mixed/ multiple ethnic groups**  
 White and Black Caribbean  
 White and Black African  
 White and Asian  
 Any other mixed/ multiple ethnic background
- C Asian/ Asian British**  
 Indian  
 Pakistani

Bangladeshi  
Chinese  
Any other Asian background, write in

**D Black/ African/ Caribbean/ Black British**  
African  
Caribbean  
Any other Black/ African/ Caribbean background

**E Other ethnic group**  
Any other ethnic group

**Do you consider yourself to have a disability?**

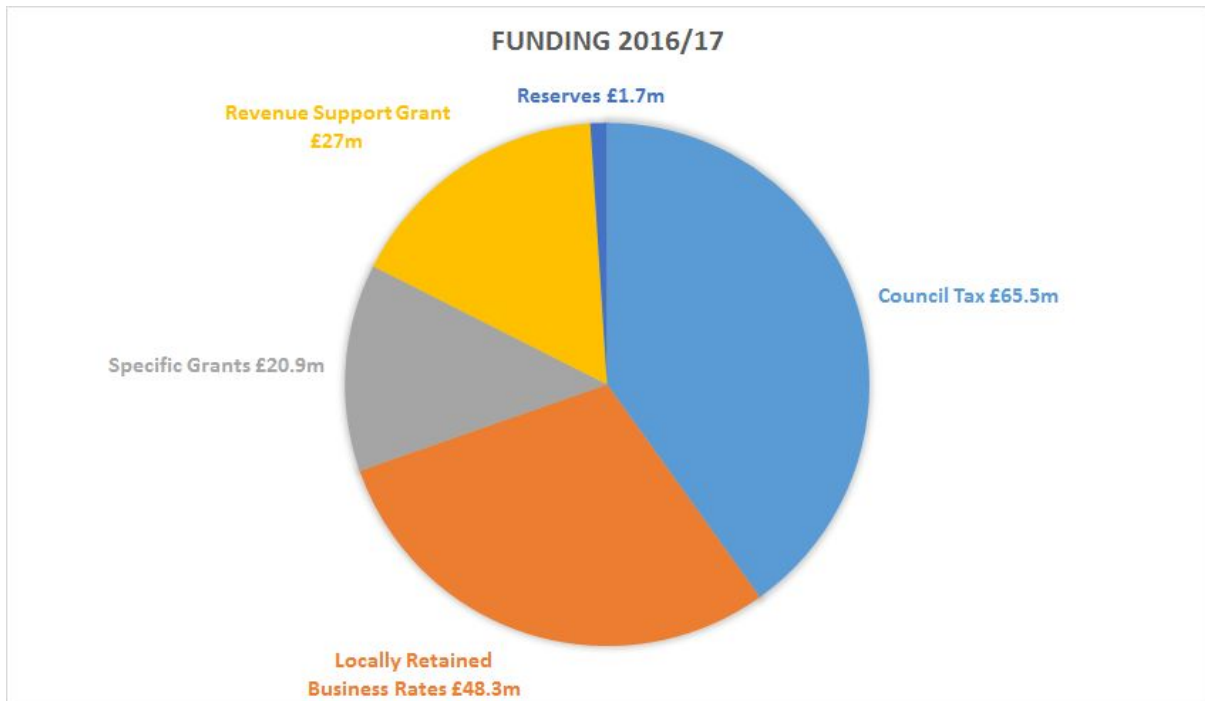
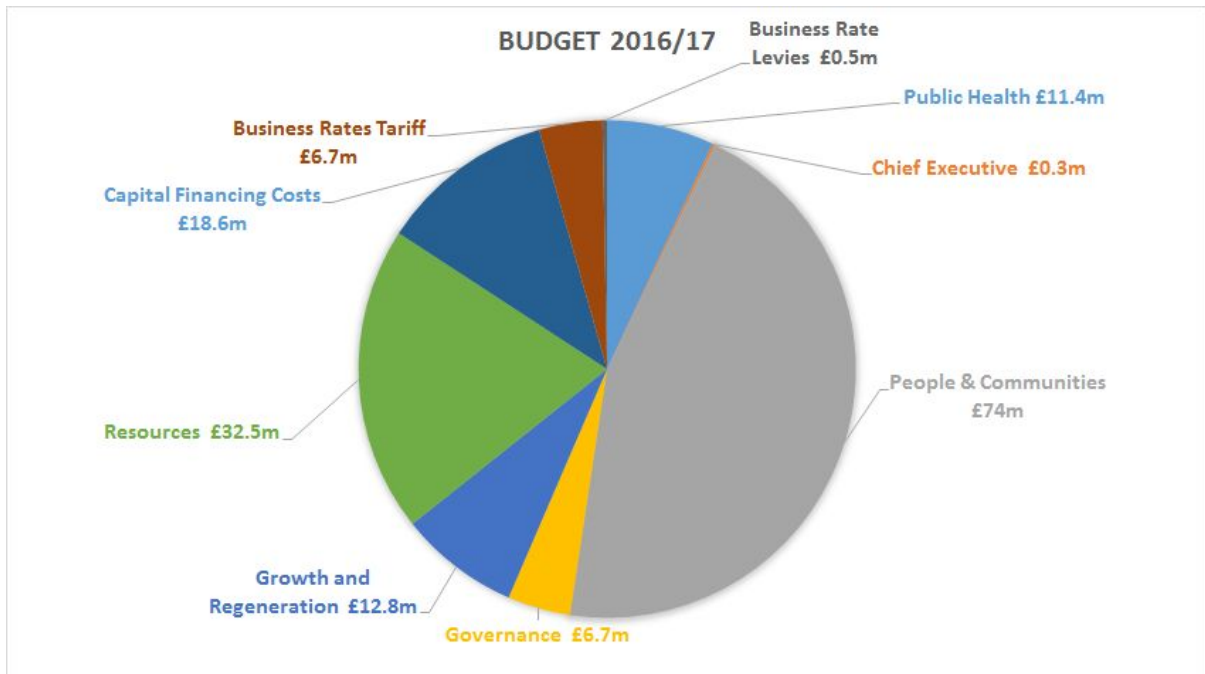
Yes.....  
No .....

**Thank you for taking the time to complete this survey**

Please hand this completed questionnaire into either the reception desks of the Town Hall or Bayard Place. Alternatively they can be returned by post to: Communications Team, Peterborough City Council, Town Hall, Bridge Street, Peterborough, PE1 1HG.

**APPENDIX 1 – OVERALL COUNCIL BUDGET AND FUNDING**

The council’s total net budget in 2016/17 is £163.4 million (this excludes school budgets and expenditure and funding for housing benefits).



## **APPENDIX 2**

### **PEOPLE AND COMMUNITIES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

The People and Communities directorate is responsible for ensuring the needs of our residents are met, particularly those that are most vulnerable. The department works with adults, children, families and communities, including schools, health services and the police.

#### **Adult Social Care**

Adult Social Care is responsible for providing council-run services and buying in and overseeing services from a range of organisations for the people of Peterborough. Those services include assessing and reviewing people's needs and managing their care, safeguarding adults who could be at risk of abuse, and providing intensive support to help people get over a fall or an illness to reduce their need for long-term care, known as re-ablement. We provide services or direct payments to ensure ongoing long-term support for those with physical, learning and mental health difficulties and other complex needs. We also support people in reaching their potential for independence over a longer period.

Private, independent and voluntary sector organisations help us support people to maintain their independence and stay in their own homes through a range of residential, home-based and community support services.

Our assessment and care delivery services for people with mental health needs are provided by Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

The budget proposals protect funding for the most vulnerable adults and focus on helping people to live independently for as long as possible.

#### **SAVINGS – REVENUE**

##### **Adult Social Precept - additional one per cent on council tax**

The Adult Social Care Precept was introduced by Government as part of the Provisional Local Government Finance Settlement for 2016/17. Local authorities were given the flexibility to levy an extra two per cent precept on residents to fund the increasing demands for Adult Social Care. This money can only be spent on Adult Social Care, and must continue to be spent on Adult Social Care in the future. Government expects all local authorities to levy the precept, and in 2016/17 95 per cent of councils with responsibility for Adult Social Care did so.

A two per cent precept was agreed on 14 December 2016 as part of the phase one budget setting process.

The following day the Government announced, as part of the Provisional Local Government Finance Settlement for 2017/18, that local councils will be allowed to charge an extra one per cent in council tax to raise additional funds for Adult Social Care services in the next two financial years. This is on top of the two per cent that councils are already able to charge to support these services.

Peterborough is one of the fastest growing cities in the UK. Analysis of the Peterborough population indicates an increase of 17 per cent by 2021, of which people aged 85 and over are expected to increase by 40 per cent and those aged 55 and over by 26 per cent.

As life expectancy increases older people are living with multiple long-term conditions associated with ageing. For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK. Between 2014 and 2020 we expect the number of people in Peterborough living with dementia to increase by 15 per cent.

There are also growing numbers of residents in Peterborough living with a learning or other disability. Further pressures on our Adult Social Care budget come from the increase in the national living wage and changes to legislation, such as those linked to Deprivation of Liberty Safeguards.

Therefore this proposal looks to levy the additional one per cent precept.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Adult Social Care Precept - additional one per cent	-644	-1,373	-1,418	-1,423	-1,429

## **INVESTMENT - REVENUE**

### **Increases in Adult Social Care costs**

Nationally Adult Social Care is facing unprecedented financial pressures resulting from reducing budgets, increasing costs of care, and the increasing needs of an expanding ageing population; the situation in Peterborough is no different.

Analysis of the Peterborough population indicates an increase of 17 per cent by 2021, of which people aged 85 and over are expected to increase by 40 per cent and those aged 55 and over by 26 per cent.

Peterborough is impacted by a number of local factors, including care homes charging above the average rate, which make the challenge even harder. There has been a significant increase in the number of self-funding residents (those that met the financial threshold) becoming fully funded by the council which contribute to the increased pressure on Adult Social Care budgets in the city.

For those that the council provides care for in their own home there is also additional financial pressure due to the impact of the minimum wage on the council's homecare spend. To add to this the overall cost of homecare has gone up alongside a rise in demand, coupled with more people with complex needs requiring more intensive support.

There is a further financial impact on budgets due to the increasing number of people requiring nursing care in their care home, this is care provided by a registered nurse.

All these factors mean additional funding is needed to support the most vulnerable in the city through the council's Adult Social Care services. Other pressures include the increase in the

amount of mental health placements and a number of transitions of young people moving into Adult Social Care services that often require high cost services to respond to complex needs.

Therefore an investment of £2,337,000 is proposed to manage increasing costs and demand on services and to ensure residents receive the care that they need.

The council is proposing to charge the Government's three per cent Adult Social Care Precept which will raise approximately £1.9million.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Increases in Adult Social Care costs	2,337	2,337	2,337	2,337	2,337

### **Education**

This service is responsible for working with schools in Peterborough to provide the best possible education for children and young people. This includes providing a range of support for pupils with special educational needs, challenging schools and ensuring schools are providing the best educational opportunities for children and young people to help them reach their full potential. Significant improvements have been made in recent years with the percentage of schools rated good or better by Ofsted now exceeding all our neighbours and above the England average.

There have also been significant pressures arising from the increase in the population of Peterborough. This has particularly impacted upon education, both in terms of school places and also the need to provide services to a greater number of children and young people.

### **INVESTMENT - REVENUE**

#### **Dedicated Schools Grant**

The Dedicated Schools Grant (DSG) gives local authorities money to fund the schools that they maintain and for education services.

The Government has announced that it has changed regulations about areas of expenditure that can be funded through DSG. This means the council has an additional pressure of £500,000 annually.

This is similar to the pressure created by Government changes to the Early Years Funding formula.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Dedicated Schools Grant	500	500	500	500	500

### Early Years funding formula

The Department for Education has been consulting on changes to the way it funds free childcare and early years education.

To address national inequalities in funding rates the Government has introduced a national funding formula from April 2017 which will be used to fund all local authorities.

The Government is also reforming local funding systems used to allocate funding to childcare and early years providers. Councils currently have discretion over the amount of funding they retain to spend on their central early years services. Most councils retain up to about ten per cent, with Peterborough retaining 8.5 per cent. The Government is now restricting this amount to five per cent by 2018/19, while allowing up to seven per cent to be spent in 2017/18.

In order to maintain our current council-run service to support childcare and early years education providers we are proposing to invest £149,000 in 2017/18.

This financial pressure was only announced by the Government in January and therefore we will be looking to make future savings on our central early years services in the coming years.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Early Years funding formula	149	430	430	430	430

### School transport

The number of children who need home to school transport has increased. This increase is mainly due to the rising number of pupils with special educational needs which entitles them to transport.

Therefore a further £524,000 is required to be invested annually.

There are a number of proposals which look to reduce this cost as set out in the next section.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
School transport	524	524	524	524	524



**SAVINGS - REVENUE****Passenger transport**

A number of short-term savings are being proposed in order to reduce the cost of passenger transport provided by the city council. This predominantly relates to transport for pupils attending mainstream and special schools in the city as well as community link and dial-a-ride services.

Alongside these efficiencies the council will develop a separate plan to achieve longer-term savings. These project costs are factored into the savings below.

Short-term savings include a review of routes to ensure that duplication is avoided and routes are merged where possible as well as a review of social care vehicle leases in an effort to reduce the cost.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Passenger transport	0	-33	-33	-33	-33

**Schools capitalisation**

Schools use their own funding to support small projects. The council can choose to fund this spend from its capital programme and schools then transfer their revenue funding over to the council. This is also undertaken by schools for the purposes of saving for large scale projects.

In addition, schools transfer money from revenue to capital in order to avoid a potential claw back on surplus balances.

The transfer of funding presents an opportunity for the council to use this money for revenue purposes, as part of the current year's budget, and replace it with capital money which is borrowed over an extended period.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Schools capitalisation	-519	-497	-473	-450	-427

**National Funding Formula - Charging schools for ESG services**

From 2017/18 the Government has removed the Education Services Grant (ESG) from local authorities. This provided funding for councils to fulfil the statutory education duties.

These services include school improvement, education welfare services and other central support services.

Instead a reduced amount of funding will be redistributed directly to schools. The Department for Education has announced it is in the process of producing detailed guidance

on the statutory roles of local authorities (formally funded through the ESG) and what elements can be charged to school budgets with Schools Forum agreement.

It is therefore expected that schools will be collectively charged to fund the council's statutory education duties going forward. The overall grant reduction is £2.2million. We expect to be able to charge £1.1million for these services, leaving an overall net pressure of £1.1million.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Charging schools for ESG services	-1,100	-1,100	-1,100	-1,100	-1,100

### Charging schools converting to academies

Just over a quarter of the city's schools are academies meaning they run independently of the city council and receive funding directly from Government. More and more schools are choosing to become academies.

When a school converts to an academy there are costs for the council associated with the administration, procedure and legalities, for example the transfer of land, buildings and finances. To date, officers of the council have provided this work and these services free of charge.

However, with more schools choosing to pursue academy status, it was agreed in phase one that the council charges a fee of £5,000 to cover the costs for providing this help and support. The level of income expected through this has increased from phase one as we now expect more schools to become academies than previously forecast.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Charging schools converting to academies	-25	0	0	0	0

### PFI Insurance (schools)

A number of schools in Peterborough were built and financed through PFI agreements. As part of these initial agreements it was decided that the council would bear any increase or benefit from any decrease in insurance costs.

There has been a decrease in insurance costs and therefore the council is due a rebate. The following table estimates that the council will receive, on average, an annual rebate of £100,000.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
PFI insurance (schools)	-100	-100	-100	-100	-100

## **INVESTMENT - CAPITAL**

### **School organisational plan**

The challenge of meeting the demand for school places remains a constant pressure in Peterborough. The city has the third highest birth rate in the country and one of the highest rates of in-year schools admission in the county.

As an example, the number of four-year-olds in the city has risen from 2,165 in 2006 to 3,118 being allocated a reception place in 2016 - an increase of 44 per cent over a decade. The council's [schools organisational plan](#) is constantly revised to ensure that Peterborough fulfils its statutory responsibility to provide school places.

We have also been successful in bidding for Government funding for the construction of new schools such as the £24million received for the Hampton Gardens secondary school. Therefore we will, or are currently, making bids for funding from the Government on a number of school projects. Successful grants will mean the council needs to borrow less.

There remains a risk that these grant bids may be unsuccessful. If this is the case then the council would face additional costs to deliver these school places. The required capital investment is outlined below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Capital impact of school organisational plan	28,491	20,915	7,147	714	1,267
Grant bids	-9,900	-21,052	-11,500		
Net funding requirements	18,591	-137	-4,353	714	1,267

The following table sets out the impact of this additional borrowing on the council's revenue budget to ensure we meet the demand for school places in the city.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Revenue impact of school organisational plan	13	616	556	461	495

## **Communities**

Communities is responsible for assessing the needs of all the city's residents and deciding on the right services to meet those needs. It undertakes all the people services commissioning for the council to ensure the services we provide or buy-in are the right services, delivered at the right time, for the right people, in the right place and at the right price to ensure we are giving real value for money. It also delivers a wide range of community and targeted services including:

- Housing and re-ablement
- Prevention and enforcement
- Youth services and youth offending
- Early help services to support individuals, families and communities who don't need specialist services, but do need some help
- Drug and alcohol
- Domestic abuse
- Sexual health
- Community cohesion

The focus of the service is to identify difficulties early and provide services to stop these escalating.

Communities is also responsible for ensuring neighbourhood issues and concerns that impact on people's confidence or pride are resolved, including unauthorised traveller encampments, housing enforcement, entrenched environmental crime and community tensions.

## **SAVINGS - REVENUE**

### **Funding the council tax hardship scheme**

In 2016/17 the council introduced a hardship fund which allowed residents in significant financial difficulties to apply for a reduction in their council tax bill. The scheme was administered by Citizens' Advice Peterborough and applicants had to meet certain criteria such as being in receipt of council tax support. It operated as part of the Peterborough Community Assistance Scheme (PCAS) which provides residents with advice and guidance to help support people in a crisis.

Previously there was a separate pot of funding to pay for claims. It is now proposed any future hardship payments are made from the existing PCAS budget. To be clear the scheme remains exactly as before, it will just be funded in a different way.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Funding the council tax hardship scheme	-50	-50	-50	-50	-50

## Environmental enforcement

Environmental crime ruins the look and feel of the city and impacts on residents' quality of life. The cost of clearing up after environmental crimes is a huge burden on the council, with fly-tipping alone costing taxpayers around £250,000 a year to clean-up.

This proposal looks to trial a 12 month partnership with Fenland District Council and a private sector enforcement agency, Kingdom, to target environmental crime such as fly-tipping and graffiti. The pilot would focus on the Operation Can Do areas of Gladstone, Millfield and New England, freeing up the time of Prevention and Enforcement Service officers to focus on the city centre and other parts of Peterborough.

A number of other local authorities are using private companies to enforce against environmental crimes with good results and Kingdom already holds contracts with other councils. If approved, Peterborough City Council and Fenland District Council would share the cost of the contract. Kingdom and both councils would each take a share of the money generated by fixed penalty notices.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Environmental enforcement	-47	0	0	0	0

## **INVESTMENT - CAPITAL**

### Investment in Operation Can Do area

A specific programme to target issues in the Gladstone, Millfield and New England neighbourhoods which make up the Operation Can Do area has been running for a number of years. It has focussed largely on operational matters associated with street scene, housing, planning issues and building community spirit. This work will continue, however there is now a need to invest in the infrastructure in the area as a means of kick-starting the next phase of regeneration. This would include public realm improvements and investment in community buildings and open spaces.

Capital investment of £7.5million will be needed to progress the development. There will be a revenue cost to the council as a result of borrowing this money as outlined below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Investment in Operation Can Do area	21	124	277	338	338

### **APPENDIX 3**

#### **RESOURCES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

The Resources department consists of the following:

##### **Financial services**

- Financial planning and corporate accounting
- Finance and management accounting support to council departments
- Internal audit, fraud and insurance
- Serco Strategic Partnership (business support, shared transactional services, business transformation, procurement, customer services, finance systems, strategic property)
- Serco ICT partnership
- Digital, including the City Fibre partnership

##### **Commercial group**

- Amey Strategic Partnership which includes refuse collection, street cleaning, parks, trees and open spaces, building cleaning and passenger services
- Waste management and waste disposal including the Energy Recovery Facility
- Vivacity (culture, recreation and libraries)
- Westcombe Engineering
- Energy efficiency including our energy performance contract, placing solar panels on residents' roofs with Empower

##### **Cemeteries, cremation and registrars**

- Bereavement services
- Registration service

##### **City Services and Communications**

- City Services supports city centre retailers and oversees services from CCTV cameras and car parks to events such as the Perkins Great Eastern Run. It also manages the City Market.
- The Communications team supports all council departments by advising how best to explain their services to residents. It promotes the council through the media, writes communications strategies for major initiatives, produces press releases, marketing campaigns and manages the council's website and social media.

## Regulatory services

- This team provides regulatory and licensing services such as trading standards, environmental health, health and safety, and enforcement teams who deal with issues such as noise nuisance and air quality.

## **SAVINGS – REVENUE**

### Vivacity

Vivacity, the city's culture and leisure trust, receives an annual fee of around £2.1million to deliver services on behalf of the council. This fee takes into account income earned directly from these services. The total income for these activities is £8million, meaning that in total over £10million is invested each year in providing culture and leisure services.

Vivacity propose to make two capital investments, which will result in increased participation and income, and subsequently will lead to a reduction in the fee the council pays Vivacity.

It is proposed to develop a cafe and spin facility at the Regional Pool as well as making alterations to the swimming pool at Jack Hunt. The funding for these developments can be taken from the existing capital programme allocation for these services.

This will lead to a reduction in the annual fee of £170,000 from 2018/19.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Vivacity	0	-170	-170	-170	-170

### Business rates revaluation and growth forecast

The council is now forecasting increased income from business rates over the next five years.

Business rates are affected by a range of variables including the rate of inflation, rateable values set by Government and the levy rate that some councils, such as Peterborough, pay to Government.

The inflation rates are expected to be higher than we had previously forecast, increasing the level of business rate income. The following table updates the council's forecast for the next five years.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Business rates revaluation and growth forecast	-1,000	-2,600	-3,400	-4,400	-5,300

### Procurement resource

Procuring, or buying, services costs money. There will be additional procurement in 2017/18 as a number of contracts will come to an end.

This includes a number of passenger transport contracts and the contract we hold for some office equipment.

The council expects to make savings in these contracts, and we are offsetting these savings against the cost of procurement as set out below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Procurement resource	-9	-43	-68	-118	-118

### Social care platform

The council is proposing to develop and implement a technology platform that would sit across the current adult and children's social care IT systems. This will make all social care data accessible to staff to assist with their roles.

This will allow staff working out of the office to access this data and therefore promotes agile working, for example, social workers carrying out home visits.

By making a platform that links children's and adult's social care it will allow social workers to provide better and more efficient care for the individual, such as a person who received support through Children's Social Care who then transitioned to services provided by Adult Social Care.

The council is looking to work with commercial partners to deliver this project. The council would loan funding to the companies at market rate and benefit from a return as the council is able to borrow at a lower rate. The council would also receive income from the partnership as it is expected that the new system would be sold to other councils. The income that this arrangement will generate for the council is listed below.

This project is at an early stage and the council will look for further savings as the project progresses.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Social care platform	-31	-88	-247	-228	-209

### Amey contract

The council entered into a 23-year contract with Enterprise Managed Services in April 2011 to deliver household waste and recycling collections, street cleansing, property design and maintenance, grounds maintenance and a range of other services. The partnership transferred to Amey in 2013 when the company bought Enterprise Managed Services.



This proposal is for Amey and the council to mutually terminate the contract and consider alternative ways of providing these services, likely to be a joint venture partnership with another organisation.

The main driver for this is uncertainty over whether the council's contract with Amey is meeting its needs and compatible with the tough financial landscape we are now operating in.

Any new arrangement will allow the council more control over how services are provided and ensure that a percentage of any income generated is returned to the council to provide services for residents.

It is predicted that this proposal will save the council in the region of £100,000 a year, predominantly as a result of increased recycling and income generation.

The contract with Amey will continue until a new service provider is in place.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Amey contract	0	-100	-100	-100	-100

### **Peterborough Music Hub**

Peterborough Music Hub (PMH) aspires to deliver a first-class musical environment where all young people can thrive and develop to their full potential.

The Department of Education and Arts Council England recognise the importance of PMH and have confirmed they will provide continuing grant funding of £333,000 for the next four years. The council receives £60,000 per year for the management of the service.

Due to the award of the grant it will mean that some existing staff costs will be directly attributable to the grant and result in a saving to the council of £15,000 per year.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Peterborough Music Hub	-15	-15	-15	-15	0

### **ESPO dividend**

The Eastern Shires Purchasing Organisation (ESPO) was set up to provide greater purchasing power by local authorities collectively buying together. The council is one of the co-owners of ESPO alongside Leicestershire, Cambridgeshire, Lincolnshire, Warwickshire and Norfolk county councils.

All councils have the ability to use ESPO. For example this could range from purchasing stationery to using their support when procuring a contract. As a business model, when customers use ESPO's services it incorporates a charge. A proportion of this charge is

returned as an annual dividend to the co-owning councils. Over the past five years the annual dividend has averaged £119,000.

Now the council has experienced consistent receipts of the dividend it is proposed to build it into the council's budget at a level of £100,000 per year.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
ESPO dividend	-100	-100	-100	-100	-100

### Collection fund surplus

There will be growth in council tax income in the current year above predictions because of the city's rising population. This has identified that we can expect to receive a further £137,000 in 2016/17, which can be rolled forward to protect services during 2017/18.

This is in addition to the £36,000 surplus stated in phase one of the budget.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Collection fund surplus	-137	0	0	0	0

### Public notices

The council has a legal duty to publish certain announcements and decisions in local newspapers. These are known as public notices and are charged by size (in cm).

It is proposed to standardise the design of these notices so they take up less space, such as removing the council logo, and therefore reduce costs overall. This change will result in an annual saving of £9,000.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Public notices	-9	-9	-9	-9	-9

### Early repayment scheme of suppliers for rebates

The council is proposing to work with a company that has helped other councils secure discounts with suppliers. This works by paying the supplier before the debt is due and negotiating a discount for early repayment.

The company would contact suppliers and agree their participation and level of discount. The council would continue to pay suppliers directly.

There will be an initial investment cost of £50,000 and then an estimated annual saving of £50,000 per year thereafter.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Early repayment scheme of suppliers for rebates	50	-50	-50	-50	-50

### Fees and charges

The council has a range of fees and charges for the services we can provide for residents. The level of these fees have been reviewed by all council departments.

It is proposed that the consumer price index, currently 0.5 per cent, is applied to fees and charges to keep them in line with inflation.

The majority of the saving identified is from higher than inflation increases in the council's bereavement service. Adult cremation fees were increased by five per cent and interment fees by 4.3 per cent in January 2017. Funeral directors were consulted on these increases.

These charges are estimated to produce an annual saving of £82,000 to protect frontline services.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Fees and charges	-82	-82	-82	-82	-82

### Car parking revenue

The council is proposing to increase daytime car parking fees in off street car parks that offer all-day rates. This means that all-day parking in the Wirrina, Dickens Street and Pleasure Fair Meadow car parks would increase to £4 per day.

All other daytime car park rates will remain unchanged.

It is also proposed to increase evening off street parking charges at city council car parks from £1.50 to £2 for any period between 5pm and 7am.

Charges are proposed to increase for on-street car parking from £1.10 to £1.50 for the allocated time slot, however these spaces will remain free overnight between 6.30pm and 8am.

An increase to the cost of residential parking permits - frozen since 2009 - has also been proposed. This will mean the cost of an annual permit will increase from £19 to £25 in 2017/18 and rise to £30 from 2019/20.

There will also be increases to a six month permit, business permit and visitor scratchcards.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Car parking revenue	-168	-188	-239	-262	-242

### **Peterborough local lottery**

A growing number of councils are establishing local lotteries as a way of generating income for local good causes. Gloucester City Council launched a lottery scheme in January 2017 and followed the likes of Portsmouth and Aylesbury Vale councils.

The council is proposing to launch a Peterborough local lottery with 60 per cent of proceeds being used by the council to support good causes.

The launch date would be confirmed if approved by Council, but tickets would cost £1 with a maximum prize of £25,000. The draws would be weekly and all tickets would be sold online. All sales for the lottery would operate via a dedicated website.

It is recommended that the Peterborough local lottery has two tickets types:

- 1) A local lottery ticket - Where players purchasing tickets do not specify a good cause to benefit from the proceeds and that proceeds generated would be distributed to local voluntary and community organisations by the city council.
- 2) A specific Peterborough Good Causes ticket - This would involve community and charity groups signing up so players could specify which good cause they wanted to support. This would ensure that half of the proceeds allocated to good causes goes to a specific good cause.

If the council does set up a local lottery it will need to be licensed by the Gambling Commission, a requirement of which is for the council to contribute to the support of problem gambling. The website will contain a section providing links to gambling support organisations.

The income to support local good causes is estimated in the following table.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Peterborough local lottery	-23	-62	-62	-62	-62

### **Apprenticeship Levy in relation to schools**

The Government's Apprenticeship Levy will come into effect from April 2017. This applies a 0.5 per cent levy to large employers with a wage bill greater than £3million.

As the council is deemed to be the employer of those who work in the majority of maintained schools their pay bill will also be liable for levy payments. Therefore schools will have to make provision for the cost of the levy in their individual budgets.

These funds can then be reclaimed to deliver training for apprenticeships. This saving is cancelled out by levy contribution pressure in the next section.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Apprenticeship Levy	-302	-302	-302	-302	-302

## **INVESTMENTS - REVENUE**

### **Street cleaning**

In 2016 a task and finish group reviewed the street cleaning service the council has in place with Amey.

It's now proposed to introduce a number of the recommendations from the task and finish group - these include:

- A daily two-man hit squad that will target areas that are consistently blighted by litter and fly-tipping
- Daily street cleaning in the area focused around Gladstone Street and other nearby streets with a mechanical sweeper with a driver and operative
- A daily presence on Lincoln Road (Millfield) through a Lengthsman. The operative will pick litter, empty bins as well as report fly-tips and other environmental issues

Even with the proposed mutual termination of the council's contract with Amey, if agreed, this additional street cleaning would take place. The impact of these initiatives will be reviewed after six months, taking into account progress on some of the other initiatives from the review and the work of the Prevention and Enforcement Service. A decision will then be taken whether to continue them or not.

This is a further investment in street cleaning by the council in recent years.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Street cleaning	187	187	187	187	187

### **The Digital Front Door project**

The Digital Front Door project creates a new model for residents to access information and advice and to ensure they reach the right council service first time.

The Digital Front Door project will allow residents to access information and services via the council's website first and foremost. This involves creating an online customer account

where people can log on and access services. The online account has been used as part of the city's selective licensing scheme helping to register over 6,000 properties.

Further investment is now needed to improve management of the website, to update content and to drive people to use the website to access services, information and advice. Residents will in future be supported by the provision of interactive guides and web-chat assistance.

The council is also looking at options for the development of a social care portal for residents and professionals allowing them easy access to a directory of available services and advice. An online verification tool will also be investigated to remove the back office process of manually checking documents. This would be brought forward on an invest to save basis.

A social care e-marketplace will also be developed for residents that receive direct payments. The marketplace will list social care service providers and will allow people to directly contact them and book the services they require.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
The Digital Front Door project	340	195	283	283	284

### Apprenticeship Levy in relation to schools

The Government's Apprenticeship Levy will come into effect from April 2017. This applies a 0.5 per cent levy to large employers with a wage bill greater than £3million.

The pressure for council staff has been included in a previous budget. As the council is deemed to be the employer of those who work in the majority of maintained schools their pay bill will also be liable for levy payments. Therefore schools will have to make provision for the cost of the levy in their individual budgets.

These funds can then be reclaimed to deliver training for apprenticeships. This pressure is cancelled out by levy contributions made directly from schools' individual budgets.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Apprenticeship Levy in relation to schools	302	302	302	302	302

### Eye Green Nature Reserve

The Eye Green Nature Reserve had been managed by the Wildlife Trust under a formal lease. This lease expired in September 2016 and the organisation did not wish to have it renewed.

As a result the site's maintenance has returned to the city council. We are hoping to work with Buglife to manage the site and discussions are on-going.

Some maintenance will need to be carried out in the current financial year funded by developer contributions through the Planning Obligations Implementation Scheme (POIS).

There will also be an ongoing annual cost of maintenance of £10,000.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Eye Green Nature Reserve	10	10	10	10	10

### Insurance Premium Tax

The Government has announced that from 1 June 2017 the level of Insurance Premium Tax will increase to 12 per cent. This will result in higher insurance premiums for the council as set out below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Insurance Premium Tax	12	12	12	12	12

### ICT

A review has taken place of the council's existing technology strategy and ICT budgets and it is necessary to make investments in order to generate longer-term savings and drive efficiencies.

ICT security software is one of the areas where investment is needed to ensure that council systems are further protected from computer viruses. Other investments include replacing the current geographical information system, a tool used by many council departments including planning, which provides a detailed overview of the city's layout and infrastructure.

Previously the council had proposed a central team to provide system support services rather than basing them in individual departments. This was a challenging target which on further investigation would be detrimental to services and therefore this saving can no longer be met.

A further pressure is an increased costs of Microsoft licenses after the company increased costs to the council.

Schools in Peterborough are benefitting from faster and cheaper broadband through the City Fibre project. Many have opted for a lower cost contract than had been originally forecast, benefitting them but reducing income to the council. However this is largely offset by income through the wider project.

Work is also taking place to develop a range of new systems to operate across council departments. For example, our licensing team is working with our development partners to design a new system to deliver services. Investment is required, however these systems will be sold to other local authorities in future years and we expect that the guaranteed sales

income we will receive, as well as additional sales, will offset this cost. These systems will allow the council to deliver efficiencies in the coming years.

Some of these costs are also offset by savings that have been achieved in the council's print services.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
ICT	796	491	454	521	521

### Impact of academisation of business rates

Just over a quarter of the city's schools are academies meaning they run independently of the city council and receive funding directly from Government. More and more schools are choosing to become academies.

Maintained schools pay business rates on their schools out of the Dedicated Schools Grant from central Government. However, academies receive an 80 per cent discount on their business rates.

With every school that converts to an academy, the council sees a reduction in the amount it receives in business rates and therefore won't receive the amount that has been budgeted for in coming years.

We have decided to increase the potential financial impact on the council from phase one as we now expect more schools to become academies than previously forecast.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Impact of academisation on business rates	107	107	110	110	110

### Investment in trees and woodland

Since the adoption of the Trees and Woodland Strategy in 2012 the focus of the council's arboricultural work has been the completion of extensive tree surveys to, as far as possible, reduce the risk of tree failures. Approximately 50,000 street trees have now been surveyed and recorded.

This survey has revealed that the vast majority of the council's trees are semi-mature and need increasing amounts of management. Trees in the parkway belts are also growing increasingly towards the carriageways, obscuring road signs and blocking visibility.

A saving of £250,000 in the budget for tree works has been implemented within the last three years, however the surveys now demonstrate that reinvestment is needed.



It is therefore proposed to bolster the budget for tree maintenance in 2017/18 to complete all outstanding works identified from tree surveys in 2017/18. Investment of £150,000 is included from 2018/19 to meet future demand.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Investment in trees and woodland	422	150	150	150	150

## **INVESTMENT - CAPITAL**

### **Agile working**

Currently council staff use a range of different types of computers to do their jobs including desktop computers, thin client devices, laptops and touchscreen tablets.

Many of these devices are approaching the end of their life and a review has been undertaken to assess future ICT requirements ensuring that staff can work as agilely and efficiency as possible.

Some staff have already moved over to chromebooks and it is suggested that all staff move on to these devices ahead of the council's move to Fletton Quays.

Benefits of chromebooks are they are cheaper than laptops, desktops and touch-screen tablets and they offer full Google functionality which can lead to reduced printing and increased staff productivity. Also very little is stored on a chromebook, instead they use the Cloud for storage, therefore the risk of data breach due to lost or stolen devices is significantly reduced.

This will require capital investment of £600,000. The annual revenue cost of this capital investment is set out in the table below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Agile working	8	129	129	128	128

## **APPENDIX 4**

### **GROWTH AND REGENERATION - SERVICE IMPLICATIONS**

#### **(SAVINGS/INVESTMENTS)**

Peterborough is one of the fastest growing cities in the country. The Growth and Regeneration directorate is in charge of driving that growth and overseeing major regeneration projects in the city.

Growth and regeneration leads to additional income for the council through the New Homes Bonus and business rates.

The Growth and Regeneration directorate consists of the following:

#### **Peterborough Highway Services**

This partnership with Skanska, the council's highways contractor, is responsible for maintaining and improving our roads and street lights, gritting roads in the winter, public transport and planning the future of transport in Peterborough and its surrounding villages.

#### **Planning services**

Peterborough City Council was named Local Authority Planning Team of the Year at the 2015 Awards for Planning Excellence. The awards are run by the Royal Town Planning Institute (RTPI).

This service includes surveyors, planners and other technical teams who work with residents and businesses to ensure new development fits with the city's growth plans. The service also works with schools and local communities to help make our city greener and is responsible for our environment capital aspiration.

In recent years the planning team has started to generate income through selling services, such as planning policy and development control expertise, to other local authorities throughout the UK. In total, the planning service now generates approximately £500,000 per year which is used to reduce the running cost of the department. Last year we also formed a joint planning service with Fenland District Council.

#### **Opportunity Peterborough**

The council's wholly-owned company Opportunity Peterborough supports our agenda to grow the city by 20,000 jobs and 25,500 houses by 2026, by attracting inward investment and marketing the city to businesses.

#### **Housing joint venture company**

This partnership with Cross Keys Homes will see all types of housing built in the city including affordable, market rent and outright sale homes. In particular it will help address a shortage of affordable and temporary housing.

#### **Growth joint venture company – Peterborough Investment Partnership**

This partnership is supporting the regeneration of city centre sites in the council's ownership including Fletton Quays (also known as South Bank/Riverside Opportunity Area).

#### **Property Services**

Corporate property including asset disposals and our property joint venture NPS Peterborough.

**SAVINGS – REVENUE****Capital receipts update**

In line with its Asset Management Strategy, the council sells any surplus assets and uses the income to reinvest in services. The previous asset management plan assumed that a number of assets would be sold and the funding transferred to the Grant Equalisation Reserve. These assets will now be sold in 2017/18 and the income used to support that year's budget as outlined below. Further details on planned disposals are included in the Asset Investment Plan in the MTFS.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Capital receipts update	-647	-35	0	0	0

**Investment property receipts**

The council has reviewed its investment asset portfolio. These are properties the council holds, but leases them out to generate income. The review indicates that the council could receive a better return by selling these assets.

This will generate a saving for the council which can then be used to support the budget. A loss of rental income in future is also factored into the figures in the table below. Further details on planned disposals are included in the Asset Investment Plan in the MTFS.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Investment property receipts	-4,928	35	-3,274	449	449

**Capital programme review**

The council borrows money to invest in schemes such as road improvements, expanding schools to create extra places and for regeneration projects in the city.

A review has taken place to assess the level of interest the council needs to pay as a result of these capital investments.

Previously the council had forecast it would be borrowing at a higher rate of interest than it currently is. Therefore the council will be paying less interest and these savings are set out in the following table.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Capital programme review	267	-1,997	-3,306	-2,192	-3,558

### **Fletton Quays - revised business case and increased value of site**

In March 2016 Cabinet approved an outline business case to move the council's back office to a new building on Fletton Quays whilst retaining the civic core of the Town Hall and letting non-civic areas of the Town Hall and Bayard Place.

As details of the site development have moved forward and following negotiations undertaken by the Peterborough Investment Partnership, the likely sale proceeds and benefit to the council have increased above the level originally assumed.

The council has also reviewed the costs and likely income of developing both the Fletton Quays offices, as well as refitting offices such as Town Hall and Bayard Place that it intends to let out. The costs of this can be more than offset by the increased income. Therefore a one-off benefit can be included in the 2017/18 budget of £689,000.

The original business case outlines income of £8million over 25 years. It's now thought that will increase to almost £9million.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Fletton Quays - increased value of site	-689	0	0	0	0

### **INVESTMENT - CAPITAL**

#### **Future transport projects**

A number of highway improvement schemes identified in the Local Transport Plan require funding to enable them to be delivered. Capital investment will be needed to progress the schemes detailed below. There will be a revenue cost to the council as a result of borrowing this money, although we will continue to seek grant funding from the Government, the new Combined Authority and the Local Enterprise Partnership to offset these costs.

The schemes are as follows:

**Junction 18 Rhubarb bridge (A47/A15):** Bridge structure to be removed and improvements made to the junction to increase capacity and make it more accessible for pedestrians and cyclists. There is currently £2.5million allocated in 2017/18 for this scheme and a further £3million is required in 2018/19.

**Public realm – Broadway, Midgate and Northminster:** Continuation of work to improve the look and feel of the city centre. This follows the completion of works in Cathedral Square, St John's Square, Cowgate, Bridge Street, Long Causeway and currently underway in Lower Bridge Street.

**Parkway resurfacing:** Continuation of a rolling programme of investment of £1.5million over five years due to the age of the parkway system.

The capital investment will be as follows, offset by some grant funding:

	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Junction 18		3,000			
Parkway resurfacing		1,500	1,500	1,500	1,500
Public Realm		2,000	2,000		
<b>Total Costs</b>		<b>6,500</b>	<b>3,500</b>	<b>1,500</b>	<b>1,500</b>
External funding		-2,500			
<b>Net capital requirement</b>		<b>4,000</b>	<b>3,500</b>	<b>1,500</b>	<b>1,500</b>

There will be a revenue cost to the council as a result of borrowing this money as outlined below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Future transport projects	84	333	519	616	713

### Whitworth Mill development

The city council purchased the mill site on Fletton Quays last year to enable comprehensive regeneration of the entire riverside site. The intention is to develop the building into a creative arts and digital hub for the city.

Capital investment of £4.5million will be needed to progress the development. The council hopes to be able to secure £2.5million of grant funding towards the project, as well as using £1million of existing capital budget. As such there is a need to invest an extra £1million of capital funding to deliver the project. There will be a revenue cost to the council as a result of borrowing this money as outlined below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Whitworth Mill development	0	32	97	97	97

## **APPENDIX 5**

### **GOVERNANCE - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

The Governance department consists of:

#### **Legal and Democratic services**

This team provides legal services to all council departments as well as Rutland County Council, Fenland District Council, East Cambridgeshire District Council and Corby Council. It supports Full Council, Cabinet and all committee meetings, civic services to the Mayor, support services to councillors as well as a range of other related services. It also manages elections and the electoral register.

#### **Human Resources and organisation development**

The Human Resources team aims to make the council the employer of choice and improve the council's performance through its people. It works with managers in recruiting, developing, managing and engaging employees to produce a skilled, committed, flexible and diverse workforce. HR provides services to the council which include employee relations, policy and reward, occupational health, workforce development and training and development. HR is also responsible for internal communications and employee engagement.

#### **Performance and Information**

This team provides a central performance management and business intelligence function, oversees information governance and coordinates information requests. It is responsible for data protection and provides the Caldicott Guardian role and the Senior Information Risk Officer. The team also provides systems support for the social care case records systems.

### **INVESTMENTS - REVENUE**

#### **Organisational change and Adult Social Care ICT**

A number of ICT systems in Adult Social Care (ASC) need to be upgraded or replaced, including the main case management system for ASC. New systems will make current processes more effective which will allow staff to work more efficiently; ultimately providing a better service for residents and maximising staff productivity.

As well as upgrading and replacing systems there will also need to be an investment in migrating data as part of the programme.

Further investment will be needed to ensure staff are trained on this new system and a number of other new systems being introduced in other departments, and across the council.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Organisational change and ASC ICT	373	75	75	75	75

## **APPENDIX 6**

### **STAFF IMPLICATIONS**

This section outlines any issues that affect the costs of staffing. There will be no impact on staff numbers as a result of the phase two proposals.

#### **Living wage increase and employee terms and conditions**

The council has been a Living Wage employer for a number of years. The rate of the voluntary living wage has risen in 2017 to £8.45 per hour from £7.80. It is proposed for the council to apply this increase to staff.

In the 2016/17 budget a number of changes were agreed to employee terms and conditions. This included closing the council between Christmas and New Year and reducing car mileage rates for staff.

Discussions with unions are ongoing to make further changes to staff terms and conditions totalling an annual saving of £760,000 from 2017/18. These could include the removal of a number of allowances for staff above a certain pay grade such as weekend enhancements and professional subscriptions.

We are also working to agree an increase to the mileage rate from 25p to 30p, after it was reduced from 45p in 2016/17.

The council has agreed to no further changes to employee terms and conditions for a further five years, unless there are exceptional circumstances.

All of these changes mean an ongoing financial pressure to the council of £96,000 per year.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Living wage increase and terms & conditions	96	96	96	96	96

#### **Salary sacrifice schemes**

The Government has introduced legislation to cease a number of salary sacrifice schemes. This includes car leasing (except for electric or hybrid vehicles) and car parking payments.

This means the council will no longer get national insurance relief on these payments which will cost the council an additional £32,000 each year.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Salary sacrifice schemes	32	32	40	46	46

### Cost of local Government pensions

All staff on local Government terms and conditions are entitled to join the Local Government Pension scheme. The overall scheme is the same across the country and Government determines the level of benefits and the level of contributions that employees make to the scheme.

Each fund is assessed every three years by an actuary to assess its position and its ability to meet future liabilities.

In phase one we expected that there would be cost pressures from the Local Government Pension scheme for councils across the country.

Our actual position has now been confirmed by an actuary and we are able to remove most of those cost pressures as highlighted in the table below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Cost of local Government pensions	-500	-1,250	-2,000	-1,816	-2,061

### Redundancy

There are no redundancies proposed as part of the phase two budget proposals. There were also no redundancies proposed in phase one.