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PETERBOROUGH CITY COUNCIL

BUDGET CABINET

MONDAY 26 FEBRUARY 2018
10.00 AM

Bourges/Viersen Room - Town Hall
Contact – philippa.turvey@peterborough.gov.uk, 01733 452460

AGENDA

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Cabinet Members
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Press

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CABINET	AGENDA ITEM No. 3
26 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly, Interim Corporate Director: Resources	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director Financial Services	Tel: 01733 452520 Tel: 01733 384564

MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2020/21

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Resources	**Deadline date:** N/A

It is recommended that Cabinet notes:

1. The statutory advice of the Chief Finance Officer outlined in section 6, The Robustness Statement. This is required to highlight the robustness of budget estimates and the adequacy of the reserves.

2. All the grant figures following the Local Government Final Finance Settlement, published on 6 February 2018 outlined in section 4.5. This details the following adjustments to the budget:
   - Adult Social Care Grant 2018/19- £0.496million
   - Business Rates compensation for limits increase in the NNDR £0.084million

3. The feedback received on the budget proposals, received via the consultation detailed in section 9 of the report and Appendix J.

4. The Treasury Management Strategy 2018/19-2020/21, detailed in Appendix L, which also includes an amendment following the Audit Committee meeting held on 12 February 2018.

It is recommended that Cabinet approves and recommends to Council:

5. The Phase Two budget proposals, outlined in Appendix H, this includes a 5.99 per cent council tax increase, and a change in service delivery for the 0-25 Provider service.

6. The Medium Term Financial Strategy 2018/19-2020/21 as set out in the body of the report and the following appendices:
   - Appendix A – Budget Context highlighted in Phase One, MTFS for 2018/19-2020/21
   - Appendix B – 2018/19 MTFS detailed position
   - Appendix C – 2018/19 MTFS by department
   - Appendix D – 2018/19 MTFS by Service
   - Appendix E – Capital Schemes
   - Appendix F – Council Grants
   - Appendix G – Fees and Charges
   - Appendix H – Budget Proposals (consultation document)
   - Appendix I – Equality Impact Assessments

- Appendix J – Budget Consultation Feedback
- Appendix K– December 2018 Budgetary Control Report
- Appendix L– Treasury Management Strategy 2018/19-2020/21
- Appendix M– Asset Investment and Acquisition Strategy, Capital Programme 2018/19-2020/21
- Appendix N– Asset Management Plan

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 and sustainable budget for 2018/19.

2. PURPOSE AND REASON FOR REPORT

Purpose

2.1 The report coming to Cabinet forms part of the council's formal Budget and Policy Framework. This requires Cabinet to initiate and put forward budget proposals to set a balanced and sustainable budget for the financial years 2018/19 to 2020/21. There is a legal requirement to set a balanced budget for 2018/19. The purpose of this report is to:

- Recommend that Cabinet approve the second phase of budget proposals for consultation to contribute towards closing the budget gap of £43.5million by 2020/21, before accounting for proposed savings.
- Outline the financial challenges facing the council in setting a sustainable and balanced budget for Medium Term Financial Strategy (MTFS) 2018/19 to 2020/21.
- Outline the approach the Council are taking to close the budget gap over the three year budget planning horizon to deliver a sustainable budget.
- Outline the required statement of the robustness of the budget estimates and the adequacy of the financial reserves included within the MTFS.

2.2 The Council is facing a very difficult budget challenge due to increasing demands for services and reductions in government grants. Revenue Support Grant (RSG) will have reduced from £55million in 2013/14 to £10million in 2019/20, along with previous reductions, dating back to the initial Spending Review announced in June 2010. This is why the council launched the Stand up for Peterborough campaign as part of the budget process in November, to lobby for funding in specific high risk areas which include:

- Additional funding for Homelessness
- Additional funding for the provision of School Places
- Access to transitional funding to allow the Council to move to its longer term sustainable model.

2.4 In agreeing a balanced budget for 2017/18 one-off resources of £19.7million were used, £7.2million of reserves and £12.5million of one-off capital receipts. Over the medium term ongoing savings will need to be identified to cover this amount in addition to the grant reductions and service pressures.

2.5 The level of reserves is considered adequate on the basis that although the budget balances in 2018/19 and there are plans to enhance council processes, detailed plans to deliver a sustainable budget are to be formulated, and unless they deliver significant savings, reserves will not be at an adequate level.

2.6 The Council has a large amount of fixed costs in its budget, for example previous capital investment leading to capital financing charges and the pension deficit contribution, which cannot be reduced.

2.7 The Phase One proposals, included efficiencies and one-off reductions of £8.2million for 2018/19, leaving

£15.7million of additional savings to be found in Phase Two. Over the three year period, this left an additional £35.2m of ongoing savings to be identified.

2.8 This report sets out further budget pressures of £2.5million and reductions of £14.1million which have been identified in addition to those included within Phase One of the process. These newly identified budget proposals brings the gap down to £4.1million for 2018/19. Reserves will need to be used in order to set a balanced budget. This will reduce the Council's reserves, which will need to fund the cost of downsizing and transforming the organisation.

2.9 The budget gap has reduced to £19.2million in 2020/21. Even though the budget gap has been reduced to £4.1million in 2018/19 and there are substantial budget reductions and additional income items in 2018/19, a high proportion of these remain one-off (£12.7million), such as the use of capital receipts, the Minimum Revenue Provision (MRP) re-provision and Council Tax surplus. The council still remains in a difficult financial position and will need to continue making decisions on how it can reduce the costs of its operations.

2.10 The scale of the task facing the council means that a sustainable budget can only be achieved by fundamentally reducing the nature of the services it offers and the cost of how it operates. However, the council must manage its services in available resources.

2.11 This is not a unique financial context for a Unitary Council. Indeed, this is the reality facing the sector. That context is challenging undoubtedly, especially given both the pressures and gearing of adult social care, homelessness and school places on a relatively small Unitary Council.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	**YES**	If yes, date for Cabinet meeting	**26 FEB 18**
Date for relevant Council meeting	**7 MARCH 18**	Date for submission to Government Dept.	**N/A**

4. BACKGROUND

4.1 This report sets out the process being followed for the delivery of the three year Revenue Budget and Capital Programme (2018/19-2020/21) for the council. Like in previous years the budget process has been divided into two distinct phases. This report sets out the outcomes from the second phase of the process for consultation along with the Council's plans for bridging any remaining budget gaps.

4.2 The report also includes the draft Robustness Statement of the Council's Chief Finance (section 151) Officer setting out the how sustainable the Councils financial position is over time.

2018/19-2020/21 MTFS Process

4.3 The MTFS process is ordinarily divided into two phases:

Phase One has been through a consultation process and approved at Council on 13 December 2017.

Phase Two sets out:

- Changes in funding/requirements from the Provisional Local Government Finance Settlement;
- Newly identified budget pressures and required reductions to balance the budget for 2018/19 and to help close the budget gap in following years.
- The Council's Plans for closing the budget gap, which reduces to £19.2million at the end of the three year period.

- The Robustness Statement, which outlines the advice given from the Councils Chief Finance (section 151) Officer, setting out the robustness of estimates included within the budget, the adequacy of the reserves, as well as the sustainability of the councils financial position over the planning horizon.

4.4 Proposals will be agreed by Cabinet at its meeting on 26 February and then will be recommended to Council on 7 March for approval.

Budget Context

4.5 In total since 2010 the Council has made significant savings, however this is still not enough and Central Government continues to cut funding to Local Government. Therefore the Council will be required to make further savings, which may well impact on a range of services, because by law the Council has to set a balanced budget.

4.6 As part of the Phase One budget consultation for the 2018/19 MTFS, which was presented to Cabinet on the 20 November, the Council set out in detail the pressures it faces, along with some of the successes the council has been able to achieve throughout such a difficult time. These are outlined in Appendix A.

4.7 However, the main points underlying the council's position include:

- A reduction in Government Revenue Support Grant Funding of £45million between 2013/14 and 2018/19; in addition to funding reductions received prior to this, dating back to the spending review in June 2010;
- A 200 per cent increase in Homeless Families requiring temporary accommodation in two years;
- Increasing demand for Adult Services;
- An increasing amount of children coming into care, with numbers peaking at 381 in July 2017;
- Creating extra school places for a school population that has increased by 13 per cent between 2013 and 2017.

4.8 Despite these pressures the Council has:

- Invested £127.7million in school building schemes and school improvements in the last five years;
- Led on the Fletton Quays scheme to regenerate this part of the City Centre;
- Helped create 2,685 jobs in the City in 2016/17;
- Helped create 4,600 new homes for residents between 2011 and 2016.

Local Government Provisional Finance Settlement 2018/19

4.9 On 19 December The Ministry of Housing, Communities and Local Government, MHCLG issued the Local Government Provisional Finance Settlement. The most significant change was permitting county and unitary councils to increase their 2018/19 council tax by an additional 1 per cent, with the possibility of a further 1 per cent in 2019/20 following Government approval, the latter has not been built in to the budget. The referendum threshold for core council tax was increased from 2 per cent to 3 per cent and the Adult Care Social Care precept maximum increase remain at 3 per cent. It is proposed that the Council increase Council Tax by this additional 1 per cent. This will contribute circa £0.7million of income to the budget. Grant funding was as anticipated and did not change from that set out in 2016 as part of the multi-year settlement for 2016/17 – 2019/20.

4.10 From 2020/21 councils will be allowed to retain 75 per cent of their business rates. This increase though will be used to incorporate existing grants, including the Revenue Support Grant which is £10million in 2019/20 and the Public Health Grant of £11million.

4.11 However, from 2020/21 a new fair-funding mechanism will be introduced with consultation starting on relative needs and resources in the New Year and at this stage there is no information to project a positive or negative impact to the council's funding.

4.12 Business rates will be "reset" from 2020/21 so any growth or loss up to this point will be removed and the overall sum will be redistributed according to the outcome of the new needs assessment through top-ups and tariffs.

Local Government Final Finance Settlement 2018/19

4.13 On 6 February The MHCLG published its final local government finance settlement for 2018/19.There are a small number of changes compared to the provisional settlement published in December 2017.

4.14 One key change was for additional one off funding of £150million for adult social care in 2018/19 to go directly to local authorities based on the adult social care relative needs formula. The Government expects councils to use the grant to support sustainable local care markets. The Council will receive £0.496million of this funding.

4.15 There have been adjustments to the amount of the grant to authorities to compensate them for limits to the increase in the NNDR multiplier. They are due to updated data and different calculation methodology, This will result in £0.084million financial benefit for the Council in 2018/19.

4.16 These newly announced funding changes have been incorporated within the budget and reduce the need to use reserves in 2018/19 by £0.6million.

4.17 Final confirmation of New Homes Bonus Allocations were included within the settlement figures, however there is no financial change from the Provisional figures for the council.

Revenue funding assumptions

4.18 The funding assumptions included in the 2018/19 MTFS process:

- General Council Tax is assumed to increase at 1.99 per cent per year for years two and three of the MTFS, which is below the proposed referendum limit for those years.
- Following on from The Local Government Provisional Finance Settlement, flexibility was given to local authorities, allowing them to increase general council tax by 2.99 per cent, in 2018/19 and potentially 2019/20. The MTFS has been updated to include the additional 1 per cent increase in 2018/19 only.
- The full Adult Social Care Precept of 3 per cent will be levied in 2018/19 only. This is the maximum the council can levy and there has been no assumption made for future increases.
- This makes the total Council tax increase in 2018/19 5.99 per cent.
- The Council Tax base is increased to reflect the growth in the city and a number of variables, such as Council Tax support, Council Tax exemptions and the banding of properties, of which Peterborough is largely weighted towards band A and B properties. The forecast increase in Council Tax base usually equates to an average of 1,000 new homes built each year. However in 2018/19, as a one off it is estimated that there will be a larger increase in the council tax base due to additional house building and a reduction in the levels of Council Tax support sought.
- NNDR is assumed to increase at the rate of CPI, as announced in the Autumn Budget, this equates to a 3 per cent in 2018/19, 2.2 per cent in 2019/20 and 1.8 per cent in 2020/21. However the council will receive compensation for the difference between RPI and CPI via a government s31 grant.
- RSG for 2018/19 is assumed to reduce by 25 per cent from the 2017/18 levels, and 32 per cent from 2018/19 to 2019/20. The figures for 2018/19 and 2019/20 remain fairly certain following the four year settlement deal secured by the council, covering the period 2016/17-2019/20.
- As explained in section 4.4, RSG will be part of the 75% business rates retention and the fairer funding mechanism which will be introduced from 2020/21. At this stage MHCLG are consulting with local authorities and the level of funding to the council remains uncertain.

5. BUDGET DETAIL

2018/19 MTFS Phase One Summary

5.1 Phase One of the budget process for 2018/19 included a full review by service departments on the makeup of the base budgets contained in the 2017/18 MTFS for the 2018/19 to 2020/21 financial years. This has formed the starting point for the work that is being undertaken on the 2018/19 MTFS.

5.2 The Council then reviewed all budgets over the three year period of the MTFS to ensure that all known issues had been taken into account. This included a full assessment all one off savings and their applicability to ensure budgets are sustainable over time.

5.3 The 2017/18 MTFS assumed the use of £4.2million from the Grant Equalisation Reserve to support the 2018/19 budget, this has been added back into the position. Over the three year period an additional £10.9million of pressures have been identified, including a number of budgets across the Council where after careful analysis initiatives will not be delivered and as such it has been prudent to adjust the base budget accordingly.

5.4 Demographic and demand pressures included £1.7million rising to £5.7million in relation to housing homeless families and £0.6million rising to £2.6million by 2020/21 for Adult Social Care. Although there are currently demand pressures for Children's Services reported within the Budgetary Control Report for 2017/18, these are expected to be mitigated in full by 2018/19, although it will remain a potential risk.

5.5 Initial Phase One savings proposals were tabled and these amount to £8.2million, £6.5million and £4.5million in the respective three year period, resulting in the overall deficit figure reducing to £35.2million at the end of the three year period, this is outlined within Table 1.

Table 1- 2018/19 MTFS Phase One Budget Summary

	2018/19 £000	**2019/20 £000**	**2020/21 £000**
2017/18 MTFS Gross Expenditure	443,728	450,948	461,447
2017/18 MTFS Income	(296,449)	(298,044)	(297,548)
2017/18 MTFS Net Budget	**147,279**	**152,904**	**163,899**
2017/18 Total Funding	**(132,492)**	**(131,658)**	**(135,046)**
2017/18 MTFS Budget Gap	**14,787**	**21,246**	**28,853**
Add back use of Grant Equalisation Reserve	4,250		
Budget Gap without the Use of Reserves	**19,037**	**21,246**	**28,853**
Phase One			
Rebasing the Budget and Pressures	2,390	2,333	2,218
Demographic and Demand Pressures	2,279	4,112	8,460
Legislative and Other Changes	188	197	205
Revised Budget Gap	**23,894**	**27,888**	**39,736**
Budget Reductions and Additional Income	(8,194)	(6,528)	(4,526)
Revised Deficit after Accounting for Phase One Budget Pressures and Reductions	**15,700**	**21,360**	**35,210**
Incremental Budget Gap	**15,700**	**5,660**	**13,850**

New revenue pressures and savings proposals included within Phase Two

5.6 Following on from phase one the Council has continued to thoroughly review its budget position to ensure all pressures are recognised or mitigated where possible, efficiencies are sought and new budget proposals investigated.

5.7 Within this phase, additional budget pressures of £2.5million and reductions of £14.1million have been identified. These newly identified budget proposals brings the gap down to £4.1million for 2018/19, where the balance of the Grant Equalisation Reserve and other reserves will be utilised to deliver a balanced budget. The sustainability of the budget is covered in further detail in section 6, the robustness statement.

5.8 The gap has reduced to £19.2million in 2020/21. Even though there are substantial budget reductions and additional income items in 2018/19, a high proportion of these remain one-off, such as the Minimum Revenue Provision (MRP) reprovision, additional capital receipts and council tax surplus, postponing the sustainable resolution of the budget gap to future years.

5.9 The consultation document, Appendix H – Budget Proposal, details the proposals in the Service Implications section and are summarised in **Tables 2, 3, 4, 5 and 6:**

5.10 Some of the key headline proposals included are:

- **Business Rates Forecast**- An increase in the amount of money retained by the council from business rates is expected, compared to what was previously forecast. This is due to a combination of factors, including changes to the way this figure is calculated by government and grants received by the government to address these changes and inflation. The forecast has been revised to also account for areas where we expect to see commercial growth such as Fletton Quays.

- **Council Tax Base, Surplus and additional 1 per cent**- The council tax base is calculated by looking at the amount of properties within the city, and considering other variables which would affect it. Due to the continued growth in the number of households paying council tax in Peterborough (caused by population growth and house building within the city), the forecast for the amount of council tax has increased by £792k in 2018/19 rising to £1million in 2020/21.

  Following the Provisional Local Government Finance Settlement, additional flexibility granted gave councils the ability to increase general council tax by an additional 1 per cent. The council has included this additional 1 per cent increase within the budget for 2018/19, which will generate an additional £693k of income.

  In addition to this following phase one an updated estimate on the council tax surplus has been calculated, providing an additional £183k in 2018/19.

- **Minimum Revenue Provision (MRP)** – MRP is effectively the principal repayment of the loans the council takes out to fund the capital programme. During the 2016/17 budget process, the council undertook a major review of its MRP policy, which resulted in the council approving to the reprofiling of the timing of the repayment of its debt. The review also identified that the council had repaid some of its debt early. This proposal is an accounting adjustment which utilises this early repayment to provide the council with a non-repeatable benefit for 2018/19.

- **Capital Receipts**-The asset management plan in 2017/18 assumed that a number of assets would be sold in 2018/19 and the income used to support that year's budget. The list of assets for sale has been revised to reflect an updated position based on new sale timescales and revised values, and from this the council expects to receive an additional £1.822m above what is already included within the Medium Term Financial Strategy.

- **Shared and integrated Services**- The council will be pursuing a programme of transformation to share and integrate services with Cambridgeshire County Council, health and other local authorities. In order to improve outcomes and manage demand on services, the programme will build on successful joint working to date. It would include sharing back office functions, reducing leadership costs, maximising purchase power, reducing the duplication of systems and processes, reducing estate costs and building resilience.

Three work streams would be put in place:
1.Opportunities for shared services in back office functions
2.Further integration of services in the People and Communities directorates of each partner.
3.Additional opportunities for shared or integrated service delivery across Place based directorates.

- **Resources Service Cuts**- This department has reviewed options available to make service reductions from 2018/19 onwards, these include the following:
  - Finance Restructure- The financial services function will be restructured and there will be the removal of 8 vacant posts from the budget which creates a saving of £0.4million per year.
  - Business Transformation- Serco has agreed to making savings in its Transformation team. This will mean that future work completed will focus on corporate initiatives and additional control over resource have already been implemented.
  - Vivacity- reduction in council contribution to the Vivacity budget
  - Registration and Bereavement- The purchase of the register office property will mean a saving of £35k a year, due to a favourable cost model, from the lease it previously held.

- **Homelessness preventative work**- The council has continued to focus attention on the housing function to look at prevention models and housing solutions to reduce the pressure reported within Phase One. Officers now have a pipeline of housing solutions including 29 units at Midland Road and 43 at Bretton Court, and further developments in train. The Housing team has been restructured to allow for additional prevention officer posts, which will work with families to prevent them reaching a position of homelessness. There will also be a commissioner put in place to look at solutions working closely with letting agents and landlords to source suitable and available rental properties from the market, which may have been out of reach to some of these families. These measures will reduce the pressure by £0.259million in 2018/19, £1.354million in 2019/20 and £4.309million, which reflects the reduced use of Bed and Breakfast.

- **Peterborough Highways Services**- Peterborough Highway Services is a ten year partnership with Skanska to provide highway maintenance services. Since Phase One the council has made further progress with discussions with other councils to allow them access to the Peterborough Highway Services contract. This will allow these councils to contract Skanska using the council's framework for a fee. In addition revenue savings will be created by using capital investment to prevent further revenue maintenance expenditure.

- **0-25 Provider service change**- The Council currently runs two residential/respite homes for children with disabilities. More families are choosing to access non-residential provision and this has significantly reduced occupancy at the Manor respite care unit. The proposal is to stop using the Manor for residential care and increase outreach, direct payments, after school clubs and sports activities.

- **Schools Transport-** The number of children who need home to school transport has increased. Peterborough has one of the highest population growths in the UK and also the fourth highest birth rate. Pupils being taught in secondary and primary schools in the city has increased by 7,360 (26 per cent) since 2006. The pressure of £300k (2018/19) on this budget is due to the high levels of deprivation and child poverty in the city and increases in homelessness, meaning pupils rely much more on the council for home to school transport. In addition, due to the growing demand for school places, has led to a significant rise in the numbers of children being transported due to their nearest available school being over the statutory walking distance.

Table 2- 2018/19 Phase Two Budget Summary Position

	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap without the Use of Reserves	**19,037**	**21,246**	**28,853**
2018/19- Phase One			
Pressures	4,857	6,642	10,883
Budget Reductions and Additional Income	(8,194)	(6,528)	(4,526)
Revised Budget Gap	**15,700**	**21,360**	**35,210**
2018/19- Phase Two			
Pressures	2,494	3,691	3,779
Budget Reductions and Additional Income	(14,127)	(12,503)	(19,837)
Revised Budget Gap	**4,067**	**12,548**	**19,152**
One-off use of Reserves	(4,067)		
Final Budget Gap	**0**	**12,548**	**19,152**
Incremental Budget Gap	**0**	**12,548**	**6,604**

5.11 The following appendices outline further details on the budget position:
Appendix B - 2018/19 MTFS detailed position
Appendix C - 2018/19 MTFS by department
Appendix D - 2018/19 MTFS by service

Table 3- The overall gross and net budget gap for 2018/19- 2020/21

	2018/19	2019/20	2020/21
	£000	£000	£000
2018/19 Final Net Budget Position	**4,067**	**12,548**	**19,152**
2018/19 Phase One Budget Reductions and Additional Income	8,194	6,528	4,526
2018/19 Phase Two Budget Reductions and Additional Income	14,127	12,503	19,837
Gross Budget Gap	**26,388**	**31,579**	**43,515**

Table 4- Phase Two Individual budget pressures

Budget Pressures	2018/19	2019/20	2020/21
	£000	£000	£000
Housing Benefit Administration Subsidy	122	122	122
Energy	338	462	555
House Recycling Centre	152	152	152
Additional office accommodation costs	22	446	298
Terrorism Insurance	39	37	35
Street Lighting inflation	189	110	110
School Transport	300	340	350
Pay Award- additional 1% in 2018/19 and 2019/20	400	820	820
Loss of Rental Income	932	1,202	1,337
Total Budget Pressures	**2,494**	**3,691**	**3,779**

Table 5- Phase Two Individual budget reductions and additional income

Budget Reductions and additional income	2018/19	2019/20	2020/21
	£000	£000	£000
One-Off (non-repeatable)			
MRP Re-provisioning	(3,700)	164	164
Council Tax Surplus (additional amount)	(183)		
Capital Receipts	(1,822)		
One-Off (non-repeatable) sub-total:	**(5,705)**	**164**	**164**
Additional Income			
Council Tax base	(792)	(853)	(1,004)
Confirmed SEND grant for 2018/19	(127)		
Council Tax- additional 1% in 2018/19	(693)	(716)	(741)
New Homes Bonus	(31)	(46)	(27)
Adult Social Care grant 2018/19	(496)		
Business Rates compensation for limits increase in the NNDR multiplier	(85)	(85)	(85)
Business Rates Forecast	(935)	(483)	(515)
Peterborough Highways Services	(396)	(681)	(440)
Additional Income sub-total:	**(3,555)**	**(2,864)**	**(2,812)**
Service Changes			
Councillors- Paperless and removal of food and drink budget	(14)	(14)	(14)
Capitalisation	(50)	(50)	(50)
Training and Subscriptions	(200)	(200)	(200)
HR Savings	(12)	(12)	(4)
Serco Variable Spend reduction	(1,000)	(1,000)	(1,000)
Business Support	(100)	(100)	(100)
Capital Programme	(400)	(300)	(300)
Heltwate School (one year deferral)	(102)	(242)	(64)
Homelessness demand re-profile- relating to Phase one pressure*	(259)	(1,354)	(4,309)
Shared and Integrated Services Programme (exc Finance)	(845)	(4,500)	(9,000)
Resources Service Cuts	(740)	(740)	(740)
Events Tourism and Travel Choice Service Cuts	(145)	(167)	(290)
Growth and Regeneration Service Cuts	(585)	(654)	(644)
Public Health Service Cuts	(415)	(470)	(475)
Service Changes sub-total:	**(4,867)**	**(9,803)**	**(17,189)**
Total Budget Reductions and additional income	**(14,127)**	**(12,503)**	**(19,837)**

**The Homelessness demand pressure which was included within phase one has now been reprofiled following an identified housing pipeline and preventative activity.*

Table 6- Phase One and Two Budget Reduction Summary

	2018/19	2019/20	2020/21
	£000	£000	£000
One-Off (non-repeatable)			
Phase One	(1,005)	0	0
Phase Two	(5,705)	164	164
One-Off (non-repeatable) sub-total:	**(6,710)**	**164**	**164**
Additional Income			

Phase One	(2,696)	(2,547)	(838)
Phase Two	(3,555)	(2,864)	(2,812)
Additional Income sub-total:	**(6,251)**	**(5,411)**	**(3,650)**
Service Changes*			
Phase One	(4,493)	(3,981)	(3,688)
Phase Two	(4,867)	(9,803)	(17,189)
Service Changes sub-total:	**(9,360)**	**(13,784)**	**(20,877)**
Total Budget Reductions	**(22,321)**	**(19,031)**	**(24,363)**

**The Homelessness demand pressure which was included within phase one has now been reprofiled following an identified housing pipeline and preventative activity. Excluding the reprofiled Pressure the 2020/21 service changes would total £16.6million.*

Grants

5.11 The Council receives a number of Grants such as Revenue Support Grant (RSG), Public Health, New Homes Bonus and Improved Better Care Fund. These are set out in detail in Appendix F.

5.12 The MHCLG published the local government final finance settlement on 6 February, confirming final grant allocations. There were a small number of changes from this. The most notable being the allocation of £150million of one off funding for Adult Social Care in 2018/19, from which the council will receive an additional £0.496million.

5.13 RSG remains as forecast, this was confirmed as part of the multi-year settlement deal Peterborough secured from the Ministry of Housing, Communities and Local Government (MHCLG) last year. In 2018/19 we will be in year three of this deal, with only one year remaining after that, leaving the future of the grant unknown.

Adult Social Care Precept

5.14 <u>Background</u>

In April 2016, Councils had the option of levying a 2 per cent ‘Adult Social Care Precept. Then for 2017/18 this flexibility was increased to 6 per cent over the three years 2017/18 to 2019/20. To achieve this a maximum 3 per cent was allowed in 2017/18 and 2018/19.

5.15 <u>Key Issues</u>

The funding raised must be spent, and continue to be spent, purely on supporting Adult Social Care. 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. 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.

For Authorities using the precept power, the Chief Finance (section 151) Officer and the Director of Adult Services (DAS) are required to certify that the precept will be spent only for the benefit of Adult Social Care via a quarterly return to MHCLG.

5.16 <u>Peterborough and the Adult Social Care Precept</u>

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.

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.
It was agreed in the 2017/18 MTFS that Peterborough would levy the 3 per cent Adult Social Care Precept in 2017/18 and 2018/19, this is the maximum that can be levied in each year.
Authorities are required to report the per cent change in the Adult Social Care Budget excluding the precept compared to the per cent change in other non-ringfenced budgets. If the reduction in Adult Social Care was a higher per cent than for other services then more explanation would need to be provided to MHCLG. It is expected that because of the use of reserves and one-off measures in 2018/19 the Authority will be able to demonstrate the required differential in budget changes.

If levying 3 per cent rather than 2 per cent Adult Social Care Precept the council must explain how the additional 1 per cent is used to improve adult social care in its area. This is a process that is completed at the beginning of the financial year to which the increase applies through a specific S151 Return form. This form compares the changes to adult social care budgets with those of other non-ring fenced / non-statutory services with the additional Budget funding for adult social care.

Cambridgeshire and Peterborough Combined Authority

5.17 From March 2017 Cambridgeshire and Peterborough Combined Authority (CPCA) has been the Local Transport Authority. This is part of the devolution deal for CPCA, the functions comprise:

- Duty to produce a Local Transport Plan;
- Production of a Bus Strategy;
- Rights to franchise local bus services within its area, subject to the completion of the process set out in the Bus Services Act 2017;
- Powers to enter into quality bus partnerships (QBP) and enhanced partnerships;
- Responsibility for the provision of bus information and the production of a bus information strategy;
- Role of Travel Concession Authority;
- Financial powers to enable the funding of community transport
- Powers to support bus services

5.18 However, in 2017/18 the functions have continued to be carried out by the council and Cambridgeshire County Council (CCC), under existing arrangements. The CPCA is yet to determine its approach to its transport responsibilities in 2018/19. Options include:

- Delivery in a ‘Business as Usual’ way by commissioning service delivery from the constituent councils; or
- Delivering services directly by the CPCA; or
- Delivery of the services on behalf of the CPCA through a third party; or
- A hybrid of the above delivery arrangements.

5.19 The CPCA does not yet have the powers to charge the Council and CCC a levy for the cost of its transport responsibilities. The draft Statutory Instrument has yet to be approved and the timetable for approval is now uncertain. The Statutory Instrument (SI) determines the amounts of the transport levies to be issued by the CPCA to the council and CCC to deliver the Combined Authority's transport functions. The SI is drafted such that the CPCA shall apportion their estimated relevant expenditure in such a proportion as the upper-tier authorities agree. The default apportionment would be in the same proportion to the amount that each of the upper-tier authorities has spent on the relevant transport function in the financial year ending 31 March 2017. Alternatively the Constituent Authorities may agree that the transport funding can be met by contribution rather than relying upon the levy.

5.20 The Councils MTFS does not assume any additional costs from CPCA's transport functions in 2018/19.

5.21 The financial impact of any changes in 2018/19 will be clearer following the local government finance settlement and the CPCA decision on how it wishes to carry out its transport responsibilities in 2018/19.

5.22 The Council expects to continue to provide some support services to CPCA during 2018/19. The cost is expected to be fully reimbursed under a Service Level Agreement. The services include financial accounting, financial system support, VAT advice and treasury management. These services have already been provided successfully in 2017/18. They build on compatible service arrangements including the same external auditors (Ernst Young LLP) and bankers.

Fees and Charges

5.23 As part of the MTFS, the council must review its fees and charges to ensure it is receiving appropriate recompense for the services that it is allowed to charge its stakeholders for. For the majority of charges, the council has latitude to increase or decrease costs appropriately, however there are some services where increases are set nationally.

5.24 The full listing of Fees and Charges as set out in Appendix G – the number by department and range of the increases are summarised in the Table 6.

Table 6 – Fee and Charge Increases by Department

Department	**Number of Services**	**Increase Range**
Governance	2	0 – 2.6%
Growth and Regeneration	6	0 – 8.3%
People and Communities	16	(0.6) – 3.3%
Resources	27	0 – 6.2%
Total	**51**	

Strategic Approach to closing the Budget Gap

5.25 The council will continue to develop options to deliver a sustainable budget for the three year MTFS after Phase two has been considered.

5.26 The areas of search are outlined in the following section. Some of these areas of search will produce options that may lead to in year additional income or savings in 2018/19.

- In view of this and the seriousness of the council's financial position, it is proposed to put an in depth budget review and any in year options to Cabinet and Council in July 2018. Consultation will take place over the summer, with results put to Cabinet and Council in September 2018. This process will continue on a rolling quarterly basis to ensure that proposals can be agreed, consulted on and implemented quickly.
- A revised Governance process is to be implemented across the Council in quarter one of 2018. A key driver of this change is to ensure that all decisions taken are made with the appropriate level of accountability and responsibility and that all phases of a project or initiative are considered properly in the decision making process. This should support a more focused allocation of resources to services that are the highest priority for the Council.

5.27 There are five fundamental areas in which the council will develop options to meet the requirement for a sustainable budget:

1) <u>Expand Commercial Income</u>

The council has a significant track record in delivering commercial income, both through individual projects and the commercialisation of procurement frameworks that have been developed such as Skanska.
The council is developing a new commercial strategy in conjunction with Cambridgeshire County Council (CCC). In advance of that, the council will bring forward plans for debate to invest directly and significantly in property. A draft property strategy is being developed to underpin any investment, using external expertise to both develop and validate the approach. The strategy will have clear objectives, a sound legal

and financial basis, identification of delivery mechanisms and clear governance. It will also cover risk appetite.

2) Continue to innovate and develop efficiencies

The largest example of these initiatives being currently assessed is the exploration of shared service opportunities within the local area, building on the successful track record of sharing with CCC and other local authorities. A separate report will be brought back to Cabinet in 2018.

There is significant scope for sharing that could release funding without impacting on the front line, which includes:

- Savings arising from sharing management and leadership costs. The Chief Executive and the Leadership Team of People and Communities is already shared across the council and CCC:
- Back office costs at the council are in excess of £20million. A small number of other authorities have demonstrated that the opportunity to share and transform services such as ICT, Finance, Legal, HR, Business support and Democratic Services can lead to significant efficiencies;
- Procurement efficiencies and property savings, more detailed work will lead to an assessment of scale;
- If the council could share services, an opportunity exists to share transition and other costs. This could lead to significantly less demand on one-off resources to pump prime savings programmes in the future;
- The council will seek the development of new service delivery models and best practice.

3) Mitigation and Control of Service Demand Pressures

Reducing pressures that have been identified within the MTFS are critical to delivering a sustainable budget. The three largest pressures are:

- Homelessness represents the biggest financial risk to the Council and is being treated with the highest priority. In Phase One the budget for 2018/19 contained a pressure of £2million for homelessness, leading to £5.7million in 2021/22. This position has been revised within Phase Two, reducing the total service pressure in 2018/19 to £1.5million, and by 2021/22 it should have reduced to £1.5million. This pressure has been reduced as the council has looked at prevention models and housing solutions. Officers now have a pipeline of housing solutions including 29 units at Midland Road and 43 at Bretton Court, and further developments in train. The Housing team has been restructured to allow for additional prevention officer posts, which will work with families to prevent them reaching a position of homelessness. This still remains a key risk and will be closely monitored by officers.
- Pressures created in the revenue budget caused by borrowing, which is primarily to fund schools places. The pressure from borrowing to fund schools places is estimated to cost the Council £45m over the three years of the MTFS. The People and Communities department continue to review this estimate on an end to end basis to ascertain whether it is possible to reduce this pressure and still deliver the additional school places that Peterborough needs.
- Pressures in social care caused by demographic changes. To mitigate the demographic pressures in social care, service transformation opportunities will continue to be explored

It should be noted that growth of these pressures are not being funded by central government.

4) Continue to seek to maximise funding

The council has identified external funding of £147million (of which council tax and national non domestic rates account for £121million). The council is proposing to increase council tax and the precept by the maximum legally allowable (if it were proposed to increase council tax by more than 2.99 per cent, a referendum would be required).

- In order to ensure that this funding is maximised, the council has asked its service provider, Serco, to consider how the collection of NNDR and Council Tax can be improved. To give an idea of scale, an increased collection rate on Council Tax of 0.5 per cent would improve yield by £0.4million.
- The council has engaged external providers to review business premises. Over time, businesses may expand and that expansion might not have been fully captured. This may yield in the low

hundreds of thousands of pounds. Payment to the providers will only be made on identification of new rateable value.

- The same contractor has been engaged to ensure that New Homes Bonus is being fully identified.

Fees and charges will continue to be reviewed, but opportunities to increase or expand fees and charges within the council's control are relatively limited. One exception is car parking. The council will be developing a new car parking strategy.

Additionally, one off sources of funding will continue to be explored as they arise.

5) Budget cuts

The Council has two options for further review:

- One is to review the level of discretionary expenditure within the council. From analysis carried out to date this is £12million and does contain many services which though discretionary, are vital to the city's wellbeing, such as expenditure on culture and the arts.
- The other option is to review service quality within non-discretionary areas. This covers the bulk of the Council's gross expenditure of £300million. The council will be establishing new governance, commissioning and procurement to test if any better value can be identified. However, savings that arise from that tend to be non-cashable. This leaves service cuts as a last option, with People and Communities and Growth and Regeneration with service budgets of £286million gross.

Taken as a whole, the areas of search do offer very significant opportunities but there is a requirement for work to begin quickly to ensure new savings can be properly delivered as soon as is possible and no later than the start of the 2019/20 financial year.

Capital Programme

5.28 The Council's Capital Programme is viewed over a five year period to ensure correct stewardship of assets and efficient use of budgets. The council is proactive in attracting external funding for as many schemes as is possible. An officer-led Capital Review Group has been set up to oversee the council's capital requirements, and will continue to do so on a fortnightly basis.

5.29 The Capital Programme includes estimated project costs and profiling of expenditure whilst detailed business cases and due diligence is completed on individual schemes such as the acquisition strategy.

5.30 The Capital Review Group have received early indications from Service Directors of new investment projects that will be required in the future which have not been included in the Asset Investment Strategy. Before these schemes can be agreed further work is required on the development of detailed business cases, to carry out due diligence and then approval through the Council's governance process before they are included. Future Asset Investment projects include; Car Park Strategy, Affordable Housing Strategy, Sports Strategy, ICT Strategy. If further projects are approved, further borrowing costs will need to be built in to the budget.

5.31 The following capital programme has been agreed by the group and the Corporate Management Team.

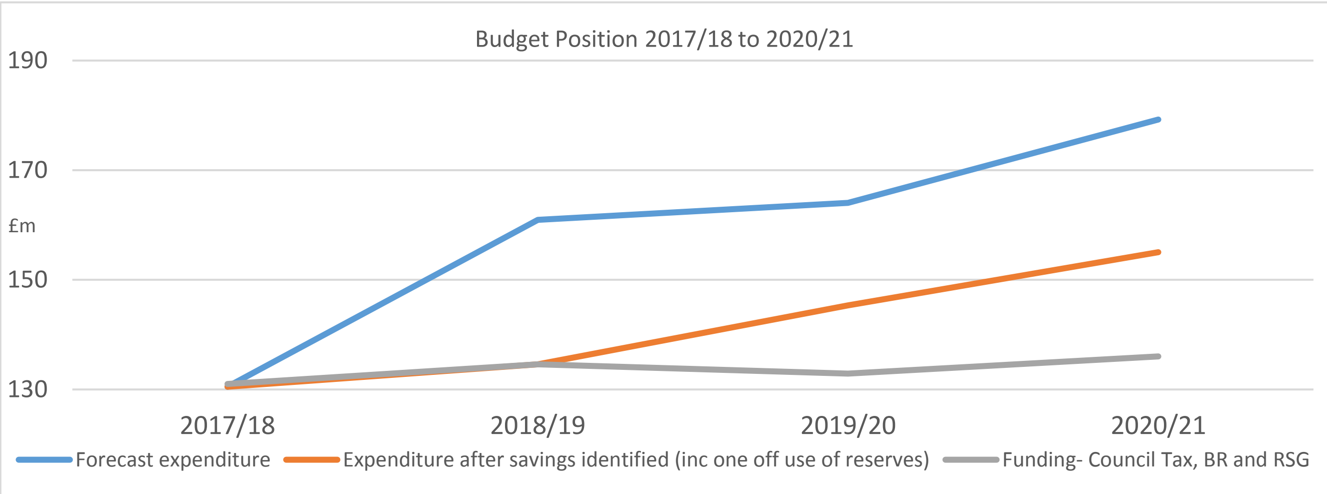
Capital Programme	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000
Governance	49	0	0
Growth & Regeneration	57,235	25,398	12,507
People & Communities	55,649	50,759	14,413
Resources	2,433	1,947	1,984
Resources - Invest to Save	43,350	35,000	10,000

Total Capital Programme	**158,716**	**113,104**	**38,904**
Funded By:			
Grants & Third Party Contributions	40,486	32,113	7,133
Capital Receipts	24,200	15,000	-
Capital Financing Requirement (Borrowing)	94,023	65,991	31,771
Total Capital Financing	**158,716**	**113,104**	**38,904**

Appendix E - Capital Schemes, includes more detail on the individual schemes included within the capital programme.

The Budget Gap

5.32 The budget gap, taking account of budget pressures and reductions identified throughout Phase Two of the process stands at £19.2million. The following graph demonstrates the current forecast budget gap and progress made to close this by 2020/21.



5.33 The gap is derived from a number of different areas, some of these having a positive impact, but are outweighed by increased costs and pressures in other areas. The following are the key items contributing to the change in position:

- **Council Tax-** Over the period the forecast income generated from Council Tax income is increasing. This is due to the growth in housebuilding and population in the city, improved collection, council tax increases applied over recent years, including the Adult Social Care precept. These factors combined are forecast to increase the income generated by £13m over the period 2017/18- 2020/21.

- **Business rates-** Over the period we are expecting growth in business and the economy in Peterborough which translates to an increase of £9million over the period 2017/18-2020/21. Although this isn't reflected in the NNDR figure included within the funding assumptions, the council received s31 grants as compensation for changes MHCLG implement to the Business Rates scheme.

- **Reduction in Revenue support Grant (RSG)-** The RSG has reduced considerably from £55million in 2013/14 to just £10million by 2019/20. The current forecast for 2020/21 has remained at £10million, until further information is released by MHCLG on the fairer funding review and the business reforms, which are scheduled to be introduced that year.

- **Demographic and demand pressures-** This included pressures rising to £1.5million in relation to housing homeless families and pressures of £2.6million by 2020/21 for Adult Social Care. The Council is closely monitoring these areas and implementing solutions to reduce these pressures.

- **Capital financing and receipts-** The Council incurs high levels of financing (borrowing) cost, in relation to the delivery of the Capital Programme. As the Capital Programme progresses these costs are increasing each year. There has also been a reliance on capital receipts from the sale of assets, to provide one off support to set a balanced budget, £12.5million of these were factored in to the current year's budget, and £2.9million in 2018/19 and £4.3million in 2019/20. However this is a non-recurring solution, and postponed the budget gap to the future years.

- **One off use of reserves**- To enable the Council to set a balanced budget reserve balances have been used. This is only a one off action, and not a sustainable or permanent change to the budget, purely postponing the issue until the following year. In 2017/18 £7.2million was used to balance the budget, and in 2018/19 £4.1million is required.

6. ROBUSTNESS STATEMENT

Background

6.1 Section 25 of The Local Government Act 2003 includes the following statutory duty in respect of the budget report to Council:
"*the Chief Financial Officer (CFO) of the authority must report to it on the following matters:*
a) the robustness of the estimates made for the purpose of the calculations; and
b) the adequacy of the proposed financial reserves."

6.2 The Council is required to take this report into account when making that decision.
Section 26 of the same Act, places an onus on the CFO to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.

6.3 This report has been prepared by the CFO to fulfil this duty and gives the required advice relating to the 2018/19 financial year including a consideration of the budget proposal as a whole and all the financial risks facing the Council. It identifies the Council's approach to budget risk management and assesses the particular risks associated with the 2018/19 budget to inform the advice on robustness.

Overall Budget and Medium Term Financial Strategy 2018/19 – 2020/21

6.4 The Council is in an difficult financial position and without making immediate decisions on how it can plan to reduce the costs of its operations markedly in the medium term, 2019/20 and 2020/21, expenditure is estimated to exceed income with limited recourse to reserves.

6.5 In the opinion of the CFO the 2018/19 estimates are robust and the proposed level of financial reserves are adequate. However, in the absence of detailed savings plans being developed and implemented, concern remains over the sustainability of the budget position over the medium term.

6.6 While efficiency is always a preferred solution, the scale of the task facing the council means it can only be achieved if the council fundamentally faces three ways to close the gap, alongside mitigation and control of service demand pressures and expanding alternative income streams:
a) additional monies from central government, such as through the Green Paper on social care though the budget assumptions do not rely on such funding
b) new operating models of service delivery
c) reduction in services delivered

6.7 This is not a unique financial context for a Unitary Council. Indeed, this is the reality facing the sector. That context is challenging undoubtedly, especially given both the pressure and gearing of adult social care, homelessness and school places on a relatively small Unitary Council.

Robustness of the 2018/19 budget estimates

6.8 The Medium Term Financial Strategy (MTFS) highlights that the current financial position is untenable. Whilst a balanced budget for 2018/19 has been achieved, it has made use of £11.9million of non-repeatable savings, as summarised in the following table:

Non Repeatable	2018/19 £000	2019/20 £000	2020/21 £000
Capital Receipts	2,922*	4,319	-
MRP Re-provision	3,700	-	-
Council Tax Surplus	1,188	-	-
Use of Reserves	4,067	-	-
Total	**11,877**	**4,319**	**-**

** includes £1,100k already built into the previous MTFS for 2018/19*

6.9 The revenue budget and capital programme have been formulated having regard to a number of factors including:

- Funding availability
- Risks and uncertainties
- Inflation
- Priorities
- Demography
- Service Pressures
- Commercial opportunities

6.10 As the budget and Government funding becomes increasingly complex, especially with the increasing importance of working with strategic partners, risk management is key in the setting of budgets and reserve levels.

6.11 The MTFS position has been subject to reviews with the Council's Corporate Management Team, other officers and Members, including Cabinet, Budget Working Group and Scrutiny Committees, and has been out to consultation with the public as part of its two phase budget process.

6.12 For 2018/19 a balanced financial position is possible but only with risks and dependencies in delivery. The Council's General Fund remains at a £6million minimum balance. There is an additional £15.9million of Available Reserves which will facilitate the investment in major transformational change to service delivery. The remaining amount of £7.2million in reserves is ring-fenced for specific purposes such as insurance and so is not available for use.

6.13 The position for 2019/20 onwards is dependent upon the development of deliverable saving plans being produced during 2018/19 affecting the base budget for 2019/20. It is noted that there are a number of strategic actions which should aid the delivery of saving proposals for 2019/20 onwards. These include:

a) The enhancement of the governance structure to be implemented in early 2018. This will further support decisions taken are made with the appropriate level of accountability and responsibility and that all phases of a project are considered properly in this decision making process (staffing, change management, implementation and associated costs, savings, etc);
b) Implementation of an enhanced budget process whereby the budget model is continually revisited and budget assumptions are revised. This will enable identified saving proposals and actions that mitigate new arising pressures to be implemented throughout the financial period;
c) Enhanced monitoring and management of risk thorough Audit Committee (per 1.4 above). An updated Risk Strategy will be presented to Audit & Performance in the February reporting cycle;

6.14 In summary, the 2018/19 budget is balanced, through use of £11.9million of non-repeatable savings, including £4.1million utilisation of some reserves. In order to balance future years budgets, 2019/20 and 2020/21, significant service transformation and service reductions are required and need to be implemented as soon as possible in order to fully develop a sustainable future budget position. The 2018/19 budget position has enabled the council to put aside reserve amounts to be utilised to facilitate the development of transformational service delivery change. These plans need to be produced in the first half of 2018/19 for implementation to commence in 2019/20 at the latest.

6.15 If realistic transformational plans, for reducing the cost of service delivery required to deliver a balanced and sustainable budget for future years, are not developed and implemented during in 2018/19 the CFO may need required to consider the production of a Section 114 report.

6.16 Section 114 of the Local Government Finance Act 1988 requires a report to all the authority's members to be made by the s151 officer, in consultation with the Council's Monitoring Officer and Head of Paid Service, if there is likely to be an unbalanced budget. In this event the Council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take to bring the budget into balance. The publishing of the report starts an immediate 'prohibition period'. This means that all persons that have delegated authority to enter commitments, that such powers are suspended during the prohibition period.

Adequacy of Reserves

6.17 Reserves are set aside to fund risks and one-off pressures over a number of years. If the Council minimises the level of reserves future financial planning is hampered. It should be noted that reserves can only be spent once and the possibility of creating new reserves is now very limited.

6.18 The council broadly categorises reserves as follows:

a) A working balance to manage in year risks – the General Fund Balance
b) Available Reserves – these are reserves for available for future commitments such as transformational investments
c) Ring Fenced Reserves – to meet known or predicted requirements

6.19 The Council's General Fund working balance stands at £6million and ring-fenced reserves at £7.3million. They include the actuarial assessed £4.9million insurance reserve, £1.3million of reserves held on behalf of schools for capital expenditure, Public Health that cannot be used on other activities and £4.1million of reserves that are anticipated to be used in balancing the 2018/19 budget.

General Fund Balance

6.20 Councils use two main approaches to determine the required minimum level of its General Fund; either a percentage of the Council's current spending, or an assessment of risks and the impact they will have on the council's overall financial position.

6.21 The General Fund balance of £6million is at the very minimum recommended amount given the level of risks and issues being managed in the current financial year and potential magnitude in budget fluctuations.

6.22 When compared to other unitary authorities across the country for the 2017/18 financial year 24 per cent have the same percentage of General Fund Balance to net revenue expenditure (4 per cent), whilst 73 per cent have a greater percentage (between 5 per cent-35 per cent).

6.23 In summary the £6million General Fund is at a minimum when the following is taken into consideration:

a) the proportion of volatile budgets, particularly in demand led services in both Adult and Children's Social Care is forecast to be an increasing proportion of the overall budget;
b) no contingency has been built into the general fund;

c) and there is no mechanism for additional funds to contribute to general fund balances or reserves

6.24 This level is considered at a minimum on the basis that although the budget balances in 2018/19 and there are plans to enhance council processes, these future years detailed plans are still to be formulated, as noted previously.

Available & Ring Fenced Reserves

6.25 It is crucial to bear in mind that the reserves are the only source of financing to which the council has access to fund risks and one-off pressures over a number of years. It should be noted that reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is now very limited.

6.26 A forecast underspend of £2.5million on the 2017/18 revenue budget and the application of funds received from Planning Obligations Implementation System (POIS) for capital contributions of £4.2million, has led to a £6.7million estimated contribution to the reserves position.

6.27 The balance shown for the Capacity Building Reserve includes an elements for redundancy costs, which are currently estimated to be up to £2million over the life of the MTFS, and for any other investment required by the council to enable transformational change in service delivery.

Table 8 details the remaining level of estimated Available and Ring-fenced Reserves.

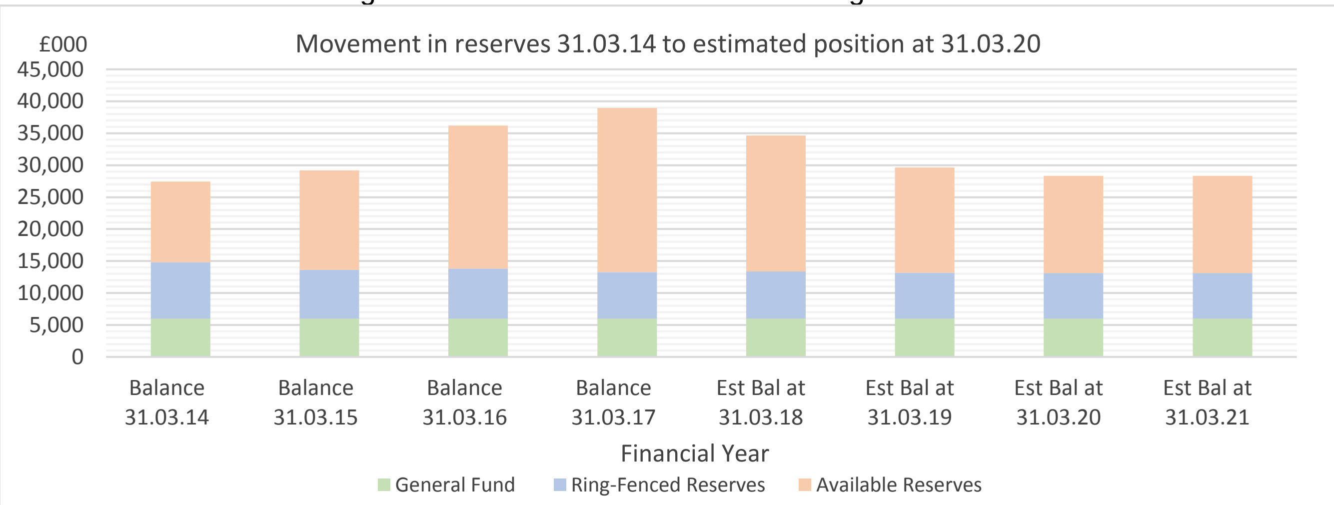


Table 8- Reserves position 2016/17- 2020/21

	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Summary of Reserves	**Balance C/Fwd 31.03.17 £000**	**Estimated Balance at 31.03.18 £000**	**Estimated Balance at 31.03.19 £000**	**Estimated Balance at 31.03.20 £000**	**Estimated Balance at 31.03.21 £000**
General Fund Balance	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**
Available Reserves:					
Capacity Building Reserve	4,314	10,684	11,104	9,864	9,864
Risk Management Contingency	680	657	657	657	657
Grant Equalisation Reserve	15,639	7,812	3,745	3,745	3,745
Development Equalisation Reserve	1,233	544	0	0	0
Departmental Reserve	3,855	1,575	870	870	870
Subtotal	**25,721**	**21,272**	**16,376**	**15,136**	**15,136**
Ring-Fenced Reserves					
Insurance Reserve	4,425	4,936	4,936	4,936	4,936

Schools Capital Expenditure Reserve	1,287	1,287	1,287	1,287	1,287
Parish Council Burial Ground Reserve	53	53	53	53	53
Hackney Carriage Reserve	155	155	155	155	155
School Leases Reserve	336	339	324	274	274
Future Cities Reserve	569	0	0	0	0
Public Health Reserve	428	596	398	398	398
Subtotal	**7,253**	**7,366**	**7,153**	**7,103**	**7,103**
TOTAL Reserves	**38,974**	**34,638**	**29,529**	**28,239**	**28,239**

7. RISK ASSESSMENT

Approach to Risk

7.1 The Council as part of a recent budget review has considered all risks, which may have implications for the Council's budget. Council Officers have put actions in place to review and mitigate exposure to these risks, these are outlined in Table 9.

7.2 The council has recently established a Risk Management Board which will be led by the Director of Growth and Regeneration. This has been established with the purpose of challenging and supporting risk management across the council and partner organisations.

7.3 It will ensure that risk management is in line with the overall organisational approach and that the identification of key issues are escalated appropriately and timely. Officer awareness to risk will be improved, with a regular monitoring and reporting process in place.

Financial Risk Register

7.4 The most current substantial risks have been identified and considered as part of the budget process. Reasonable mitigation has been made where possible. Table 9 details the budget risks that Cabinet and Council should consider when reviewing the MTFS.

Table 9- Council Budget Risk Register

Risk Area	Detail	Action
Level of Reserves	Impact from low levels of reserves balances.	Reserves are reviewed and monitored during the year to ensure that the application of reserves are valid and appropriate.
Level of one-off (non-repeatable) savings	Impact from non-repeatable budget savings and income items.	To create a sustainable budget.
Service Delivery-Demand Led Services	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, adult social care and homelessness. The demographics will remain under regular review throughout the year.	Reviewed through monitoring of budget and management information on a monthly basis Specific provision has been included in the budget plans for estimates of increased demand for Adult social care and homelessness. Demand for Children's Services is monitored through the Placement Model. The Council has implemented an

	Universal Credit implemented by the DWP became live in Peterborough in November 2017, which could cause financial difficulty for residents due to the delayed first payment. The financial impact is not yet fully known. Being able to provide additional affordable housing and a supply of permanent and temporary housing to meet the increased demand in this service area.	innovative partnership with TACT for delivery of children's placements and foster care. Savings plans are also based intervention and prevention, aiming to reduce need and service demand. The housing team has been recently restructured to allow for additional posts to deliver preventative support to families that require housing and are at risk of homelessness. This should help to reduce the financial pressure on the councils budget and provide a more appropriate setting for these families. Regular reporting to the Corporate Management team will continue to take place throughout the course of the year as well as working groups with officers and members which have been established to help provide solutions.
Savings Delivery (current and new proposals)	The achievement of a balanced budget is reliant on a challenging 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. The council is looking go through a programme of transformation, to share and integrate services with Cambridgeshire County Council. There are a high level of savings built in to the MTFS in future years, however at this point it is in the early stages, therefore there is a risk attached to the timing of the delivery of this.	Progress will be monitored via the monthly budget monitoring process. Specific provision has been made in the budget to support the costs of change needed to provide capacity to deliver these savings. The progress on this will be reported to the Corporate Management Team on a regular basis, as well as regular meetings for management teams at both authorities to discuss progress and resolve any emerging issues directly with the project leads.
Income	Cost of provision of service outstrips returns or a reduced level of sales. Exit strategies associated with these ventures could prove to be costly. There is a financial risk attached to failure of commercial investment, either from default or exposure to wider economic changes.	Evaluation of benefits and outcomes throughout the monitoring of budgets. For example the income generated from car parking fees. Thorough due diligence of any commercial proposal in order for effective decision to be made. Then regular and detailed monitoring of the arrangements once implemented, with immediate action taken whenever concern arises.

Business Rates	Forecasts 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. Appeals The provision set aside for appeals by the council may not be sufficient. The claim by the NHS trust for mandatory relief if successful will have a major impact on income levels	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. On a monthly basis reports will be available to monitor business rates income. The Council sets aside a provision to take account of the risk from appeals, based on a rate of 4%. The recommended rate based on the national average is 4.7%, however due to the high levels of small businesses within Peterborough receiving Small Business rates relief, the lower rate used is well justified. Officers have conducted analysis on this and will continue to monitor this.
Council Tax and Local Council Tax Support	Non-collection rates increase beyond the budget assumptions and / or increase in the levels of Local Council Tax Support eligibility, beyond budget assumptions.	Monthly updates will monitor the collection rates. The council will revise future year forecasts on council tax income accordingly.
Partnership Working/ Contractual Commitments	The council now outsources or contracts out a large proportion of services, on a long term basis to organisations, such as Serco, Amey and Vivacity. There is a risk that the council could be subject to increased costs from these contracts due to inflation or alternatively have little option to generate savings within the current budget due to the level accounted for via these contracts. The terms of the contracts may also restrict this.	The council is reviewing all contracts, with a view to achieving value for money. We will continue to work closely with our partner organisations to deliver the best services to our residents in the most effective and efficient manner.
Capital	Capital Receipts 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. Capital Programme The proposed Capital Programme is partially reliant on developer	Regular monitoring of Forecasts for sale completion estimates and valuation changes. Developer contributions to be realised in line with approved policy.

	contributions being achieved, as well as successful grant bids. These funding streams are unclear and not guaranteed, they could be impacted by a downturn in development or reduced opportunity for central government funding. One area we heavily rely on grants is for schools, there is a risk that we may not receive grants in the future to fund new school buildings, despite increasing demand for school places. There is also a risk from asset management, in relation to Insufficient resources to maintain adequately the councils existing and planned infrastructure.	Grant bids to be worked up in line with previous successful approach. The capital programme is closely monitored and reported by officers within the monthly monitoring. The council has also established an officer led Capital Review Group, which meets fortnightly to review the progress of the capital programme and evaluate new proposals or opportunities available to the council. Impact on property repairs / highways infrastructure are monitored and coordinated to balanced against any increases in legal claims / compensation issues.
New Accounting Standards	IFRS 9 and IFRS 15 -Potential change in IFRS may impact on General Fund in year, and thus the amount required to be funded from Council Tax.	This is mitigated by staying abreast of technical accounting changes through use of experts, financial bodies, regular training and support of continued professional development of the Council's accountants.
Economic (Treasury) Risk	Inflation- Increases above forecasts assumed within the budget. Interest Rates- a change in interest rates could impact on borrowing costs which may in part be offset by increased investment interest receipts.	Monitor inflation position and forecasts, and review impact on budget through budget monitoring process. 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 Review capital programme and debt portfolio if rates increase beyond forecast levels

8. BUDGET VIREMENT LIMITS

8.1 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.

8.2 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.

8.3 The virement limits for 2018/19 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

8.4 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

8.5 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;

8.6 In the event that this applies to virements, it will be reported to the next relevant meeting in line with the limits in 8.3 above.

9. CONSULTATION

9.1 Cabinet has been working since September on the budget proposals and this has included several meetings with the Cross-Party Budget Working Group to seek views on all Cabinet budget proposals, including the opportunity to make alternative suggestions. As part of these meetings, the Budget Working Group explored options to commence consultation at the earliest opportunity.

9.2 Phase Two will be the formal process to set out a lawful and balanced budget for the budget proposals to be published on 1 February 2018 and recommended by Cabinet for approval by Council on 7 March 2018. This timeline is outlined in the following table:

	Phase 2
Consultation start date	01 February 2018
Cabinet	09 February 2018
Budget Joint Scrutiny Committee	20 February 2018
Cabinet	26 February 2018
Consultation close date	05 March 2018
Council	07 March 2018

9.3 These proposals will be considered in terms of their impact on service provision to user. Proposals which require consultation will be allocated timeframes appropriate to the level of consultation required. This will ensure stakeholder and resident’s feedback is received and considered prior to recommendation to Council.

9.4 A revised budget process whereby the budget model is continually revisited and budget assumptions are revised will be implemented for the 2018/19 financial year. This will enable identified saving proposals and actions that mitigate new arising pressures to be implemented throughout the financial period.

Stakeholder groups

9.5 The following stakeholder groups will be contacted and offered a briefing on the budget position during the phase two consultation period, to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and Council priorities:

Group	Meeting Date	Council Representative
Youth Council	06/02/18	Emma Riding
Parish Councils	07/02/18	Peter Carpenter
Peterborough Living Well Partnership	12/02/18	Oliver Hayward
Peterborough Community Assistance Scheme	13/02/18	Ian Phillips
Discussion with the trade unions	14/02/18	Peter Carpenter/ Mandy Pullen/ Gillian Beasley
Joint Budget Scrutiny Committee	20/02/18	Marion Kelly
Connect Group (Churches Together)	23/02/18	Adrian Chapman/ Gillian Beasley
Disability Forum	27/02/18	Fiona McMillan

9.6 The following stakeholder groups will be contacted directly via email with a press release and further details on how they can contribute by providing feedback during the consultation period:

- Interfaith Council
- Muslim Council of Peterborough
- Older Peoples Partnership board
- Carers Board
- Cambridgeshire Police and Crime Commissioner – Electronically distributed
- Cambridgeshire Fire and Rescue Service
- The Hospital and the CCG's
- Opportunity Peterborough
- Greater Peterborough City Leaders Forum (Business Community)
- Schools Forum

9.7 Hard copies of this report and all appendices including the Phase Two budget proposals and the Budget Proposals consultation document (Appendix H) will be available in all libraries and Town Hall and Bayard Place receptions. The council will also receive responses via an on-line survey on its website.

9.8 A copy of the Phase Two budget proposals will be published on Insite, and will be available to all staff to enable them to provide responses.

9.9 The council will also promote the Budget Consultation through the local media and through the council's Facebook and Twitter accounts to encourage as many people as possible to have their say.

9.10 The Budget Consultation questions are outlined within the Budget Proposals consultation document in Appendix H. This will form part of the hard copies available and the online survey.

Consultation Feedback Received

9.11 As aforementioned the consultation has been open since 1 February 2018, with feedback being gathered via on online survey, hard copy forms and stakeholder group meetings. The feedback received up to 15 February 2018 has highlighted the following points as key topical areas of concerns to residents:

- The Manor service delivery change, was mentioned by 8 respondents. The responses display clear support for this service, and concerns raised by families that use this on a regular basis.
- Council Tax Increase was mentioned by 5 respondents, rising concerns about the rate of increase being higher than inflation, putting additional pressure on the cost of living
- Brown bin increased charge and DIY waste reduction at the Household Recycling Centre was mentioned, with relation to fly tipping and leaf clearance.

9.12 Respondents also put the following ideas about how the council could save money, with the following being the most popular:

- Review the level of officer and Councillor pay included within the budget
- Opportunities for the council to obtain sponsorship to save services or become more commercial.
- Improved use of properties, including utilising empty properties or the sale of assets.

9.13 The full details of the consultation responses and feedback received are outlined within Appendix J.

9.14 Further feedback will be collated for consideration and an addendum reported to the Cabinet meeting on 26 February. Final feedback received between this date and the consultation close date on 5 March 2018, will be reported to Council on 7 March 2018.

10. ANTICIPATED OUTCOMES OR IMPACT

10.1 Following the release of the second phase of budget proposals to address the financial gap, and outlining Peterborough's challenges and successes, Cabinet is seeking the opinions of all residents, partner organisations, businesses and other interested parties to understand which council services matter most. The council must set a balanced budget for 2018/19 within the financial resources it will have next year and the feedback received will help inform Cabinet in considering budget proposals within the second phase.

10.2 Therefore approval will enable the council to undertake consultation on its budget plans for 2018/19 and the MTFS covering the period 2018/19- 2020/21.

10.3 Cabinet will have a further opportunity to review feedback on the proposals and the MTFS on 26 February 2018, before making a final recommendation to Council.

11. REASON FOR THE RECOMMENDATION

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

12. ALTERNATIVE OPTIONS CONSIDERED

12.1 No alternative option has been considered as the Cabinet is responsible under the constitution for initiating budget proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11 March annually.

13. IMPLICATIONS

Elected Members

13.1 Members must have regard to the advice of the Chief Finance (Section 151) Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

13.2 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

13.3 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.

13.4 For the remainder of the year, the principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot through the budget overrule an executive decision as to how to spend money, but the Budget will require the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authorities budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside the Budget is required to have approval of the Council before the Leader and the Cabinet can make that decision.

13.5 When it comes to making its decision on 7 March 2018, 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.

13.6 The 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 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.

13.7 Added to which are two further principles that allow for variation in the form of consultation which are:

- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and
- The demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare application for a future benefit.

13.8 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.

13.9 By virtue of section 25, Local Government Act 2003, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (CFO), as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

13.10 Where the CFO makes a judgement that the council is unable to set or achieve a balanced budget, or there is an imminent prospect of this they have a responsibility to issue a section 114 notice (s114) of the Local Government Act 1988.

13.11 Once a s114 notice has been served the council has 21 days to meet and consider the report. During the 21 days the council must not incur any new expenditure unless the CFO has specifically authorised the spend.

13.12 This suspension of spending will trigger external scrutiny from the council's auditors. However, failure to act when necessary could result in the council losing its financial independence with its powers potentially passed to commissioners appointed by government.

Human Resources

13.13 There are 7 proposals which will incur staffing implications. The majority of staffing reductions will happen during 2018/19. However, as sharing opportunities develop with Cambridgeshire County Council, there could be further impact in future years. The best estimate is that staff numbers will reduce by 4 during 2018/19, the table outlines the full staffing implications:

Staff Impact	Headcount
Total number of affected post	33
Less vacant posts	10
Less Redeployment	19
Therefore posts anticipated to be redundant	4

13.14 The council's approach to minimising any compulsory redundancies will be the same as in previous years, including the deletion of vacant posts and redeployment of affected staff.

13.15 This information relates to council staff only. The budget proposals will also impact on the council's partners.

Equalities Impact Assessments

13.16 All budget proposals published in Phase Two of the budget process have been considered with regards to equalities issues and where appropriate equality impact assessments have been completed and available on the council's website. These have also been included within Appendix I - Equality Impact Assessments.

14 BACKGROUND DOCUMENTS

14.1 Medium Term Financial Strategy 2018/19 to 2020/21 Consultation – Cabinet 20 November 2017
Medium Term Financial Strategy Phase one consultation response – Cabinet 4 December 201

15 APPENDICES

15.1 Appendix A – Budget Context highlighted in Phase One, MTFS for 2018/19-2020/21
Appendix B – 2018/19 MTFS detailed position
Appendix C – 2018/19 MTFS by department
Appendix D – 2018/19 MTFS by Service
Appendix E – Capital Schemes
Appendix F – Council Grants
Appendix G – Fees and Charges
Appendix H – Budget Consultation Document
Appendix I – Equality Impact Assessments
Appendix J – Budget Consultation Feedback
Appendix K– December 2018 Budgetary Control Report
Appendix L– Treasury Management Strategy 2018/19-2020/21
Appendix M– Asset Investment and Acquisition Strategy, Capital Programme 2018/19-2020/21

Appendix N– Asset Management Plan

Appendix A - Budget Context highlighted in Phase One, MTFS for 2018/19-2020/21

Since the government’s austerity programme began in 2010 the amount of funding that all councils receive has fallen at an alarming rate.

The main central government grant, the Revenue Support Grant (RSG), which supports a range of services delivered by the council has reduced by 80 per cent over a seven year period. To some extent the loss has been offset by a share of National Non-Domestic Rates (NNDR) since 2013.

This is the challenge which has faced the city council and all local authorities in recent years - a challenge that shows no sign of reducing. The council has cut back on the services that it has an option to provide and is now faced with the difficult task of having to provide the services that it legally has to, which residents rely upon, with an ever reducing budget.

In 2013/14 the council received £55million in RSG and this will reduce to £15million in 2018/19 and £10million in 2019/20. When you consider that it costs the council £46million every year to provide Adult Social Care Services for the city, it’s easy to see the size of the challenge.

Other funding streams, such as the New Homes Bonus which financially rewards councils for housing growth in their area, have also been reduced.

In balancing the 2017/18 budget, £19.7million of one off funding was used that will need to be replaced by ongoing, sustainable savings in 2018/19 that add to the pressure of reducing grant.

At the same time demand on council services and the city’s population has increased at an unprecedented rate with no additional funding forthcoming from government. Demands on services such as:

- A 200 per cent rise in the number of homeless families requiring temporary accommodation in just the last two years. As of the end of September 2017, the city council was supporting 328 households in temporary accommodation. The situation Peterborough faces is the same for councils across the country because of a national shortage of social housing, changes to the way benefits are paid and private landlords supporting fewer tenants on benefits. The impact on the council’s budget is huge as the council has a legal duty to provide housing for all those who meet the criteria for support. So far this financial year the cost of this is £1.6million.

- At the end of August 2017 the council was supporting 414 adults in residential or nursing care homes and 2,012 adults were supported to live independently in their own home. In the past three years the council has seen an increase of 7.3 per cent and 2.1 per cent on these services. The Chancellor of the Exchequer announced within his budget speech in July 2015 that the National Living Wage would be phased in between April 2016 and April 2020. The introduction of this is having an enormous cost effect on council homecare services, generating a £1.6million budget pressure by 2020/21.

- Additional children coming into care. The council is currently supporting 373 children in care, and in 2011/12 was supporting 340, an increase of 9.7 per cent. The cost per week for a child in care ranges between £350 and £3,500, dependant on whether they are being cared for in-house by a foster carer or in a residential placement, the latter being significantly more expensive.

The need to create extra school places for a school population that has increased by 13 per cent between 2013-2017, which is the equivalent to an additional 81 classes of 30 pupils each (2,424 students).

Growing pressures on council finances

In total since 2010 the council has made significant savings, however this is still not enough and government continues to cut funding to local government. Therefore the city council will be required to make further savings, which may well impact on a range of services, because by law the council has to set a balanced budget.

Savings currently totalling £35.2million over the next three years are still needed to be made - and this is likely to involve some difficult decisions about the services the council is able to provide to residents.

The council has worked incredibly hard to cope with the cuts made to council funding however the challenges we face continue to increase in terms of population growth, the alarming rate that central government funding (Revenue Support Grant) is falling, high levels of deprivation in parts of the city, the increasing demand on high-cost council services and our relatively low levels of reserves as explained below:

- **Demand on services** - Demand growing at unprecedented rate, due to population increase and complexity of care and support needed over long periods of time.

- **Population –** Peterborough is one of the fastest growing council areas in the country. Between 2001 and 2011 the population increased by 17.7 per cent to 183,600. In 2016 the city's population was estimated at 198,100.

- **Revenue Support Grant (RSG)** - As with the rest of local government the Council's RSG is falling at an alarming rate. The government's funding formula does not take into account today's level of demand on services and population data.

- **Deprivation -** Peterborough has some of the most deprived areas in the UK, ranking the 14th highest deprived unitary authority area. This brings increased demand for service provision, creating budget pressures. This is highlighted by the upward trend in the number of households becoming homeless and needing temporary accommodation.

- **Council tax income levels -** Although the council has protected residents from annual council tax rises it has increased our budget gap. By not raising council tax for a number of years this has reduced the amount of money the council has to spend on services. Peterborough has one of the lowest average council tax rates per dwelling. For example, if the council charged the average unitary authority council tax per dwelling then an additional £16million would be generated to support services.

- **The capital programme** is large and ambitious and if delivered the revenue costs of servicing the debt will increase on an annual basis.

- **Reserves –** The council's General Fund minimum balance is £6million, Grant Equalisation Reserve is £7.8million and other earmarked reserves are £3.6million. In addition there are earmarked reserves of £8.2million which are already committed. These are lower than the average percentage of net expenditure compared to other councils. Earmarked reserves are funds which are kept or built up to meet a known or predicted need.

- **Lack of clarity from government on future funding for councils** - There is great uncertainty amongst councils about how they will be funded going forward. Legislation that aimed to answer this question, the Local Government Finance Bill, was dropped following the General Election earlier this year.

Delivering services for our residents

The council continues to see an unprecedented demand for services and it remains fully committed to supporting those most in need.

The council has minimised the need for cuts in services in recent years and continues to provide a wide range of services for residents:

- At the end of August 2017 the council was supporting 373 children in care - an increase of almost 10 per cent since 2011/12

- During 2016/17 there were 2,755 referrals to Children's Social Care and 3,193 social care assessments were completed

- The council maintains 578 miles of road, over 350 bridge structures, 24,000 street lighting columns, 719 miles of footpaths and 155 miles of off-road cycle ways. Since 2012/13 the council is now responsible for an additional 12 miles of cycle routes (9 per cent rise), 23 miles of road network (3 per cent rise)

- The city has over 200 playgrounds, four parks and open spaces, two BMX tracks and seven skate parks

- At the end of August 2017 the council was supporting 414 adults in residential or nursing care homes and 2,012 adults were supported to live independently in their own home. In just the past three years the council has seen an increase of 7.3 per cent and 2.1 per cent on these services.

- More than 7,000 households have received help from the council's Care and Repair service in the past 12 months - adapting older and disabled people's homes, for example installing grab rails and even building extensions

- At the end of September 2017 the council was supporting almost 330 homeless households in the city by providing temporary accommodation. Following national welfare benefit changes and private landlords supporting fewer tenants on benefits this figure has increased from 97 households being supported just two years ago

- The council's planning team processes more than 1,400 planning applications every year

- A Selective Licensing scheme launched in December 2016 to improve standards of accommodation in the private rented sector and tackle rogue landlords

- During 2016/17 the council's Public Health team commissioned:
  - health visitor checks for over 3,000 new babies
  - health checks for cardiovascular risk for over 5,000 adults aged 40-74

- 23,000 appointments for contraception and sexual health services
- drug and alcohol treatment services for over 1,500 people
- and helped over 600 people to stop smoking

The Healthy Peterborough campaign generated 127,252 page views on its dedicated website - providing evidence-based advice on how to stay healthy for longer, with links to local events and services

Successes

However even during the most challenging circumstances the city council has ever faced it has remained committed to its priorities and Peterborough has made huge strides in recent years. These successes include:

- Over the past five years the council has invested £127.7million into building, extending and improving schools; £48.6million of this was met from council resources.
- 88 per cent of city pupils attend a school rated good or outstanding by Ofsted
- Attracting significant external funding to support the growth of the city and the regeneration of the city centre
- The council, as part of a joint venture, has led the comprehensive £120million Fletton Quays redevelopment project. This includes investment in an arts hub on site.
- Opportunity Peterborough assisted 14 businesses moving into the city, creating 1,903 jobs.
- A total of 2,685 jobs were created in the city in 2016/17
- Unemployment levels fell to 1,775 (1.4 per cent), over the same period the national rate went up from 1.8 per cent to 1.9 per cent.
- Developed a successful partnership with CityFibre to develop the city's full fibre networks, offering internet speeds 100 times faster than the UK average.
- Set up Vivacity which has increased the leisure and cultural offer in the city
- All the council's libraries remain open with extended opening hours. The council has also funded improvements to the city's museum and sports facilities and a new swimming pool at Hampton.
- Partnered with a highly-respected energy company to offer residents competitive energy tariffs saving city households a combined £1.5million since 2015.
- Constructed an Energy Recovery Facility which diverts up to 99 per cent, 85,000 tonnes annually, of non-recyclable domestic waste from landfill
- Completed a number of major highway projects to support the city's growth including Junction 20 of the Paston Parkway, Fletton Parkway and the Bourges Boulevard Corridor
- A new innovative approach to keeping children and families safe, the Family Safeguarding Service, will be piloted in Peterborough thanks to a successful bid for £2.6million from the Department for Education
- Jointly commissioned a new Integrated Lifestyle service with the NHS, which helps people reduce their risk of serious illness by changing to healthier behaviours.
- Launched the SaferPeterborough Prevention and Enforcement Service and established two Public Space Protection Orders to combat anti-social behaviour in the city
- Supported a devolution deal for Cambridgeshire and Peterborough which has already resulted in a multi-million investment to help establish an independent university in the city and support to build 200 much-needed affordable homes.
- One of the best areas of the country for housing stock growth - with more than 4,600 new homes built between 2011-16. To support this further the council, working with Cross Keys Homes, has set up company to build more homes in the city.

Invested in community facilities such as The Green Backyard and Dementia Resource Centre

Supporting the council's residents through lower council tax

Council tax has risen over the past two years in Peterborough, primarily to keep up with the increasing demand on the council's adult social care services due to the city's growing elderly population. The population for the aged over 65 category increased by 16 per cent between 2010 and 2016. This directly relates to increased spending on providing care home placements and supporting people in their own home. In just the past three years the council has seen an increase of 7.3 per cent and 2.1 per cent on these services.

However the council has made a concerted effort to keep council tax low to support residents who may also be facing difficult financial circumstances. To that end, council tax was frozen in four out of the past seven years and means that Peterborough residents are paying one of the lowest council tax rates for a unitary authority in the country.

Residents in Peterborough pay £123 a year less in council tax than the average across other unitary authority councils (based on Band D).

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Appendix B – 2018/19 MTFS Detailed Position

	Dept	2018/19 £000	2019/20 £000	2020/21 £000
NNDR		(46,293)	(47,420)	(48,433)
Revenue Support Grant		(15,056)	(10,246)	(10,246)
Council Tax		(75,226)	(76,536)	(79,106)
New Homes Bonus		(5,153)	(4,590)	(4,018)
Improved Better Care Fund		(2,986)	(5,345)	(5,345)
Additional funding for Adult Social Care		(2,260)	(1,121)	-
2018-19 Adult Social Care Support Grant		(496)	-	-
TOTAL CORPORATE FUNDING		**(147,470)**	**(145,258)**	**(147,148)**
PLANNED EXPENDITURE				
Net Service Expenditure	`	**135,748**	**135,748**	**135,748**
Pay Award	ALL	805	1,634	2,047
Inflation	ALL	931	2,294	4,153
Budget Pressures identified:				
Adult Social Care Cost Drivers & Demography	P&C	1,515	3,371	5,407
Home to School Transport	P&C	211	232	242
Homelessness	P&C	1,476	1,306	1,455
National Living Wage (ISP)	P&C	565	1,129	2,695
Pressure to Public Health Grant	PH	291	575	575
Reduction in Rental Income	G&R	932	1,202	1,337
Other Growth Bids	ALL	503	1,549	2,683
Budget Reductions:				
Corporate Resources Budget Review	RES	(1,126)	(936)	(928)
Develop a Permanency Service / children's placement costs	P&C	(250)	(250)	(250)
Events, Tourism and Travel Choice Service Cuts	RES	(145)	(167)	(290)
Growth and Regeneration Service Cuts	G&R	(585)	(614)	(614)
Peterborough Highway Services	G&R	(1,161)	(1,366)	(1,081)
Peterborough Serco Strategic Partnership	RES	(1,100)	(1,100)	(1,100)
Public Health Savings	PH	(623)	(693)	(722)
Resources Service Cuts	RES	(660)	(660)	(660)
Serco - Insight & Analytics / Front Door	P&C	(421)	(232)	(232)
Shared and Integrated Services Programme	ALL	(980)	(4,635)	(9,135)
Vivacity	RES	(248)	(244)	(290)
Other Savings	ALL	(3,273)	(5,206)	(5,543)
NET SERVICE EXPENDITURE		**132,405**	**132,937**	**135,497**
CORPORATE EXPENDITURE		**15,065**	**24,869**	**30,803**
TOTAL PLANNED EXPENDITURE		**147,470**	**157,806**	**166,300**
REVISED DEFICIT/(SURPLUS)		**0**	**12,548**	**19,152**

Corporate Expenditure in 2018/19 is at a lower level than future years as it includes the transfer from Reserves of £4.1m and the MRP re-provisioning of £3.7m

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Appendix C – 2018/19 MTFS by Department

	2018/19 £000	2019/20 £000	2020/21 £000
NNDR	(46,293)	(47,420)	(48,433)
Revenue Support Grant	(15,056)	(10,246)	(10,246)
Council Tax	(75,226)	(76,536)	(79,106)
New Homes Bonus	(5,153)	(4,590)	(4,018)
Improved Better Care Fund	(2,986)	(5,345)	(5,345)
Additional funding for Adult Social Care	(2,260)	(1,121)	-
2018-19 Adult Social Care Support Grant	(496)	-	-
TOTAL CORPORATE FUNDING	**(147,470)**	**(145,258)**	**(147,148)**
PLANNED EXPENDITURE			
Chief Executives	1,567	1,567	1,575
Governance	4,702	4,707	4,712
Growth & Regeneration	24,380	24,876	25,487
People & Communities	83,236	84,634	89,006
Public Health	(126)	88	59
Resources	18,646	17,065	14,658
NET SERVICE EXPENDITURE	**132,405**	**132,937**	**135,497**
CORPORATE EXPENDITURE	**15,065**	**24,869**	**30,803**
TOTAL PLANNED EXPENDITURE	**147,470**	**157,806**	**166,300**
REVISED DEFICIT/(SURPLUS)	**0**	**12,548**	**19,152**

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Appendix D – 2018/19 MTFS by Service

	2018/19 £000	2019/20 £000	2020/21 £000
NNDR	(46,293)	(47,420)	(48,433)
Revenue Support Grant	(15,056)	(10,246)	(10,246)
Council Tax	(75,226)	(76,536)	(79,106)
New Homes Bonus	(5,153)	(4,590)	(4,018)
Improved Better Care Fund	(2,986)	(5,345)	(5,345)
Additional funding for Adult Social Care	(2,260)	(1,121)	-
2018-19 Adult Social Care Support Grant	(496)	-	-
TOTAL CORPORATE FUNDING	**(147,470)**	**(145,258)**	**(147,148)**
PLANNED EXPENDITURE			
Chief Executives			
Chief Executive's Office	266	266	266
Human Resources	1,301	1,301	1,309
Total Chief Executives	**1,567**	**1,567**	**1,575**
Governance			
Director of Governance	415	415	415
Legal & Democratic	3,632	3,632	3,632
Performance & Information	655	660	665
Total Governance	**4,702**	**4,707**	**4,712**
Growth & Regeneration			
Director, OP & JV	92	92	92
Development and Construction	135	135	135
Sustainable Growth Strategy	1,434	1,434	1,509
Peterborough Highway Services	9,068	9,034	9,069
Corporate Property	1,483	1,855	2,098
Amey Peterborough & Waste Management	12,075	12,283	12,541
Westcombe Engineering	93	43	43
Total Growth & Regeneration	**24,380**	**24,876**	**25,487**
People & Communities			
Director	995	693	715
Communities	6,676	6,490	6,640
Adults	44,724	46,340	50,426
Children´s & Safeguarding	11,081	11,179	11,263
Education	5,973	6,145	6,175
Commissioning and Commercial Operations	13,787	13,787	13,787
Total People & Communities	**83,236**	**84,634**	**89,006**
Public Health	**(126)**	**88**	**59**
Resources			
Director's Office	261	261	261
Financial Services	3,219	3,207	3,205
Corporate Items	3,060	1,798	(458)
Peterborough Serco Strategic Partnership	5,789	5,755	5,685
ICT	5,295	5,350	5,420
Energy	890	590	590
Vivacity/Cultural Services	2,336	2,340	2,294
Cemeteries, Cremation & Registrars	(1,422)	(1,422)	(1,422)
City Servs & Communications	(782)	(814)	(917)
Total Resources	**18,646**	**17,065**	**14,658**
NET SERVICE EXPENDITURE	**132,405**	**132,937**	**135,497**
CORPORATE EXPENDITURE	**15,065**	**24,869**	**30,803**
TOTAL PLANNED EXPENDITURE	**147,470**	**157,806**	**166,300**
REVISED DEFICIT/(SURPLUS)	**0**	**12,548**	**19,152**

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APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19	2019/20	2020/21	2018/19 Funding		2019/20 Funding		2020/21 Funding	
		Budget £000	Budget £000	Budget £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000
Governance										
Legal Case Management System	Core	49	0	0	0	49	0	0	0	0
Total Governance		**49**	**0**	**0**	**0**	**49**	**0**	**0**	**0**	**0**
Growth & Regeneration										
A1139 Frank Perkins Parkway (River Nene Bridge to JCT8)	Core	250	250	0	250	0	250	0	0	0
A47/aa15 Lincoln road junction 18 improvements	Core	5,137	0	0	5,137	0	0	0	0	0
A605 Oundle Road improvement scheme (between Lynch Wood and Alwalton) NPIF	Core	673	0	0	673	0	0	0	0	0
Acquisition of Whitworth Mill	Core	4,758	0	0	3,258	1,500	0	0	0	0
Bourges Boulevard phase 2	Core	1,000	0	0	0	1,000	0	0	0	0
Continuation of Public Realm - MTFS	Core	307	0	0	307	0	0	0	0	0
Corfe Avenue Walton Deck Refurbishment	Core	100	0	0	85	15	0	0	0	0
Fletton Quays Fit Out	Core	1,310	0	0	1,310	0	0	0	0	0
Householders Recycling Centre	Core	1,871	0	0	1,015	856	0	0	0	0
Lolham Bridge No3 Refurbishment	Core	51	0	0	51	0	0	0	0	0
City Centre Public Realm	Core	0	2,500	1,500	0	0	2,500	0	1,500	0
Mountsteven Avenue (Fulbridge Road to Croyland Road) Resurface carriageway	Core	251	0	0	0	251	0	0	0	0
MTFS A1139 Frank Perkins Parkway	Core	188	0	0	188	0	0	0	0	0
North Westgate Development	Core	3,980	11,000	0	3,980	0	11,000	0	0	0
Street Lighting	Core	5,939	0	0	5,939	0	0	0	0	0
Street Lighting LED Project	Core	2,400	0	0	2,400	0	0	0	0	0
Street Signage	Core	50	50	50	50	0	50	0	50	0
Surface Treatment	Core	130	130	130	130	0	130	0	130	0
Urban Traffic Control - UTC	Core	160	0	0	140	20	0	0	0	0
Wansford Bridge Parapet Rebuild	Core	350	0	0	278	72	0	0	0	0
Waste Management Strategy - ALMO	Core	575	0	0	575	0	0	0	0	0
Werrington Brook	Core	20	0	0	0	20	0	0	0	0
Westgate Public Realm	Core	700	0	0	700	0	0	0	0	0

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2018/19 Funding Corp. Res. £000	2018/19 Funding 3rd Party Inc. £000	2019/20 Funding Corp. Res. £000	2019/20 Funding 3rd Party Inc. £000	2020/21 Funding Corp. Res. £000	2020/21 Funding 3rd Party Inc. £000
Yaxley Link Road	Core	8,340	0	0	0	8,340	0	0	0	0
Corporate Growth Area - Capital Pot Funding	Rolling	500	500	500	500	0	500	0	500	0
Cost Of Disposals	Rolling	500	250	250	500	0	250	0	250	0
Crescent Bridge Refurbishment	Rolling	118	0	0	35	83	0	0	0	0
Footway Budget	Rolling	230	230	230	230	0	230	0	230	0
Highways	Rolling	5,015	5,015	5,015	1,649	3,366	1,642	3,373	1,642	3,373
Highways Capitalisation	Rolling	250	250	250	250	0	250	0	250	0
Integrated Transport Programme	Rolling	1,813	1,813	1,813	406	1,407	406	1,407	406	1,407
Intelligent transport systems infrastructure	Rolling	50	200	0	50	0	200	0	0	0
Leisure Trust Property	Rolling	400	400	350	400	0	400	0	350	0
Local Safety Scheme 2009/10	Rolling	100	0	0	0	100	0	0	0	0
Longthorpe Footbridge (A1260)	Rolling	275	0	0	275	0	0	0	0	0
Nene Bridge Bearings	Rolling	3,887	0	0	3,887	0	0	0	0	0
Play Areas Improvement Programme	Rolling	185	185	185	185	0	185	0	185	0
Refurbishment of Traffic Signal Sites Nearing End of Life	Rolling	100	100	100	100	0	100	0	100	0
Roads And Bridges	Rolling	330	330	330	330	0	330	0	330	0
Strategic Network Review	Rolling	200	0	0	200	0	0	0	0	0
Strategic Property Portfolio	Rolling	2,533	2,115	1,690	2,533	0	2,115	0	1,690	0
Town Hall Capital works	Rolling	2,001	0	34	2,001	0	0	0	34	0
Westwood Footbridge Pier Top Concrete Refurb	Rolling	129	0	0	85	44	0	0	0	0
Wheelie Bins	Rolling	80	80	80	80	0	80	0	80	0
Total Growth & Regeneration		**57,235**	**25,398**	**12,507**	**40,161**	**8,734**	**20,618**	**4,780**	**7,727**	**4,780**
People & Communities										
Aids And Adaptations	Core	216	216	216	216	0	216	0	216	0
Assistive Technology	Core	97	0	0	77	20	0	0	0	0
Capital Maintenance On Schools	Core	1,150	600	400	550	600	600	0	400	0
Childrens Centre Maintenance	Core	50	50	0	50	0	50	0	0	0
Civil Enforcement Officers Cars	Core	30	0	0	30	0	0	0	0	0

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19	2019/20	2020/21	2018/19 Funding		2019/20 Funding		2020/21 Funding	
		Budget £000	Budget £000	Budget £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000
Clare Lodge - Phase 6	Core	59	0	0	0	59	0	0	0	0
Disabled Facilities Grant	Core	1,900	1,400	1,400	971	929	471	929	471	929
East Regen Project	Core	440	0	0	0	440	0	0	0	0
Framework I	Core	429	0	0	429	0	0	0	0	0
Future Secondary MTFS	Core	200	0	0	200	0	0	0	0	0
Hampton Lakes Primary No 1 of 2	Core	6,006	2,050	0	3,506	2,500	0	2,000	0	0
Heltwate School	Core	500	10,580	2,000	0	500	6,580	4,000	2,000	0
Improvements Required In Education Systems	Core	200	0	0	200	0	0	0	0	0
Infant free school meals	Core	26	0	0	26	0	0	0	0	0
Jack Hunt Expansion	Core	3,742	0	0	2,792	950	0	0	0	0
John Clare Expansion	Core	115	0	0	15	100	0	0	0	0
Marshfields Expansion	Core	2,920	0	0	1,880	1,040	0	0	0	0
Mobiles Purchase/Lease	Core	900	500	500	400	500	400	100	500	0
MTFS - Operation Can Do	Core	1,570	4,619	1,200	1,570	0	4,619	0	1,200	0
Nene Park Academy Expansion	Core	2,750	0	0	0	2,750	0	0	0	0
Norwood Lane - Fly Tipping	Core	125	0	0	125	0	0	0	0	0
Oakdale Primary 1 FE Expansion	Core	4,150	0	0	913	3,237	0	0	0	0
OBA Expansion	Core	2,750	0	0	0	2,750	0	0	0	0
OFSTED Inspection	Core	200	0	0	200	0	0	0	0	0
Parnwell Expansion	Core	2,880	0	0	932	1,948	0	0	0	0
Paston Reserve Primary	Core	2,070	5,000	967	409	1,661	552	4,448	0	967
Paston Reserve Secondary	Core	1,000	19,000	5,839	0	1,000	8,052	10,948	5,839	0
PFI Condition Works	Core	503	200	200	503	0	200	0	200	0
Repair Assistance	Core	30	10	10	30	0	10	0	10	0
Repair Assistance (Care And Repair)	Core	1,230	1,010	1,010	1,230	0	1,010	0	1,010	0
Replacement CCTV Cameras	Core	5	0	0	5	0	0	0	0	0
Roxhill Primary	Core	50	3,400	0	0	50	0	3,450	0	0
Schools Direct Spend	Core	458	458	458	0	458	0	458	0	458
St Georges Refurb	Core	1,840	0	0	1,840	0	0	0	0	0

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2018/19 Funding Corp. Res. £000	2018/19 Funding 3rd Party Inc. £000	2019/20 Funding Corp. Res. £000	2019/20 Funding 3rd Party Inc. £000	2020/21 Funding Corp. Res. £000	2020/21 Funding 3rd Party Inc. £000
Social Care – Liquid Logic	Core	252	0	0	252	0	0	0	0	0
Staffing Costs (0.5% Of Capital)	Core	167	167	214	167	0	167	0	214	0
TDA - KS2	Core	500	0	0	500	0	0	0	0	0
Thomas Deacon Academy (1 FE Expansion)	Core	1,700	0	0	1,700	0	0	0	0	0
West Town Playing Fields	Core	324	0	0	324	0	0	0	0	0
Wireless CCTV	Core	46	0	0	46	0	0	0	0	0
Woodston Phase 2	Core	4,050	500	0	4,050	0	500	0	0	0
Future Primary MTFS	Rolling	200	0	0	200	0	0	0	0	0
Ken Stimpson Expansion	Rolling	7,300	1,000	0	5,668	1,632	0	1,000	0	0
System Changes	Rolling	719	0	0	557	162	0	0	0	0
Total People & Communities		**55,649**	**50,759**	**14,413**	**32,364**	**23,285**	**23,425**	**27,333**	**12,060**	**2,354**
Resources										
Capital school reserve	Core	800	800	800	800	0	800	0	800	0
Corp Grant Match Funding Bid	Core	1,000	1,000	1,000	1,000	0	1,000	0	1,000	0
Cremator Relining	Core	0	0	35	0	0	0	0	35	0
ICT Projects	Core	350	0	0	350	0	0	0	0	0
Mausoleum - Build Costs	Core	45	47	49	45	0	47	0	49	0
Off Street Car Parks - Structural Works And Resurfacing	Core	160	100	100	160	0	100	0	100	0
Lawson Avenue	Core	32	0	0	0	32	0	0	0	0
West Town Recreation Ground	Core	46	0	0	0	46	0	0	0	0
Total Resources		**2,433**	**1,947**	**1,984**	**2,355**	**78**	**1,947**	**0**	**1,984**	**0**

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2018/19 Funding Corp. Res. £000	2018/19 Funding 3rd Party Inc. £000	2019/20 Funding Corp. Res. £000	2019/20 Funding 3rd Party Inc. £000	2020/21 Funding Corp. Res. £000	2020/21 Funding 3rd Party Inc. £000
Resources - Invest To Save										
Telephony Service	I2S	1,000	0	0	1,000	0	0	0	0	0
City Fibre Project	I2S	350	0	0	350	0	0	0	0	0
Housing Joint Venture	I2S	2,000	0	0	2,000	0	0	0	0	0
Invest to Save	I2S	15,000	0	0	15,000	0	0	0	0	0
Housing Acquisition	I2S	15,000			15,000					
Property Acquisition	I2S	10,000	35,000	10,000	10,000	0	35,000	0	10,000	0
Total Invest to Save	I2S	**43,350**	**35,000**	**10,000**	**43,350**	**0**	**35,000**	**0**	**10,000**	**0**
Total Asset Investment Programme		**158,716**	**113,104**	**38,904**	**118,230**	**32,146**	**80,991**	**32,113**	**31,771**	**7,134**

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Appendix F – Council Grants

	2018/2019 £000	2019/2020 £000	2020/2021 £000
2018/19 Adult Social Care Support Grant	(496)	0	0
Additional ASC Funding	(2,260)	(1,121)	0
Council Tax Support New Burdens Funding**^	(46)	(46)	(46)
Dept of Health Revenue Grant**^	(249)	(249)	(249)
Dedicated Schools Grant*^	(101,708)	(101,708)	(101,708)
Flexible Homelessness Support Grant	(554)	0	0
Homelessness - New Burdens funding	(113)	(130)	0
Housing Benefit subsidy based on value of benefit awarded; assumed at current levels**^	(66,408)	(66,408)	(66,408)
Housing Benefit Admin Grant*^	(726)	(682)	(620)
Improved Better Care Fund^	(2,986)	(5,345)	(5,345)
Independent Living Fund Grant**^	(121)	(117)	(117)
Localised Council Tax Support Admin Subsidy Grant*^	(278)	(278)	(278)
New Homes Bonus	(5,153)	(4,590)	(4,018)
NHS Funding**^	(2,976)	(2,976)	(2,976)
NHS Funding - Better Care Fund*^	(661)	(661)	(661)
PFI	(4,731)	(4,731)	(4,731)
Public Health Grant*^	(10,905)	(10,621)	(10,621)
Pupil Premium*^	(5,350)	(5,350)	(5,350)
Revenue Support Grant^	(15,056)	(10,246)	(10,246)
S31 Business Rate Capping Grant*^	(981)	(1,422)	(1,863)
S31 Business rate SBRR/SBRS Grant*^	(2,115)	(2,175)	(2,228)
S31 Rural Rate Relief *^	(7)	(7)	(7)
SEND Grant	(127)	0	0
Sixth Form Funding*^	(1,955)	(1,955)	(1,955)
Tackling Troubled Families Grant*^	(530)	0	0
Total Other Grants	**(226,492)**	**(220,818)**	**(219,427)**

Most grants are confirmed for 2018/19, however a number of grants are still to be confirmed with Government Departments in future years, therefore assumption/calculations have been included within the table, where it seems likely the future of the grant will continue.
**Assumption for 2018/19*
**Assumption for 2019/20*
^Assumption for 2020/21

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Appendix G - Fees and Charges

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Governance	Mayoralty/Civic	Civic Room Lettings	2.6%	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	2.5%	Council Lead
Growth and Regeneration	Asset Management	Street naming & numbering information	8.3%	Council Lead
Growth and Regeneration	Trans and Development	Highways Development	0.5%	Council Lead
Growth and Regeneration	Planning	Planning Fees and Charges	0.0%	Council Lead/Statutory
Growth and Regeneration	Archaeology Service	Archaeology Services	0.2%	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	Education	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	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	3.3%	Council Lead
People and Communities	Independent Sector Placements	Direct payment rates	0.4%	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	0.0%	Council Lead

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Resources	Parking Services	Off Street Parking	0.0%	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	1.0%	Council Lead
Resources	Tourism	Tickets sold on behalf of event organisers	0.0%	Council Lead
Resources	Licensing	Gambling Act Licensing	1.3%	Statutory
Resources	Licensing	Hackney Carriage Licensing	3.9%	Council Lead
Resources	Licensing	Animal Welfare Licensing	2.6%	Council Lead
Resources	Licensing	Lottery Licensing	0.0%	Statutory
Resources	Business Regulations	Other Environmental Health Licensing	3.4%	Council Lead
Resources	Business Regulations	Construction, Design and Management Fees	1.9%	Statutory
Resources	Business Regulations	Trading Standards	3.8%	LACORS
Resources	Business Regulations	Street Trading Consents (Non Pedestrian Area)	5.8%	Council Lead
Resources	Business Regulations	Other charges	0.9%	Council Lead/Statutory
Resources	Business Regulations	Environmental Protection Act	0.0%	Statutory
Resources	Bereavement Services	Crematorium fees	3.9%	Council Lead
Resources	Bereavement Services	Memorial Sales	3.6%	Council Lead
Resources	Bereavement Services	Cemetery fees	4.7%	Council Lead
Resources	Registration Services	Private Citizenship Ceremonies	2.6%	Council Lead
Resources	Registration Services	Approved Premises/Registration Office	6.2%	Council Lead
Resources	Registration Services	Nationality Checking	5.6%	Council Lead
Resources	Registration Services	Baby Naming/Renewal of Vows	4.4%	Council Lead
Resources	Registration Services	Registration Services – Statutory fees	0.4%	Statutory
Resources	Strategic Property	Property Rents	Varies	Council Lead

Medium Term Financial Strategy Budget 2018/19 Phase Two Proposals Document from Cabinet

February 2018

STRICTLY EMBARGOED UNTIL 5pm on 1 February 2018

Page No.

Service implications - savings/investments

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 2018/19.

In total since 2010 the Council has made significant savings, however this is still not enough and Central Government continues to cut funding to Local Government. Therefore the Council will be required to make further savings, which may well impact on a range of services, because by law the Council has to set a balanced budget.

As part of the phase one budget consultation for the Medium Term Financial Strategy (MTFS) 2018/19- 2020/21, which was approved by Council on 13 December 2017, the Council set out in detail the pressures it faces, along with some of the successes the council has been able to achieve throughout such a difficult time.

The main points underlying the council's position include:

- A reduction in Government Revenue Support Grant Funding of £45 million between 2013/14 and 2018/19; in addition to funding reductions received prior to this, dating back to the spending review in June 2010;
- A 200 Per Cent increase of Homeless Families requiring temporary accommodation in two years;
- Increasing demand for Adult Services;
- An increasing amount of children coming into care, with numbers peaking at 381 in July 2017;
- Creating extra school places for a school population that has increased by 13 per cent between 2013 and 2017.

Despite these pressures the Council has:

- Invested £127.7million in school building schemes and school improvements in the last five years;
- Led on the Fletton Quays scheme to regenerate this part of the City Centre;
- Helped create 2,685 jobs in the City in 2016/17;
- Helped create 4,600 new homes for residents between 2011 and 2016

This is why the council launched the 'Stand up for Peterborough' campaign in November, to lobby for funding in specific high risk areas which include:

- Additional funding for Homelessness;
- Additional funding for the provision of School Places;
- Access to transitional funding to allow the Council to move to its longer term sustainable model;

On 19 December 2017 DCLG issued the Local Government Provisional Finance Settlement. The most significant change was permitting county and unitary councils' to increase their

2018/19 council tax by an additional 1 Per Cent, with the possibility of a further 1 Per Cent in 2019/20 following government approval.

The referendum threshold for core council tax was increased from 1.99 Per Cent to 2.99 Per Cent and the Adult Care Social Care precept maximum increase would remain at 3 Per Cent. It is Proposed that the Council increase Council Tax by this additional 1 Per Cent. This will contribute circa £0.7million of income to the budget.

Grant funding was as anticipated and did not change from that set out in 2016 as part of the multi-year settlement for 2016/17 – 2019/20.

From 2020/21 councils will be allowed to retain 75 Per Cent of their business rates. This increase though will be used to incorporate existing grants, including the Revenue Support Grant which is £10 million in 2019/20 and the Public Health Grant of £11 million.

However, from 2020/21 a new fair-funding mechanism will be introduced with consultation starting on relative needs and resources in the New Year and at this stage no information to project the positive or negative impact to the council's funding has been made

Our current Budget Position leaves us with £19.2million of budget reductions or additional income to achieve, in order to set a balanced and sustainable budget by 2020/21. This will Council still remains in a challenging financial position, work will continue to develop detailed plans on how it can transform service delivers, share and integrate services with other local authorities and health and reduce costs.

We are also committed to delivering improved efficiency ahead of any reduction to services. In the 2016/17 and 2017/18 budgets there were no reductions to services, despite increasing pressure on services and severely reduced Government funding. There are very limited service reductions resulting from the proposals for the 2018/19 budget.

The first set of budget proposals, published on Friday 10 November 2017, set out pressures totalling £4.9million and reductions totalling £8.2million. These were approved by Full Council on 13 December 2017. At this point there was a budget gap of £15.7million for 2018/19, however since then further pressures of £2.5million have been identified, which are included within the phase two budget proposals.

The second set of budget proposals, published on Thursday 1st February 2018, will close the remaining gap in the budget. These proposals include a further £13.5million of budget reductions, along with the use of £4.6million from the Grant Equalisation Reserve, established from additional savings delivered in 2016/17, to balance the budget. The second set of proposals also includes the second year proposal for levying an Adult Social Care Precept of 3 Per Cent 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:

2. APPROACH TO TACKLING THE GAP

The council will continue to develop options to deliver a sustainable budget for the three year MTFS after Phase two has been considered.

The areas of search are outlined in the following section. Some of these areas of search will produce options that may lead to in year additional income or savings in 2018/19.

In view of this and the seriousness of the council's financial position, it is proposed to put an in depth budget review and any in year options to Cabinet and Council in July 2018. Consultation will take place over the summer, with results put to Cabinet and Council in September 2018. This process will continue on a rolling quarterly basis to ensure that proposals can be agreed, consulted on and implemented quickly.

There are five fundamental areas in which the council will develop options to meet the requirement for a sustainable budget:

a) Expand Commercial Income.
The council has a significant track record in delivering commercial income, both through individual projects and the commercialisation of procurement frameworks that have been developed such as Skanska. The council is developing a new commercial strategy in conjunction with Cambridgeshire County Council (CCC).

b) Continue to innovate and develop efficiencies.
The largest example of these initiatives being currently assessed is the exploration of shared service opportunities within the local area, building on the successful track record of sharing with CCC and other local authorities.

c) Mitigation and Control of Service Demand Pressures
Reducing pressures that have been identified within the MTFS are critical to delivering a sustainable budget. The three largest pressures are Homelessness, Borrowing, Social Care Demographic pressures.

d) Continue to seek to maximise funding
In order to ensure that this funding is maximised, the council has asked its service provider, Serco, to consider how the collection of NNDR and Council Tax can be improved·   Fees and charges will continue to be reviewed, but opportunities to increase or expand fees and charges within the council's control are relatively limited. Additionally, one off sources of funding will continue to be explored as they arise.

e) Budget cuts

The Council has two options for to review items

- Review the level of discretionary expenditure within the council. From analysis carried out to date this is £12million.
- The other option is to review service quality within non-discretionary areas.

Taken as a whole, the areas of search do offer very significant opportunities but there is a requirement for work to begin quickly to ensure new savings can be properly delivered as soon as is possible and no later than the start of the 2019/20 financial year.

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
- A 200 Per Cent increase of Homeless Families requiring temporary accommodation in two years;
- An increasing amount of children coming into care, with numbers peaking at 381 in July 2017;
- The need to create additional school places
- Peterborough is one of the fastest growing council areas in the country. Between 2001 and 2011 the population increased by 17.7 per cent to 183,600. In 2016 the city's population was estimated at 198,100. This growth affects all services.

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 THE 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 sixth lowest council tax (£123 per year lower than the English average and £361 lower than the most expensive).

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 MTFS assumes a 1.99 per cent increase in council tax throughout its life. However within the Local Government Provisional Finance Settlement for 2018/19 county and unitary councils' were permitted to increase their 2018/19 council tax by an additional 1 per cent, which has been included within the MTFS, taking the core council tax increase to 2.99 per cent for 2018/19.

Therefore, having fully considered the level of pressures identified and savings required, it is proposed that council tax rises by 5.99 per cent, which includes an Adult Social Care Precept of 3 per cent.

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 3 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, the council fulfills this criteria in the proposed MTFS.

Peterborough is the fourth fastest growing city in the country, with the fourth highest birth rate and a rising population. This increases the demand for housing in peterborough.

This proposed 5.99 per cent increase would mean that overall the Band D council tax charge would rise from £1,231.57 to £1,305.34 per year - an increase of £1.42 per week. The average property in Peterborough is in Band B, meaning council tax would rise from £957.88 to £1,015.25 per year - an increase of £1.10 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, known as a referendum limit. 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 7 March 2018.

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 2018/19.

2018/19 Phase Two Budget Summary Position

	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap without the Use of Reserves	**19,037**	**21,246**	**28,853**
2018/19- Phase One			
Pressures	**4,857**	**6,642**	**10,883**
Budget Reductions and Additional Income	**(8,194)**	**(6,528)**	**(4,526)**
Revised Budget Gap	**15,700**	**21,360**	**35,210**
2018/19- Phase Two			
Pressures	**2,494**	**3,691**	**3,779**

Budget Reductions and Additional Income	**(13,546)**	**(12,418)**	**(19,752)**
Revised Budget Gap	**4,648**	**12,633**	**19,237**
One-off use of Reserves	**(4,648)**		
Final Budget Gap	**0**	**12,633**	**19,237**
Incremental Budget Gap	**0**	**12,633**	**6,604**

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 £12.6million in 2019/20. By 2020/21 this gap will have increased to £19.2million.

When the council published its phase one proposals, the budget gap was balanced, but only with the use of £15.7million from reserves. Since the first phase of proposals was approved the council has received its provisional finance settlement which saw negligible changes in funding.

In addition, financial pressures of £2.5million 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 £8.2million approved by Council on 13 December 2017
- Phase two – savings proposals of £13.5million included within this consultation document should contribute towards closing the gap in budget
- Use of £4.6million 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/budget. Hard copies of the consultation document will also be available from the receptions of the Town Hall, Bayard Place and all city libraries.

The consultation will close on 22 February 2018. Cabinet will consider comments on Monday, 26 February 2018 and Full Council will debate the phase two proposals on Wednesday, 7 March 2018

The consultation will ask the following questions:

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

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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 £26million in 2018/19 and almost £42million by 2020/21? 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:
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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 A

GROWTH AND REGENERATION - SERVICE IMPLICATIONS

Service Overview

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. In 2016 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.

Amey
Amey Strategic Partnership which includes refuse collection, street cleaning, parks, trees and open spaces, building cleaning and passenger services

Westcombe Engineering
A specialist in the design and manufacture of precision engineered parts. Owned by Peterborough City Council.

BUDGET REDUCTIONS AND ADDITIONAL INCOME

Travelchoice (sustainable travel promotion)

Peterborough has delivered a programme to encourage smarter travel choices since 2004, following designation as one of three Sustainable Travel Demonstration Towns.

For 2018/19 and subsequent years the council intends to bid for annual funding of £150k from the Combined Authority. If this bid is successful it would allow the council to reduce its revenue budget by £61k per year. It the bid is unsuccessful this would mean the service would need to be removed.

Service Reduction	2018/19 £k	2019/20 £k	2020/21 £k
Travel Choice	-61	-61	-61

Commercialisation Opportunities in core highways functions

This allows the council to capture wider savings and/or income achieved as part of the contract. It includes discussions with other authorities to enable them to access the Peterborough Highways Services contract, forecast to take effect in 2019/20.

Income Generation	2018/19 £k	2019/20 £k	2020/21 £k
Commercialisation Opportunities in core highways functions	0	-300	-75

Highways maintenance reduction

The council has a statutory duty to maintain the highway.

It has already reduced spend in this area by six per cent since 2012/13, even though the highway asset including footpaths, roads and street lights has increased over this period.

A number of additional savings have been identified for the phase two budget proposals, which will involve using capital investment to make revenue savings. These include bidding to fund self-cleansing road signs and treating whole areas of roads rather than patch repairs.

Income generation	2018/19 £k	2019/20	2020/21
Highways Maintenance reduction	-335	-320	-304

Deletion of Housing Strategy Officer & Enabling Vacant Position

This is a part-time vacant post within the team, which will create ongoing revenue savings of £18k a year. The council has invested significantly in its budget to support housing delivery.

Efficiency	2018/19 £k	2019/20	2020/21
Deletion of Housing Strategy & Enabling Vacant Position	-18	-18	-18

Reduction in advertising and licensing costs

Reduce advertising and licensing costs for the department creating ongoing revenue savings of £6k a year.

Efficiency	2018/19 £k	2019/20	2020/21
Reduction in advertising and licensing costs	-6	-6	-6

Increase street naming and numbering fees

By increasing the fees charged to developers and private individuals for street naming and numbering of new addresses, the council will be able to fully cover the costs its administrative costs,

The council has looked at fees charged in other authorities of a similar size and has developed a fee schedule for use in Peterborough.

Income generation	2018/19 £k	2019/20	2020/21
Increase street naming and numbering fees	-30	-30	-30

Increase pre-application advice fees

By increasing the fees charged to developers and private individuals for pre-application planning advice, the council will be able to generate additional income that can be used to balance its budget. National planning fees have recently been increased and this reflects that.

The council has looked at charging models used in other authorities of a similar size and has developed a model for use in Peterborough.

Income generation	2018/19 £k	2019/20	2020/21
Increase pre-application advice fees	-15	-15	-15

Ground Rent increases (industrial Sites)

By increasing the ground rent (development lease) for industrial sites, the council can generate an extra £56k per year.

These rent prices would still be at competitive levels compared to other local authority areas, meaning the city would still be able to attract new business.

Income generation	2018/19 £k	2019/20	2020/21
Ground Rent increases (industrial Sites)	-11	-11	-11

Increase charge for brown bins

The council currently charges households £39 a year for a brown bin, but does not charge households a recurring annual fee for the collection of a second bin.

Under the current contract with Amey, the council is charged for both first and second bin collections. It is proposed to increase the annual charge for all households with brown bins to £45 to cover this deficit and protect the council against future rise in collections.

It is expected that this will bring the council an additional income of £127k a year to cover the cost of delivering this service.

Income generation	2018/19 £k	2019/20	2020/21
Increased Charge for Brown Bin	-127	-127	-127

Charging for replacement bins

There has been an increase in the number of lost or stolen bins in the city. Last year the council spent £144k replacing these. It is predicted that this cost will rise to £170k in 2018/19.

An increasing number of authorities are making the move towards charging for replacement bins, unless there is evidence to prove they were damaged during collection.

A payment of £25 (bins) and £15 (food caddy and set of liners) is being proposed to cover costs and the administration required.

Income generation	2018/19 £k	2019/20	2020/21
Charging for replacement bins	-158	-149	-139

Charging for new bins

The council currently subsidises the provision of a set of bins to new properties. A fixed fee could now be charged to cover the cost of this.

This fee (£25 for each bin and £15 for a food caddy and initial set of liners) would cover the costs for the cost of the delivery and administration.

Income generation	2018/19 £k	2019/20	2020/21
Charging for new bins	-66	-66	-66

Restrict disposal of DIY waste at Household Recycling Centre (HRC)

Currently households who are carrying out home improvements and need to dispose of waste are able to do so freely and with no limits at the HRC.

It is proposed to limit the number of trips, the amount of waste and the number of permits issued. These restrictions have already been introduced by a number of other local councils. These councils have reported 50 per cent reductions in this type of waste and higher levels of private skip hire. They have not experienced increases in flytipping.

It is expected that this would save the council £9k in the first year, due to a mid year launch, but then .the full year impact should generate an annual saving of £17k.

Income generation	2018/19 £k	2019/20	2020/21
Restrict DIY waste at the HRC	-9	-17	-17

Planning Team

This saving is to be achieved through additional income generation or a resource reduction within the Planning Team. This should create a saving of £50k per year. This could be achieved through additional income generation or vacancy management in the team.

Efficiency	2018/19 £k	2019/20	2020/21
Planning Team	-50	-50	-50

Westcombe Engineering- Increased income generation

Westcombe Engineering is owned by Peterborough City Council. It is an established precision engineering component specialist, which fulfills the vision of its founder by actively employing people with disabilities.

There is an opportunity for more income to be made by the business, which would in turn be passed to the council. An extra £50k a year could be generated from this. This income will be the result of additional machinery which has been purchased.

Income Generation	2018/19 £k	2019/20	2020/21
Westcombe Engineering- increased income generation	-	-50	-50

Closure of the Waste Electrical and Electronics Equipment (WEEE) Facility

The closure of the Waste Electrical and Electronics Equipment (WEEE) facility would result in a saving of £39k per year. However in 2018/19 only a part year is recognised.

Current turnover is low and does not cover the costs of running the facility. There is no statutory obligation for the council to run this service.

There is potential to transfer the running of the WEEE facility to charitable organisation. This and other alternative options will be explored before September 2018, at which point if no progress has been made the council will cease to fund the facility.

If the WEEE site was to close then we would need to look at alternatives for residents on lower incomes.

Service Reduction	2018/19 £k	2019/20	2020/21
Closure of the WEEE Facility	-20	-39	-39

Bretton Water Park

The council is proposing to close Bretton Water Park, unless the cost of running the facility can either be taken on by the parish council or recovered through charging for admission. This should generate a saving of £18k per year.

The water park is currently open for three months of the year during peak summer. The council will enter into talks with the parish council to see if they could take over the running of this facility.

Service Reduction	2018/19 £k	2019/20	2020/21
Bretton Water Park	-18	-18	-18

Floral display reduction

Ending the provision of floral displays along Bridge Street, St John's Church and at the Peterborough Crematorium would make £3k of ongoing savings.

There could be a possibility for sponsorship instead.

Service Reduction	2018/19 £k	2019/20	2020/21
Floral display reduction	-3	-3	-3

Closure of public convenience at Northminster Car Park

The closure of the public conveniences at Northminster Car Park and a modest reduction in floral displays would make an annual saving of £57k. There have been current problems of vandalism and anti-social behaviour at the public conveniences in Northminster car park.

This would leave public toilets available in the Town Hall and Car Haven Car Park.

Service Reduction	2018/19 £k	2019/20	2020/21
Close public conveniences and floral display reduction	-57	-57	-57

BUDGET PRESSURES

Street Lighting Inflation

The council lights 27,500 streetlights across the city and is currently partway through a three year ‘invest to save’ project to upgrade 17,000 streetlights to energy saving LEDs. The remaining lights have already been replaced.

Energy prices have risen by an unprecedented 16 per cent, the revenue cost of street lighting is expected to be over budget for the next three years.

Once the new LED street lights project is completed in 2019, this extra revenue cost is expected to reduce significantly.

Pressure	2018/19 £k	2019/20	2020/21
Street Lighting Inflation	189	110	110

Household Recycling Centre

A new facility will be built in Fengate to replace the existing Dogsthorpe Household Recycling Centre in Winter 2018-19. The council has a statutory obligation to provide this facility.

The new site will be purpose-built, over twice the size of the current site with the majority undercover. This additional cost relates to the operation of the new facility. It will include a one-way system and a convenient layout to make it easier to use and reduce the likelihood of queues.

Pressure	2018/19 £k	2019/20	2020/21
Household Recycling Centre	152	152	152

APPENDIX B

PUBLIC HEALTH - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

Service Overview

Public Health Services

Public health services work to improve the health and wellbeing of local residents. They are commissioned by Peterborough City Council, and funded through a ring-fenced grant from central government. Public health services include:

- Local health visiting, school nursing and Children's Centre services
- Services to treat people with drug and alcohol misuse and addiction issues.
- Sexual health and contraception services
- Services to support people to give up smoking, lose weight and achieve health goals

Public health staff work closely with the local NHS and with Public Health England.

BUDGET REDUCTIONS AND ADDITIONAL INCOME

Joint Procurement of Contracts

The council is working with Cambridgeshire County Council to use its joint buying power to reprocure two contracts, saving £17k a year. The two contracts are as follows:

- The Healthy School Support Service
- The Healthy Workplace Service

	2018/19 £k	2019/20 £k	2020/21 £k
Joint Procurement of contracts	-17	-17	-17

Health and Well-being for Children- Integrated 0-19 Service

The council proposes to work with the NHS and Cambridgeshire County Council over the next year to develop an integrated public health service for children aged 0-19, including health visiting, family nurse partnership, school nursing, children's centres, specialist therapy services, such as speech and language therapy, occupational therapy, physiotherapy, and some emotional wellbeing services. The bringing together of services from different organisations will achieve efficiency savings and reduce management costs.

A saving of £348,000 will be taken from public health revenue budgets in 2018/19 while further work on the integrated model is done. There will be no change to services in 2018/19 due to this saving being covered from public health reserves and other grants.

	2018/19 £k	2019/20 £k	2020/21 £k
Health and Well-being for Children- Integrated 0-19 Service	-348. *Note: This will be covered in 2018/19 by public health reserves and other grants.*	-403	-408

Healthy Peterborough

The Healthy Peterborough campaign aims to inform city residents about lifestyle choices, in order for them to prevent and tackle common health problems and live healthier for longer. An evaluation of the campaign completed last year has shown it has achieved good brand recognition locally.

The campaign currently has a dedicated communications and marketing resource. It is proposed to save £30,000 by ceasing this dedicated support, and mainstreaming the Healthy Peterborough campaign into the routine work of the Communications & Marketing and Public Health teams. The Healthy Peterborough brand and website would be maintained, and maximum use made of nationally available public health campaign materials.

	2018/19 £k	2019/20 £k	2020/21 £k
Health Peterborough	-30	-30	-30

Integration of Road Safety Services

The public health grant funds £116k of the cost of the City Council's road safety services. A scoping paper has been prepared reviewing the opportunities from joint working of the road safety teams across Cambridgeshire and Peterborough and other management efficiencies, which could result in ongoing savings to Peterborough of £20k a year.

	2018/19 £k	2019/20 £k	2020/21 £k
Public Health - savings	-20	-20	-20

APPENDIX C

RESOURCES - SERVICE IMPLICATIONS

Service Overview

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

- Vivacity (culture, recreation and libraries)

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.

BUDGET REDUCTIONS AND ADDITIONAL INCOME

Minimum Revenue Provision Re-provisioning

The council can borrow money to fund its capital investment programme. This funds investment in a range of assets across the city including roads and schools.

As with a personal loan, the cost of borrowing impacts on the council's day-to-day spending (revenue budget). This is because it has to pay:

- Minimum payments on the loan (Minimum Revenue Provision, or MRP)
- Interest payments on the loan

As with a personal loan, it is possible to over-pay through the life of the loan to reduce the payment period.

In 2016/17 the council did a review of its MRP policy and made overpayments, thereby repaying some of the debt early. Due to this, there is an opportunity to lower payments during 2018/19.

Income generation	2018/19 £k	2019/20	2020/21
MRP Re-provisioning	-3,700	164	164

Council Tax Surplus

There will be growth in council tax income for the current financial year above predictions because of the city's rising population and construction of new homes.

In phase one it was forecast that the council expected to have a council tax surplus of £1m in 2017/18, which could be rolled forward to protect services during 2018/19.

A further forecast has been generated, which is more up to date and has identified an additional surplus of £183k can be rolled forward to support the 2018/19 budget.

The council is required to finalise the council tax collection fund position in January.

Income generation	2018/19 £k	2019/20	2020/21
Council Tax Surplus	-183		

Council Tax Base

The council tax base is calculated by looking at the amount of properties within the city, and considering other variables which would affect council tax such as property banding, council tax support and council tax benefit. Peterborough is largely weighted towards band A and B properties.

Due to a continued growth in the number of households paying council tax in Peterborough (caused by a population growth and house building within the city), the forecast for the amount of tax the council can collect has increased.

Income generation	2018/19 £k	2019/20	2020/21
Council Tax Base	-792	-853	-1,004

Council Tax Increase- additional 1 per cent in 2018/19

On 19th December the Local Government (LG) Provisional Finance Settlement was published. This included additional flexibility for Local Authorities to increase general Council Tax by 3 per cent in 2018/19.

The current Medium Term Financial Strategy already includes in increase of 2 per cent, therefore this proposal outlines the additional income generated from raising Council Tax by the additional 1 per cent.

Income generation	2018/19 £k	2019/20	2020/21
Council Tax Increase- additional 1 per cent in 2018/19	-693	-716	-741

New Homes Bonus

Following the LG Provisional Finance Settlement, the council is set to receive extra revenue from the New Homes Bonus.

This increase is a direct result of house building growth within the city over the past year.

Income generation	2018/19 £k	2019/20	2020/21
New Homes Bonus	-31	-46	-27

Business Rates Revised Forecast

An increase in the amount of money retained by the council from business rates is expected, compared to what was previously forecast.

This is due to a combination of factors, including changes to the way this figure is calculated by government, grants received by the government to address these changes and inflation. The forecast has been revised to also account for areas where we expect to see commercial growth such as Fletton Quays.

It is important to state these figures are based on the council retaining approximately 50 per cent of business rates.

Income generation	2018/19 £k	2019/20	2020/21
Business Rates Revised Forecast	-935	-483	-515

Reduction subscription costs

In order to reduce its revenue budget, the council has interrogated the money it spends on subscriptions to membership organisations.

Annual savings of £100k a year have been identified. This will not include the annual subscription to the Local Government Association as it has been identified this organisation is able to assist the council in its lobbying campaign to achieve fairer government funding for the city.

Efficiency	2018/19 £k	2019/20	2020/21
Reduction in subscription costs	-100	-100	-100

Revised Capital Programme

The council's Capital Programme is viewed over a five year period to ensure correct stewardship of assets and efficient use of budgets.

The council is proactive in attracting external funding for as many schemes as possible. An officer-led Capital Review Group has been set up to oversee the council's capital requirements.

In the past the council has had a very aspirational capital programme with budget assigned to this. It is proposed to redraft these budget areas to remove surplus and ensure each is allocated to the correct year. This has created revenue savings.

Pressure	2018/19 £k	2019/20	2020/21
Revised Capital Programme	-400	-300	-300

Capital Receipts

In line with its Asset Management Strategy, the council sells any surplus assets and uses the income to reinvest in services.

The list of assets for sale has been revised to reflect the current asset values. Due to this, the council expects to receive an additional £1.822m above what is already included within the Medium Term Financial Strategy.

Income Generation	2018/19 £k	2019/20	2020/21
Capital Receipts	-1,822		

Capitalisation of Salaries

The council is currently able to capitalise officer salaries, where it can be demonstrated that work undertaken has increased or added value to an asset. In order for the council to be able to do this a strict criteria set outlined within the International Accounting Standards must be satisfied.

An additional £50k of salary costs which could be capitalised has been identified, creating a saving of £50k annually.

	2018/19 £k	2019/20	2020/21
Capitalisation of Salaries	-50	-50	-50

City Events and Pedestrian Area

Savings will be sought through additional sponsorship and external support for events and by reducing staff numbers in the City Services department.

Income Generation	2018/19 £k	2019/20	2020/21
City Events and Pedestrian Area	-75	-85	-95

Business Improvement District (BID)

The creation of a CIty Centre Private/Public Partnership is proposed. This would share the direction and funding of city centre promotions, activities, events and improvements with those that benefit from them.

Partnership members would decide if this would result in funding being sought through the BIDs initiative.

Income Generation	2018/19 £k	2019/20	2020/21
Business Improvement Districts	-	-	-100

Tourism

By increasing sales and seeking additional sponsorship and external support it is proposed that a 10 per cent reduction could be made in the tourism budget.

This would create an additional £13k saving in 2018/19, rising to £38k by 2020/21.

Income Generation	2018/19 £k	2019/20	2020/21
Tourism	-13	-25	-38

Travelchoice Centre (Kiosk)

The Travelchoice Centre kiosk provides members of the public with travel information for nationwide bus, coach and train services, as well as walking and cycling options in city. At present, this service is available via a walk-in centre based at Peterborough Bus Station and online.

Over recent years the profit on the sale of tickets has reduced. The proposal is to close the TravelChoice Centre kiosk, but continue to offer some tickets (including bus pass renewals) from the Visitor Information Centre. This will provide the council ongoing savings of £58k per year. This service would continue to be available online for those who needed it.

Service Reduction	2018/19 £k	2019/20	2020/21
Travel Choice	-58	-58	-58

Serco Variable Spend Reduction

The council has a contract with Serco for its IT support and support for its back office functions. Sometimes it needs additional support and this is supplied in addition to the contract.

It is proposed that ongoing savings of £1million per year can be made by being more rigorous with the management of this.

Efficiency	2018/19 £k	2019/20	2020/21
Serco Variable Spend Reduction	-1,000	-1,000	-1,000

Business Support

The council is looking to reduce to level of spend on administration to support frontline delivery.

This will be achieved by encouraging efficiencies from our partners and reducing non-essential work. It is anticipated that £100,000 worth of ongoing savings can be made.

Efficiency	2018/19 £k	2019/20	2020/21
Business Support	-100	-100	-100

Finance Service Restructure

The council is proposing to conduct a restructure of the financial services team by removing vacant posts and reducing its day to day costs (excluding staff).

Savings could also be made by moving to shared services.

Efficiency	2018/19 £k	2019/20	2020/21
Finance Service Restructure	-400	-400	-400

Business Transformation

Serco has agreed to making savings in its Transformation team. This will mean that future work completed will focus on corporate initiatives.

The council has already implemented additional controls to ensure resource is directed on corporate priorities.

Efficiency	2018/19 £k	2019/20	2020/21
Business Transformation	-225	-225	-225

Vivacity

A reduction in the subsidy paid to Vivacity and an increase in income from its facilities is being proposed. This is for the provision of arts, libraries, sports and healthy living services.

The council anticipates that £80k could be saved per year.

Efficiency	2018/19 £k	2019/20	2020/21
Vivacity	-80	-80	-80

Registration and Bereavement- convert lease to capital

In December 2017 the council bought Peterborough Register Office, which is used to record births, deaths, marriages and civil partnerships. prior to this, it was leasing the building on a 25 year contract and paying annual rent on this.

The council was able to purchase the property at a favourable price and will therefore be able to make savings of £35k a year to run this site from now on.

Efficiency	2018/19 £k	2019/20	2020/21
Registration and Bereavement- convert lease to capital	-35	-35	-35

BUDGET PRESSURES

Housing Benefit Administration Subsidy

The Department for Work and Pensions has announced the Housing Benefit Administration Subsidy for Peterborough.

This grant is significantly less than had previously been forecast, leading to an ongoing pressure of £122,000 per year on the council.

Pressure	2018/19 £k	2019/20	2020/21
Housing Benefit Administration Subsidy	122	122	122

Terrorism Insurance

Recent terrorist attacks in the UK mean Central Government has set the risk level at level 4, 'severe'. This means a terrorist attack 'is highly likely' in the UK.

While there is no current information to inform that Peterborough itself is a target, it would be irresponsible of the council not to insure its property against damage. Especially as individual properties, such as the Town Hall have a high value, which would be difficult for the council to meet in the event of an incident.

Pressure	2018/19 £k	2019/20	2020/21
Terrorism Insurance	39	37	35

Loss of Rental Income from Bayard Place

Investment properties have been identified for sale to give one-off capital payments to the council to help support its financial position.

However, because the council will no longer own the buildings (including Bayard Place), this will mean a loss of revenue income and savings in revenue costs.

The sale of Bayard Place will generate a one-off capital income for the council, which will help support the council's budget.

Previously we had expected to lease out this property and so had previously factored in rental income which could have been generated from this property into the budget.

Now the plan is to sell the building, this rental income will be lost, generating a revenue pressure.

Pressure	2018/19 £k	2019/20	2020/21
Loss of Rental Income	932	1,202	1,337

Energy Budgets Review

The council has been pioneering in its aim to generate income, become 'greener' and help alleviate fuel poverty in communities by the use of a variety of renewable energy products.

Some of these budgets have been reviewed in light of recent developments within each project area.

Adjustment of net income targets

The income generated from a number of energy projects has fallen short from what was expected at the time of launching. It is important to note that there are plans to work with Cambridgeshire County Council to explore further initiatives to promote energy efficiency and maximise income. It may be possible to propose a budget saving from this work in due course.

Pressure	2018/19 £k	2019/20	2020/21
Adjustment of net income Targets	262	261	279

Solar PV (phot-voltaic) panels

A drop in the expected revenue income expected has been identified, partly due to changes in the government subsidy regime for renewable energy and partly due to the sale of council buildings with solar panels already installed.

Pressure	2018/19 £k	2019/20	2020/21
Solar PV	110	110	110

Academy transfers

As schools in Peterborough transfer to Academies, the savings or income generated from energy portfolios will also be transferred, however, the financing for these items will remain with the council.

Pressure	2018/19 £k	2019/20	2020/21
Academy transfers	66	66	66

Energy from Waste plant

Electricity produced at the Energy from Waste plant is sold to generate income. This offsets the additional expenditure on capital financing for building the plant and the contract fee for operating it. Work has been ongoing to explore the most effective way to place this energy on the market to maximise income, and it is expected that the income budget can increase as a result of this, off setting some of the pressures detailed above.

Pressure	2018/19 £k	2019/20	2020/21
Energy from waste plant	200	300	300

Energy Income-Energy from Waste

The council currently benefits from a premium on the energy production income from the plant, which ensures that waste is turned into renewable energy rather than being landfilled.

Changes confirmed by the government regulator OFGEM (Office of Gas and Electricity Markets) means the projected income levels received by the council has now fallen from what was expected.

Income Generation	2018/19 £k	2019/20	2020/21
Energy income	-300	-275	-200

Additional Office Accommodation Costs

Update to original consultation document following speech by Cllr David Seaton at 9 February Cabinet Meeting

The Council is rationalising its Office Accommodation portfolio and moving to Sand Martin House on Fletton Quays in July 2018. This move is part of the wider regeneration of the area including the new Hilton Hotel, New Apartments and the regeneration of the Mill.

The actual costs which are needed to ensure the building can be used to its maximum effect are now known. A full report on the Office Accommodation move and associated benefits of the regeneration of the Area will be presented to Cabinet on the 26th February.

Additional Pressure	2018/19 £k	2019/20	2020/21
Office Accommodation Costs	22	446	298

APPENDIX D

GOVERNANCE - SERVICE IMPLICATIONS

Service Overview

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.

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.

BUDGET REDUCTIONS AND ADDITIONAL INCOME

Councillors- going paperless and cessation of food and drink at meetings

The council currently prints council documents (agendas etc) for the use of councillors at meetings throughout the year.

It has also provided catering after some meetings, including Full Council, when it is unlikely that councillors have had time to arrange a meal themselves.

In order to make savings, councillors have been asked to use online documents and the provision of food and drink after meetings has been scrapped. This decision took place in November 2017 and will result in ongoing savings.

Efficiency	2018/19 £k	2019/20	2020/21
Councillors- going paperless and cessation of food and drink at meetings	-14	-14	-14

Human Resources Efficiencies

This £12k saving will be deliverable by a reduction in supplies and services and staffing budget within the Human Resources function.

Efficiency	2018/19 £k	2019/20	2020/21
Human Resources Efficiencies	-12	-12	-4

APPENDIX E

PEOPLE AND COMMUNITIES - SERVICE IMPLICATIONS

Service Overview

The People and Communities directorate is responsible for ensuring the needs of our residenpleats 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 Services and Communities

Adult Services and 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
- Adult social care
- Prevention and enforcement (including the Safer Peterborough Partnership and PES)
- 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

Children's Services and Safeguarding

Children's Services and Safeguarding is mostly concerned with supporting vulnerable children and young people, including those who are at risk of significant harm and those who are in care. Children's social care works to protect children and young people at risk of harm by working with parents and families to support them to make the changes they need to make so that their children achieve the best possible outcomes.

This includes services such as:
- Looked after children and young people
- The Healthy Child Programme
- Children's Safeguarding Boards (including the Family Safeguarding Team)

Education

The council is responsible for ensuring all schools in Peterborough (including academies) provide a high quality of education for all their pupils. This includes
- School improvement

- Support and challenge for leadership and management, the quality of teaching and making sure schools perform well at Ofsted and have good governance.

- Support for vulnerable pupils, whether they have special education needs, have been excluded from school or have behavioural issues, have English as an additional language or are children looked after.
- Ensuring schools are fairly funded and manage their budgets appropriately.
- Overseeing the school admissions process, home-to- school transport and school places
- Building new schools and extending existing ones.

BUDGET REDUCTIONS AND ADDITIONAL INCOME

Homelessness Prevention

The levels of homelessness have increased rapidly in Peterborough over the past two years. Although this mirrors national trends, the city has seen an unprecedented rise of 200 per cent, with the council assisting over 300 families at the end of 2017. The level of homeless households in the city is expected to rise further still over the next three years.

Temporary accommodation is provided through a range of hostel and leased accommodation. Additional demand is met through bed and breakfast style accommodation, which as well as being far from ideal for families, is far more expensive for the council.

Homelessness is very disruptive to households and has wider ranging impacts on families including health, social and educational. To alleviate these impacts, the ideal scenario would be to provide leased temporary accommodation as close as possible to the city, to enable households to go about their daily lives staying connected with their community and to reducing the costs and logistics associated with school transport.

Following an agreement from Cabinet earlier this month (subject to a satisfactory business case), the council has confirmed a grant to Medesham Homes for 29 homes to be made available at Midland Road and 43 homes at Bretton Court.

It is also proposed that an additional 40 homes can be made available by leasing from Ermine Street Housing. Possibilities for further homes are also being developed both in the city area and by widening the search to local authority areas bordering the city. Priority will always be given to suitable housing stock in the city for the reasons above, however the availability of this will ultimately determine the location.

It is expected that this will reduce the council’s reliance on bed and breakfast style accommodation, including Travelodge accommodation completely.

In addition, four Homelessness Prevention Officers will be employed, which is projected to prevent four homelessness cases each week. These officers will work with tenants and landlords to keep people in their homes through providing information, financial incentives to landlords and by finding alternative privately rented accommodation prior to households requiring temporary accommodation.

	2018/19 £k	2019/20	2020/21
Homelessness	-259	-1,354	-4,309

Special Educational Needs and Disability (SEND) Grant

Previously it was thought that this grant wouldn't be continued past 2017/18, however the council has now received confirmation that we will receive £127k for 2018/19 only.

Income Generation	2018/19 £k	2019/20	2020/21
SEND Grant	-127		

Shared and Integrated Services Programme (exc Finance)

In this directorate, many senior roles work across both Peterborough City Council and Cambridgeshire County Council already.

In order to improve outcomes and manage demand on services, the programme will build on successful joint working to date. It would include sharing back office functions, reducing leadership costs, maximising purchase power, reducing the duplication of systems and processes, reducing estate costs and building resilience.

This will be a council wide programme, led by People and Communities as savings to be made in this directorate are the most substantial.

Three work streams would be put in place:

1. Opportunities for shared services in back office functions
2. Further integration of services in the People and Communities directorates of each council
3. Additional opportunities for shared or integrated service delivery across each council

It is anticipated that rising savings could be achieved throughout the three years of the programme, reaching £9million in 2020/21.

Efficiency	2018/19 £k	2019/20	2020/21
Shared and Integrated Services Programme (exc Finance)	-845	-4,500	-9,000

BUDGET PRESSURES

School Transport

The number of children who need home to school transport has increased.

Peterborough has one of the highest population growths in the UK and also the fourth highest birth rate (according to the Office of National Statistics Report, published November 2017).

Since 2006 the number of pupils being taught in secondary and primary schools in the city has increased by 7,360. This represents a 26 per cent increase in school children in just a decade.

In addition the increase in homelessness has added to the demographic pressures. Homeless households can be moved across the city to wherever accommodation can be found for them, meaning pupils rely much more on the council for home to school transport.

Due to the growing demand for school places, has led to a significant rise in the numbers of children being transported due to their nearest available school being over the statutory walking distance.

Based on the trend (increase in children requiring school transport) seen by the council in the last two years, it is anticipated demand will continue to rise by eight to 10 per cent, over the next three years.

Pressure	2018/19 £k	2019/20	2020/21
School Transport	300	340	350

SERVICE CHANGE

0-25 Provider Service Change

The Council currently runs two residential/respite homes for children with disabilities. More families are choosing to access non-residential provision and this has significantly reduced occupancy at the manor respite care unit.

The proposal is to stop using the Manor for residential care and increase outreach, direct payments, after school clubs and sports activities.

This will be consulted on as part of the Budget consultation, and with affected staff and families.

STAFFING IMPLICATIONS

This section outlines any issues that affect the costs of staffing as well as the impact on staff numbers.

BUDGET REDUCTIONS AND ADDITIONAL INCOME

Reduction training costs

Additional savings have been identified that can be made by reducing training for staff. The council is committed to providing training for employees, however, it is now only able to approve requests that are considered essential for each role. It is anticipated that a further £100k amount of ongoing savings can be made through this approach.

Efficiency	2018/19 £k	2019/20	2020/21
Reduction in training costs	-100	-100	-100

Staff reductions

We have made every effort to minimise the impact on our staff. It is anticipated that the budget proposals could lead to around 4 redundancies.

The proposals as set out could affect 33 posts, although this is reduced by deleting 10 already vacant posts and further minimised by providing redeployment opportunities for an additional 19. This means that the overall impact could result in 4 posts redundant.

All staff directly affected by the proposals have already been informed by their line managers.

In accordance with the council's redundancy policy, redeployment opportunities will be sought in the first instance for those at risk of redundancy. We will also be working with our colleagues in Cambridgeshire County Council to identify any suitable vacancies that may exist.

There were no redundancies resulting from phase one.

BUDGET PRESSURES

Pay inflation

It was originally thought there would be a 1 per cent public sector pay cap. However, it is looking more likely that a 2 per cent pay award may be agreed across Local Government.

Therefore, the council has deemed it prudent to incorporate additional amounts within the budget.

Pressure	2018/19 £k	2019/20	2020/21
Pay Inflation	400	850	850

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Appendix I - Equality Impact Assessments

Equality Impact Assessment: Initial assessment

Deletion of Housing Strategy and Enabling Officer

What are the proposed outcomes of the policy?

The Council is proposing to delete the currently vacant 0.5 fte post of Housing Strategy and Enabling Officer. This post became vacant from the end of October 2017. Measures have been put in place to cover the essential elements of this role within the same service area.

Which individuals or groups are most likely to be affected?

No groups or individuals are specifically likely to be affected, patricularly because of the cover arrangements that have been put in place.

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	None
Disabled people	None
Married couples or those entered into a civil partnership	None
Pregnant women or women on maternity leave	None
Particular ethnic groups	None
Those of a particular religion or who hold a particular belief	None
Male/Female	None
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	None
Sexual orientation	None

What information is available to help you understand the effect this will have on the groups identified above?

Who will be the beneficiaries of the policy?

The continued cover arrangements for key tasks associated with this post will ensure that

the wider community in Peterborough and Fenland still will benefit from the support that this role provides to maximising the provision of affordable housing in Peterborough and Fenland.

Has the policy been explained to those it might affect directly or indirectly?

N/A

Can any differences be justified as appropriate or necessary?

N/A

Are any remedial actions required?

No

Once implemented, how will you monitor the actual impact?

The covering officer's performance is regularly monitored by the Housing Strategy and Enabling Manager who manages the Housing Strategy and Enabling service provided both to Peterborough and Fenland (the latter through an SLA arrangement).

Policy review date	
Assessment completed by	Anne Keogh
Date Initial EqIA completed	19/01/2018
Signed by Head of Service	**Richard Kay**

Equality Impact Assessment: Initial assessment

Closure of the WEEE Reuse facility.

Which individuals or groups are most likely to be affected?

This will not affect any of the particular groups below, however the facility does help individuals on low incomes access white goods.

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	N/A
Disabled people	N/A
Married couples or those entered into a civil partnership	N/A
Pregnant women or women on maternity leave	N/A
Particular ethnic groups	N/A
Those of a particular religion or who hold a particular belief	N/A
Male/Female	N/A
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	N/A
Sexual orientation	N/A

What information is available to help you understand the effect this will have on the groups identified above?

N/A

Who will be the beneficiaries of the policy?

The policy will enable the council to make savings.

Has the policy been explained to those it might affect directly or indirectly?

No

Can any differences be justified as appropriate or necessary?

N/A

Are any remedial actions required?

No

Once implemented, how will you monitor the actual impact?

We will try to either get a Charity to operate the facility or look to enable residents on low incomes to access affordable white good from other sites such as the Hotpoint shop or the British Heart Foundation.

Policy review date	24/01/19
Assessment completed by	**James Collingridge**
Date Initial EqIA completed	**24/01/18**
Signed by Head of Service	

Equality Impact Assessment: Initial assessment

Floral Displays

What are the proposed outcomes of the policy?

Remove all summer and winter floral displays from Town Hall and the troughs at the pedestrian crossing in Bridge Street.

Which individuals or groups are most likely to be affected?

There are no groups or individuals who will be affected more than any other by removing these floral displays (the city centre is open to all).

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	N/A
Disabled people	N/A
Married couples or those entered into a civil partnership	N/A
Pregnant women or women on maternity leave	N/A
Particular ethnic groups	N/A
Those of a particular religion or who hold a particular belief	N/A
Male/Female	N/A
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	N/A
Sexual orientation	N/A

What information is available to help you understand the effect this will have on the groups identified above?

N/A

Who will be the beneficiaries of the policy?

The policy will enable the council to make savings.

Has the policy been explained to those it might affect directly or indirectly?

N/A

Can any differences be justified as appropriate or necessary?

N/A

Are any remedial actions required?

No

Once implemented, how will you monitor the actual impact?

N/A

Policy review date	24/01/19
Assessment completed by	**Paul Robertson**
Date Initial EqIA completed	**24/01/18**
Signed by Head of Service	**James Collingridge**

Equality Impact Assessment: Initial assessment

Healthy School Service

What are the proposed outcomes of the policy?

Reprocurement of Healthy Schools Service. This will provide a structured support service to schools in to create a healthy environment, working towards different levels of achievement - as well as providing specific programmes on smoking and healthy eating. It will build on and replace the Food for life programme provided through the Soil Association contract. A saving will be made through joint procurement with Cambridgeshire.

Which individuals or groups are most likely to be affected?

Children of school age.

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	School age children. Overall effect should be positive as it will broaden current service and impact on health, while also making a saving through joint commissioning with CCC.
Disabled people	No
Married couples or those entered into a civil partnership	No
Pregnant women or women on maternity leave	No
Particular ethnic groups	No
Those of a particular religion or who hold a particular belief	No
Male/Female	No
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	No
Sexual orientation	No

What information is available to help you understand the effect this will have on the groups identified above?

Who will be the beneficiaries of the policy?

School children

Has the policy been explained to those it might affect directly or indirectly?

It has been discussed with school staff representatives

Can any differences be justified as appropriate or necessary?

Yes – the service is targetted at one age group

Are any remedial actions required?

No

Once implemented, how will you monitor the actual impact?

Monitoring of the contract and evaluation of new service

Policy review date	
Assessment completed by	**Liz Robin**
Date Initial EqIA completed	**26/1/18**
Signed by Head of Service	

Equality Impact Assessment: Initial assessment

Close Northminster Public Conveniences

Which individuals or groups are most likely to be affected?

The closure would impact on all groups the same. There are alternative toilets available in the city centre.

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	No - As there are alternative public toilets located in the city centre.
Disabled people	No - Alternative disabled toilets are available in the city centre.
Married couples or those entered into a civil partnership	N/A
Pregnant women or women on maternity leave	N/A
Particular ethnic groups	N/A
Those of a particular religion or who hold a particular belief	N/A
Male/Female	N/A
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	N/A
Sexual orientation	N/A

What information is available to help you understand the effect this will have on the groups identified above?

We are aware that there at other public toilet provisions within the City Centre.

Who will be the beneficiaries of the policy?

Financial savings.

Has the policy been explained to those it might affect directly or indirectly?

No

Can any differences be justified as appropriate or necessary?

N/A

Are any remedial actions required?

No as there are alternative toilets in the City Centre

Once implemented, how will you monitor the actual impact?

This will not be needed as there are still toilet provisions in the City Centre available

Policy review date	24/01/19

Assessment completed by	**Paul Robertson**
Date Initial EqIA completed	**25/01/18**
Signed by Head of Service	**James Collingridge**

Equality Impact Assessment: Initial assessment

Closure of Travelchoice Kiosk

Which individuals or groups are most likely to be affected?

Customers & staff

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	On a positive note the elderly will not need to stand outside at the bus station to collect their bus pass if this part of the service went to a more suitable area. On a negative this will affect transport information given out on a daily basis, although this will be available at another site.
Disabled people	On a positive note disabled customers will not need to stand outside to collect their bus pass if this part of the service went to a more suitable area, especially when disclosing personal information where people can overhear.
Married couples or those entered into a civil partnership	n/a
Pregnant women or women on maternity leave	n/a
Particular ethnic groups	n/a
Those of a particular religion or who hold a particular belief	n/a
Male/Female	n/a
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	n/a
Sexual orientation	n/a

What information is available to help you understand the effect this will have on the groups identified above?

Who will be the beneficiaries of the policy?

General public, as this can all be put under one roof and be more efficiently run in a better controlled area. It will also give staff a better environment and job satisfaction to use their skills in a suitable and better place to work, whilst saving money and improving the service to the council.

Has the policy been explained to those it might affect directly or indirectly?

Some areas have been spoken to with a view to continue part of the service still with little disruption.

Can any differences be justified as appropriate or necessary?

The current building is of very poor quality to work in for all staff; little heating, leaking ceilings and no toilet facilities. The cost would be too great to get the building to a standard fit to work in. The service can run from a better area owned by the council and not Queensgate, this would save us money and again improve the service .

Are any remedial actions required?

To move part of the service to a suitable area already available.

Once implemented, how will you monitor the actual impact?

I will be part of the management team to speak to all areas involved, and work with the team to produce the best service and outcome for the staff concerned and customers.

Policy review date	
Assessment completed by	**Tracy Snooks - Peterborough Information Manager**
Date Initial EqIA completed	**23/01/18**
Signed by Head of Service	

Equality Impact Assessment: Initial assessment

Health Workplace

What are the proposed outcomes of the policy?

Reprocurement of Healthy Workplace Service. This engages with local workplaces to provide training and ongoing support for healthy workplace champions, plus some specific programmes for mental health first aid training, staff health MOTs, smoking cessation groups etc. A saving is being made through joint procurement of the contract with Cambridgeshire County Council.

Which individuals or groups are most likely to be affected?

Adults of working age

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	Adults of working age. There will be some reduction in the programmes made available free to workplaces, due to the saving. However the main focus of the contract on training and supporting workplace health champions to deliver their won organisations workplace health strategy will continue. Interventions can also be made available to workplaces through other contracts e.g. Solutions for Health .
Disabled people	No
Married couples or those entered into a civil partnership	No
Pregnant women or women on maternity leave	No
Particular ethnic groups	No
Those of a particular religion or who hold a particular belief	No
Male/Female	No
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	No
Sexual orientation	No

What information is available to help you understand the effect this will have on the groups identified above?

Who will be the beneficiaries of the policy?

Working age adults

Has the policy been explained to those it might affect directly or indirectly?

It has been discussed with the current provider. However there is a small tender.

Can any differences be justified as appropriate or necessary?

Yes – the service is targeted at one age group of working age adults.

Are any remedial actions required?

No

Once implemented, how will you monitor the actual impact?

Monitoring of the contract and evaluation of new service

Policy review date	
Assessment completed by	**Liz Robin**
Date Initial EqIA completed	**26/1/18**
Signed by Head of Service	

Equality Impact Assessment: Initial assessment

Water Park at Bretton

What are the proposed outcomes of the policy?

Closure of the interactive water park at Bretton

Which individuals or groups are most likely to be affected?

This facility is used by young children

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	Note any positive or negative effects
Particular age groups	under 10's
Disabled people	N/A
Married couples or those entered into a civil partnership	N/A
Pregnant women or women on maternity leave	N/A
Particular ethnic groups	N/A
Those of a particular religion or who hold a particular belief	N/A
Male/Female	N/A
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	N/A
Sexual orientation	N/A

What information is available to help you understand the effect this will have on the groups identified above?

We are aware that there is also a free to use paddling pool in Central Park which helps to mitigate against the potential loss of this facility.

Who will be the beneficiaries of the policy?

The policy will enable the council to make savings.

Has the policy been explained to those it might affect directly or indirectly?

No

Can any differences be justified as appropriate or necessary?

N/A

Are any remedial actions required?

No

Once implemented, how will you monitor the actual impact?

Through user feedback

Policy review date	24/01/19
Assessment completed by	**Paul Robertson**
Date Initial EqIA completed	**24/01/18**
Signed by Head of Service	**James Collingridge**

Equality Impact Assessment: Sustainable Travel Promotion

Name/title of the policy area/strand or programme with which this assessment is concerned

This assessment relates to the proposal as part of the 2018/19 budget setting process to remove the annual £61k revenue budget allocated to the Travelchoice programme.

Description/summary of the policy area/strand or programme

As part of the 2018/19 budget setting process the Council propose to remove the annual £61k revenue budget allocated to the Travelchoice programme. This budget has historically been used as match funding to secure further grant funding from the Department of Transport (DfT). However, in 2016 the council were unsuccessful in securing further funding from the DfT and as such there is no foreseeable significant match funding requirement until 2020/2021. As a result of this unsuccessful bid, during 2016/17, the Travelchoice programme has focussed on, delivering smaller scale interventions including adult cycle training, non-targeted promotional campaigns and doctor bike sessions (cycle maintenance).

In October 2017 the Combined Authority awarded £50k to the Council to support this area of work which has been allocated to extend the Bike-It programme in key schools and develop an area wide business travel plan in Lynch Wood.

The Council intends to bid for annual funding of £150k from the Combined Authority going forward, although there is no confirmation at this stage that this funding would be received and this is not anticipated until approximately March 2018. The Council budget of £61k would not be needed to match fund the Combined Authority funding.

As a result of the funding uncertainty this EqIA is based on a scenario where the Council and/or the Combined Authority are not able to allocate any funding to deliver the Travelchoice programme.

The evidence base (list the principal sources of relevant evidence, both quantitative and qualitative.

- Bike-It Peterborough reports
- Work place travel plans
- Residential travel planning evaluations
- Local Sustainable Transport Fund Data Monitoring Report
- Peterborough Sustainable Travel Demonstration Town Travel Behaviour Research

What the evidence shows – keys facts

The above evidence shows that the various sustainable travel projects (under the umbrella of the Travelchoice initiative), have been successful in increasing the number of people who walk, cycle and use public transport.

A review of the MyPTP project (where employees from a range of local businesses are given bespoke travel information explaining the various travel options available), resulted in a 5.8% decrease in the number of single occupancy vehicle trips. All other travel modes increased or stayed the same. The bus, cycle and train modes all had significant increases in the number of trips with a change of between 20%-22%.

Residential travel planning projects involved making contact with 50% of all houses in an area of Peterborough and these were undertaken in different areas over a number of years. Households are offered various bespoke travel information with the goal being that individuals will travel more sustainably. There have been a number of these projects undertaken since 2004 and the evidence shows that the projects have delivered positive results.

The Council funds the Sustrans Bike-It programme in a number of schools in Peterborough. Between 2014 and 2015, the Bike-It staff in Peterborough delivered approximately 200 activities across schools in the city, resulting in them engaging with 14,907 attendees. From 2012-16 all schools surveyed saw an increase in cycling of 7.5% and walking increased by 2.3%.

Ethnic groups and disabled people – throughout the Travelchoice campaign there has been a number of targeted initiatives seeking to encourage the use of sustainable travel amongst ethnic and disabled groups. Whilst none of these activities are currently being delivered the lack of ability to deliver future schemes is likely to have a minor impact.

General residents and people that work in Peterborough – the Travelchoice campaign has been encouraging the use of sustainable travel across the city since 2004. Ceasing this work has the potential to have a small impact on these individuals because the communication activity that continually encourages sustainable travel behaviour will cease and as such they may choose to use alternative modes of travel.

Challenges and opportunities

The Travelchoice initiative works with all residents and certain groups to promote sustainable travel. The impact of more people walking and cycling is a healthier city with more active people, reduced congestion and air pollution, and improving peoples abilities to access services, jobs, education and training opportunities. This is done in a number of ways including:

- Supplying bespoke information to businesses and their employees.
- Working with the Job Centre to improve access to employment and training opportunities.
- Working in various residential areas to promote sustainable travel and its associated benefits.
- Working with disabled residents to promote sustainable travel and its associated benefits.
- Working in schools helps to engrain that behaviour in our youngsters in the hope that they will continue to walk and cycle whilst helping to make them healthier.
- Working with residents and visitors in general through various promotional activities to promote sustainable travel and its associated benefits.

Summary of Equality Impact Assessment

The majority of the work described above was undertaken because the Council was successful in securing grant funding from the Department for Transport. In 2016 the council were unsuccessful in securing further funding from the DfT and as such there is no foreseeable significant match funding requirement until 2020/2021. Also, it is anticipated that the Combined Authority will fund the Travelchoice programme in future years as the Council has received funding this financial year.

If there is no funding for the Travelchoice programme then the following impact is likely: Adverse impact is probable or certain, since certain groups will be disadvantaged, either proportionately or absolutely, or both. Remedial action is therefore necessary. The largest impact will be age because the Bike-It scheme is the main Travelchoice programme that is currently funded. This can be mitigated against through the Bikeability programme (Government funded cycle proficiency programme) as well as capital funding through the Council's integrated transport funding to improve walking and cycling infrastructure (such as new zebra crossings). In addition, Council Officers will continue to work with schools on travel planning initiatives. There could be a slight impact on disability groups because there has previously been some targeted work through the Travelchoice programme. However, there is currently no specific Travelchoice work with disability groups. In addition, the Peterborough Highways Services department will continue to work with the Disability Forum and a number of other groups. Examples of work to improve conditions for disabled people include the Council's integrated transport funding to improve highway infrastructure (such as new dropped kerbs with tactile paving and new bus shelters with raised kerbs) and a Government funded city centre wayfinding project with the RNIB. No residential travel planning has been undertaken this year and none is currently planned due to the level of funding required. This might have a slight impact on some groups in areas of the city but Travelchoice would continue to work with other groups city wide to promote sustainable travel. However, it would be on a reduced scale.

Next steps

Responsibility for the Travelchoice programme sits with a few Council Officers who will continue to work on a range of initiatives without the funding. These would be tailored accordingly and monitoring would continue to be undertaken which would allow the Council to review the decision to cease the £61k funding at a later time. Areas of work that would continue include school and business travel planning as well as general promotional campaigns (primarily through social media). These tasks will be reviewed as part of the relevant Officers PDR process. Discussions with specific groups on sustainable travel will continue and the Council will continue to invest in infrastructure to improve sustainable travel. The annual investment in infrastructure is over £500k and so requires a CMDN, these works have previously been presented at Scrutiny, and will also be published online.

Policy review date	November 2017
Assessment completed by	Lewis Banks
Date Full EqIA completed	12/12/2017
Signed by Head of Service	A. Tatt.

Equality Impact Assessment: 0 - 25 Residential/Respite homes for children with disabilities - The Manor & Cherry Lodge

Name/title of the policy area/strand or programme with which this assessment is concerned

0 - 25 Residential/Respite homes for children with disabilities - The Manor & Cherry Lodge

Description/summary of the policy area/strand or programme:

Peterborough City Council has two residential/respite homes for children with disabilities; Cherry Lodge and The Manor, both are managed under one Home Manager based at Cherry Lodge. The Homes offer residential care, short breaks and outreach to children, young people and their families. Both Homes are situated within Peterborough and sits under the responsibility of People & Communities Department for Peterborough City Council. Both Homes have a capacity of 8 beds with Cherry Lodge being able to accommodate children with more complex and profound disabilities.

The Homes are no longer fully utilized due to an increase in families and children being supported more successfully in the community with outreach services and direct payments. With the funding now being directed more towards the outreach and direct payments this leaves the Homes under subscribed and therefore underfunded. This creates financial pressure for the Local Authority.

Furthermore, until two years ago Health and other local authorities purchased a high level of placements that brought in approximately £500k income per year and this was built into the homes budgets. Over the last two years this income has fallen as Health and other local authorities have moved to commissioning more support in family's homes. This has resulted in a loss of income of approximately £250k per annum.

The result is a pressure currently forecasted at £186k for this financial year 2017/18. To help reduce this pressure it is proposed to close The Manor and deliver all the services from Cherry Lodge as well as redirecting funding to community services.

The rationale for identifying The Manor as the Home to close is as follows:

- The data shows a diminished requirement for overnight accommodation which has impacted more on The Manor facility. The Manor only has a 30% uptake of the overnight accommodation available.
- The Manor does not have the capacity to accommodate children with more complex and profound disabilities, for which there is a need.
- The Manor is not financially viable to run.

With the respite services no longer being delivered from The Manor a review will be undertaken to explore the potential for this asset to support other community needs for example, temporary housing or young adults with disabilities. Whilst this is undertaken The Manor will be closed.

The evidence base (list the principal sources of relevant evidence, both quantitative and qualitative.

A range of reports have been undertaken for the 0 - 25 service these include:

- Options Appraisal 0 - 25 service for Children and Young People with disabilities and complex needs (Feb 2017)

- Cherry Lodge and The Manor Status report (Dec 2016), Short Breaks Needs Assessment: Children and Young People with Disabilities and their Families; June 2017
- Option Appraisal Short breaks for Children and Young People with Disabilities provided by Cherry Lodge and The Manor August 2017
- CMT Report 0-25 Providrer Pressure (Dec 2017
- Short Breaks Needs Assessment (June 2017)

The above reports demonstrate a reduced take-up of the services provided across both Homes. This has resulted in the Homes not achieving their financial commitments for the past two years and are forecasted not to achieve for this financial year 2017/18.

What the evidence shows – keys facts

Information gathered from a range of documents including Short Break Needs Assessments June 2017, The Manor and Cherry Lodge status report Dec 2016, Option paper 0 – 25 services Feb 2017

*Overnight Occupancy

Unit	Availability	Used	% usage
Cherry Lodge (7 nights)	2888	1505	52%
The Manor (4 nights)	1640	497	30%

*data from Oct 15 – Sept 16
The current cohort of young people is likely to see a further decrease 25% of the total nights used in the next 12 months as young people reach 18 and move on.

Challenges and opportunities

The intention of the proposal is to prevent the council from facing unnecessary financial pressures, whilst ensuring that children, young people, their parents and carers continue to receive a consistent quality of service.

To ensure a consistent offer in service, a number of service user will access Cherry Lodge, this will be dependent on needs to ensure the people are accessing the service which is right for them. Others service users will be able to access community services such as after school clubs, sports clubs, family support and sleep solutions.
There will be an increase in the level of investment into these services to ensure there is no gap in provision from the proposed closure of The Manor.

Direct payments are also available to service users and their families who wish to have more flexibility over how their care and support is arranged and provided.

All the parents and carers of the children and young people who access The Manor will be spoke to on an individual basis to ensure they are clear about the support and services that they will continue to receive.

Summary of Equality Impact Assessment

The intention for this proposal is clear. The council currently operates a children's home which offers short breaks to children, young people, their parents and carers. This home is running at a considerable financial deficit and it is no longer viable for the council to underwrite this pressure when there are alternative services where service users can receive the same quality of service.

It is therefore anticipated that the impact of this will be neutral for the services user, without any negative impacts for the council.

Next steps

The next steps are to undertake a public consultation to seek views on the proposal to close The Manor. Once views have been collected they will be taken to Cabinet for a decision on the proposal.

Policy review date	Nov/Dec 2017
Assessment completed by	Oliver Hayward
Date Full EqIA completed	02/01/2018
Signed by Head of Service	Wendi Ogle-Welbourne

Next steps

An EqIA should conclude by indicating clearly the ways in which it will be followed up and kept under review i.e. progress detailed in a project plan, objectives set in an employees PDR/appraisal etc.

So far as is appropriate, the statements about next steps should reflect SMART principles – the measures should be:

- specific
- measurable
- achievable
- realistic
- time-bound

The statement of next steps should also emphasise the equality impact assessment as a whole is a living document and that, accordingly, it will be revised and updated, as appropriate, in the light of further evidence, discussions and representations.

You are likely to mention some or all of the following:

- plans that are already under way or under active consideration to address challenges and priorities you have highlighted
- arrangements for monitoring, and for periodic reports to certain groups
- arrangements for ensuring that monitoring systems are in place to ensure regular checks are undertaken on the effects of the policy
- arrangements for ensuring that evaluations of any pilot projects take account of the concerns and discussions outlined in your assessment
- arrangements for discussing with other agencies and regulatory bodies the scope for taking account of the concerns and discussions in your assessment
- arrangements for ensuring that your assessment is brought to the attention of all relevant colleagues, and in this contributing to reviews of the Department's single equality scheme
- arrangements for disseminating information about your assessment to local authorities and other stakeholders
- arrangements for improving the information base
- intentions for drawing up a detailed action plan.

Equality Impact Assessment: Initial assessment

Reduction in Road Safety Funding

What are the proposed outcomes of the policy?

Reducing the funding for Road Safety Service by £20k The reduction in funding will not impact on the number of preventative road safety programmes/initiatives being delivered in Peterborough. Reductions will be achieved by working with Cambridgeshire County Council and the wider Cambridgeshire and Peterborough Road Safety Partnership.

Which individuals or groups are most likely to be affected?

Road safety programme delivery will not be reduced by the reduction in funding. Programmes will still be delivered to age groups/road users most likely to be involved in a road traffic collision.

Now consider whether any of the following groups will be disproportionately affected:

Equality Group	**Note any positive or negative effects**
Particular age groups	
Disabled people	
Married couples or those entered into a civil partnership	
Pregnant women or women on maternity leave	
Particular ethnic groups	
Those of a particular religion or who hold a particular belief	
Male/Female	
Those proposing to undergo, currently undergoing or who have undergone gender reassignment	
Sexual orientation	

What information is available to help you understand the effect this will have on the groups identified above?

Who will be the beneficiaries of the policy?

All road users in Peterborough

Has the policy been explained to those it might affect directly or indirectly?

n/a

Can any differences be justified as appropriate or necessary?

n/a

Are any remedial actions required?

Closer working with Cambridgeshire County Council and the Road Safety Partnership

Once implemented, how will you monitor the actual impact?

Number of people injured on Peterborough Roads. **Number of road safety activities delivered/people engaged with** **Reduction in severity of road traffic casualties**

Policy review date	
Assessment completed by	**Clair George**
Date Initial EqIA completed	**1/2/2018**
Signed by Head of Service	

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Appendix J- Consultation Feedback

1.1. This document contains:

- A summary of consultation responses received to date
- A list of all consultation responses received to date.
- Feedback received from stakeholder group briefings.

Consultation Response

1.2. This contains all Phase two Consultation responses received as at 15 February. A summary of the 34 responses received to date is given in this section.

1.3. **Question 1 -** 28 respondents answered question 1 which was *'Do you have any comments to make about the first round budget proposals?'*

Response	Number of Responses
Positive	1
Neutral	5
Negative	22
Total	**28**

1.4. **Question 2 –** Respondents were asked, after having read the consultation document, how much they understood the Council's proposals. Answers can be broken down as follows:

Response	*Number of Responses*
A great deal	5
A fair amount	19
Not very much	6
Nothing at all	3
Blank	1
Total	**34**

1.5. **Question 3 –** Of the 34 responses received, 24 answered question, which was '*If you have any specific ideas about how the council can save money and protect services, please state these here:'.* A list of subjects raised is given below.

Response Theme
Staff Terms and Conditions- Benefits for good performance
Councillor and Director pay levels
Transpacency of projects
Sale of assets
Commercialisation
Removal of all floral display budgets
Travel information desk re-location
Use of offenders conducting community Service to contribute towards keeping the city clean
Improved use of properties- ie utilising empty properties
Property licensing scheme removal
Review of ASC placements to seek NHS funding
Reduce the number of councillors
Review Outsourcing contracts, with a view to bringing back in house or reducing additional charges/subsidies which may be incurred.

Feedback from the Budget Conversation Survey

1.6. The table below details the feedback received from the online survey and cabinet responses

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
1	no	A fair amount	if a member of staff goes all year without taking any sick leave, reward them with an extra day's holiday
2	I do not agree with raising Council Tax by twice the level of inflation.	A great deal	The Council should take a more hard line stance in order to protect residents from large Council Tax rises. For instance, those who have lost their homes due to rent arrears should be treated as intentionally homeless and the Council should only carry out is legal minimum obligations to such families. It also seems a waste of resources to provide additional school places at some schools while other schools (e.g. The Voyager) have plenty of spare capacity.
3	How can ordinary citizens live. Everything is being increased. You talk about shortfall. What about us we have a shortfall	Not very much	Councillors forego a pay rise for 3 years. That will plug the deficit. We have not had a pay rise so why should councillors
4	Yes. It's terrible	A fair amount	*Comment removed due to offensive nature*
5		A fair amount	
6		Not very much	
7	Seems to be a lack of transparency on the cost of the council's vanity projects which even when pleading poverty they still manage to waste money of none essential redecorating of paving or a statue here or there, traffic lights where there are not needed	A fair amount	Stop wasting money on vanity projects like fletton quey or Millfield, the council need to learn about transparency and that they work for us the constituents and would probably prefer money going to the service opposed to a new a junction on bourges for new reason

	Do you have any comments to make about the first phase budget proposals?	**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 £26million in 2018/19 and almost £42million by 2020/21?**	**If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:**
8	Families haven't decided not to use The Manor for respite for their disabled children. That has been decided for them by the panel they have to go in front of who won't let them access The Manor! This appears to be a blatant lie in the budget proposals.	A fair amount	Cut the salaries of Directors and Heads of Departments instead of penalising families who need services provided.
9	I simply cannot afford more. My employer is leaving Peterborough so I'm going to be out of work. Start charging travellers for their use of council land.	Nothing at all	Sell Posh ground for redevelopment Reverse councillors pay rise Move market to fountains area & sell off land for flats
10	Do not restrict visits to the tip. Fly tipping is so bad in Peterborough already so if you stop the access to the household recycling centre you should immediately withdraw any claim to be a green city. The tip should be set up for recycling better and you should be doing everything to get people to go there.no	A fair amount	Run the council more like a commercial business, public sector leaders and Councillors have no idea about commercial viability abd value for money. You're so focussed on rewarding friends and bound by red tape most contracts you give would not get past any private company scrutiny
11		Not very much	
12	The reduction in Flower Budget not enough	A great deal	The flower budget should go all together. There should be a more creative way of dressing up Bridge Street. Which is lasting. More on its history and bring in Tourist.
13	I totally object to an increased charge for brown bin collection. It is only necessary for me to have a brown bin due to me having to collect leaves from City Council owned trees. Due to my age I am unable to collect all the leaves from my garden and have to employ and pay a gardener three times a year to do this job. My brown bin is full each time the gardener comes and besides paying the gardener, I have had to pay this fee for my bin to be collected for just three collections a year.	A fair amount	

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
14	There could be ways to keep some things going if you obtained sponsorship e.g. flower beds work with a garden centre and in return they may do better cost plants.	A fair amount	The travel information desk should be on ground floor of the shopping centre. This is the main thoroughfare into town and as such it's role would be increased and provide a tourist information desk where there is none. For people going into Peterborough for the first time could be rather lost as they don't know which way to go. I would also suggest Queensgate information point is combined with this new hub and Queensgate then may help sponsor or run kiosk part time saving council money long term and providing a far better location to get centre information.
15	I agree with it all but council should support more towards the elderly n the young but the water park is out of date	A great deal	Get the community services ie pay back offenders to pick Itter in and around the city such as fly tipping and tidy the city up
16	Yes. It's all very well putting up the council tax but it isn't inline with any bodies cost of living and then I read in the paper that you're writing off over £4million of fines, rent etc etc. How is this fair on the people who actually bother to work for a living and pay their bills etc on time?	Not very much	They can save money by stop putting directors, councillors wages up, building new offices when they already have perfectly good ones. Changing refuse collectors and adding unnecessary road crossings when there is a perfectly good bridge which.
17	I strongly am against cutting a much needed service The Manor. the respite these children get and the much needed break the families get I believe helps keep the family unit together. Have you ever looked after a disabled child? It's very hard both emotionally and physically that's without the demands of other children. It seems to me this has been in the plans for a while, as The Panel make decisions when a family comes to them.in dire need. The panel don't sway towards a respite break they are swaying towards	Not very much	Take back the 11% pay rise you alk got and us mere workers got nothing. Show examples and be like us. Oh, and stop building new council buildings that cost a fortune

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
	outreach as thus is the cheapest option. Don't you think a parent would like a break? Do you think they can let the child be looked after by a grand parent like you or me? No. U've been.in this situation before my child died, I also have worked for a service with very complex health needs children which got shut down. With no thought to families or staff. When the big wigs of the council stop getting 11% pay rises while us workers get nothing, maybe there's a saving in itself. Be like the people that are the heart of the council, don't have a payrise like us?? I used to enjoy working for Peterborough council, not anymore		
18	The budget proposal for closing the Manor children's service is not only disgusting but also inaccurate. Knowing full well there are many families that are desperate for over night stays, additional support and a place they can call a second home. To write that families no longer require this service is not only untrue but also a false interpretation of feedback. Knowing the Manor families are desperate to get through the panel service and are a scrutinised so in depth they always fail is not to do with the family not wanting the service. This is to do with the council wanting rid of the service and notifying panel with new criteria desperate families have no chance.	A fair amount	Maybe not shut down and leave so many properties empty. How about not building another council Property on fleeton quays which is taking a lot more money than providing an essential service to stressed out parents of children with additional needs.
19	The fist proposal was published 13 December and less than 4 weeks later we are another 2.5 million short ? You have had a full year to go through the accounts and still are still unaware of the total costs.	A fair amount	4.6 million written off in bad depts ,how is this allowed to happen?who is in charge of the department and are they still working for you? It must be in the job role to control debters and balance the books.Surely the responsible people must see that the payments are not being received and it is thier duty to protect OUR money.

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
20	Cuts to Childrens services including the proposed removal of use of The Manor as a residential/day care facility is penalising the families within the city who need the MOST help. This service is absolutely vital for families and children with extreme needs and is often the ONlY break from care that they receive.After school clubs and direct payments can NEVER replace this critical service and it would be putting families under extreme and undue pressure and stress to remove it.	A fair amount	
21		A fair amount	
22	Do not cut services to disabled children or there families. Do not close the Manor.	A fair amount	Increase council tax Increase tax on business Tax house building.
23		Not very much	Stop wasting money on vanity projects. Reduce the special expenses of councillors etc. And bring back in house contracts such as the failed Amey contract and reinvest the profits.
24	The increase is far too high and is unacceptable.	Nothing at all	Get rid of the Rented Property Licensing Sceme
25	My comment is around the changes in the Business Support and Transformation teams that are provided from Serco. I understand that the council gets extremely good pricing on these and it is far more cost effective than using employment agencies or consulting firms. If work is taken away from Serco then surely it would be more expensive to do it with agencies and consultants - your proposal does not make it clear who is picking this up and, given the amount of change highlighted in your proposals, I cannot see how this workload will reduce.	A fair amount	Continue becoming more commercial in its outlook, capitalising on existing assets.

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
26	I noted the reference made on Page 38 of the phase two budget consultation about the reduction or cessation of the residential services provided by the Manor to disabled children. I am the Grandfather of a 13 year old Non Verbal Autistic boy who is currently enjoying the use of the Manor residential and day services. In the budget document item 3 the 2nd point refers to "Improving educational attainment & skills for ALL children". At the Manor my Grandson is learning that there is a world outside of the family home of which he is a part. A world which he will face as an adult in a few years time. He mixes with others in a way that cannot be replicated in the family home or in the structured environment of a school. Throughout his life he has demanded constant and immediate stimulation and attention. He has four sisters who also have a need and a right to parental and family attention. One is currently studying for A level, one for O level and the third for AS level. They need peace and study time without their brother constantly moving from one to the other demanding their attention. He is a big lad, almost 6 feet tall and 15 stone in weight, he is not easily dismissed by his parents let alone his physically smaller siblings. If their educational attainment is to be maximised as as your priorities indicate then respite from his attentions is invaluable. The third Priority point is " Safeguarding vulnerable children and adults". Supplying the services offered by the Manor to my Grandson assists in his safeguarding by giving him time away from the direct care of his family and wider experiencies that those achieved in his family circle thus giving him a better awareness of life outside of that environment. He has no sense of danger, cannot communicate with people verbally. Basically he cannot be allowed	Nothing at all	

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
	out unaccompanied. Having no personal transport in his direct family the Manor gives him these extra experiences safely. I am aware of the reduced numbers (not amount) of children making use of the Manor particularly during the last 12 months. I am also aware of the changes made to the criteria defining the entitlement for attendance at the Manor. It is these increased requirements that has produced the reduction in occupancy not families "choosing to access non-residential provision". The choice has been made for them and speaks ill of those who seek to reduce the care given to our most vulnerable children and adults.		
27	As the documents do not indicate the year-end forecast 'reserves' or the capital fund reserves, it is difficult to comment. In addition, the level of increase in Adult Social care has not been quantified, so again it is difficult to judge the impact or comment.	A great deal	Have the costs associated with high cost care and support or long term cases where Adult Social Services are funding without any NHS funding been reviewed in the last five years? There may be opportunities to challenge decisions or refusals by NHS which have not been identified by senior staff in Adult Social Care.
28	The two residential places for children with disabilities are an essential service for families who needs respite. Closing them would actually put many children at risk and cause extreme distress.	A fair amount	Reduce the number of councillors
29		A great deal	
30	Reduce all allowances paid to PCC cabinet staff and other snr positions. Especially when bearing in mind that the majority of additional allowances are for members of the same party that reduced the annual budget paid to PCC in the first place. As for the member of cabinet for Education on PCC, she should hand back	A fair amount	1) Cut allowance paid to snr councillors. Esprecially as the majority of this is paid to members of the same party that has cut PCC 's budget. 2) Cut subsidies to Serco, who charge PCC an additional 15% on all items purchased for PCC. This also includes small works projects which amount to millions

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
	every additional pound received as Peterborough remains 2nd bottom of the national SATS stats.		of pounds. 3) Withdraw outsourcing agents as soon as contracts end. It is costing more to outsource than to bring all work in-house (especially if other outsourcing agents take a similar approach to Serco). 4) Attract more investment. There have been too many empty premises laying idle for too long. If the old dairy on Midland Road, and Rathbones bakery, hadn't lay derelict for 15+ years, and PCC had attracted new business, it could have raised £15 million. If Frobisher House hadn't lay derelict for a similar length of time, it could have raised another £2 million. There are plenty more derelict commercial premises which could have been developed (The Sessions House, BHS, Thomas Cook Business Park and several pubs). included). 5) Renovate empty houses and bring them back in-house, not at arms-length where Cross Keys take a cut of the income.
31	No except in genaral terms :conservative councillors are implementing national conservative government policy without accepting their own party is responsible for substantial increases in costs to the public.		This is the role of councillors. They could not vote conservative in general elections or for local conservatives who are implementing national cuts and presumably agree with their own goverments approach which is flawed and based on an unfair funding system reform of which has been deferred by govt.
32	This is fair, councillors axing their buffet is good. Do not take more from i a city budget we need arts and libraries	A fair amount	Enforce the new parking restrictions on parents who park around Longthorpe and Jackhunt schools. We are fed up with arguing access
33	no	A fair amount	

	Do you have any comments to make about the first phase budget proposals?	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 £26million in 2018/19 and almost £42million by 2020/21?	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
34	I would like to say my daughter attends the manor on a regular basis to me this is a lifeline if it was to close it would affect both me my daughter and other children I think it's vital it stays open	A fair amount	

Feedback received from stakeholder group briefings

1.7. The following feedback was received from the Youth Council, attended by Emma Riding on 6 February:

- Expressed an interest in the stand up for Peterborough Campaign, including how this would help our position and the costs involved.
- Ased about the schools transport pressure, and were advised that this is due to the placements across the city and due to the housing/homelessness demand the city is facing, leading the council to have to place families further away from the schools. The Youth Council expressed in interest in this and would like to help were they can if possible.
- The youth Council was interested to learn about the factors impacting on Housing.
- The Youth Council asked for confirmation around the Loss of renatal income and the link the the capital receipts the council received, and explantion was given, including ighlighting that Bayard Place was incorporated in to both figures.
- The terrorism insurance proposal was clarified for the group.
- The group asked for further information about the pay award- It was explained that this is still to be agreed, and the council have put an estimate in place for this in light of information, which currently indicates the pay award will be in excess of the 1% agreed.

Overall the Youth Council could see how the Council was in a difficult finanfial position and fully support the council tax increase proposed.

1.8. No feedback was received from the Peterborough Community Assistance scheme, attended by Ian Phillips on 13 February.

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Appendix K- December 2018 Budgetary Control Report

1. DECEMBER BUDGETARY CONTROL - REVENUE

1.1. The revenue budget for 2017/18, agreed at Full Council on 8 March 2017, was approved at £146m. The revised budget is now £152m due to the additional Adult Social Care money of £3.5m announced after the budget had been approved, and the one-off drawdown of reserves.

Revised Budget 2017/18	**£000**
Approved Budget 2017/18	145,771
Additional Adult Social Care money	3,524
Drawdown of reserves	2,743
Revised Budget at December 2017	152,038

1.2. The forecast year-end outturn is based on reported departmental information as at the end of December 2017. The outturn is forecast to be a £2.593m under spend after allowing for departmental contributions to reserves. £2.338m will be transferred to the Capacity Reserve to support the budget in future years. £168k will be transferred to the ringfenced Public Health Reserve. The position reflects £1.8m of pressures on People and Communities, the largest overspend is homelessness costs. The People and Communities pressure is offset by savings within Growth and Regeneration, Resources and Capital Financing.

1.3. The summary position is outlined in the following table:

	Budget 2017/18	Cont. from reserve	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserve	Forecast Variance 2017/18	Forecast Variance 2017/18	Previous Month Variance	Movement
Directorate	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**%**	**£000**	**£000**
Chief Executives	**1,633**	**217**	**1,850**	**1,677**	**0**	**(173)**	**-9%**	**(75)**	**(98)**
Governance	**4,497**	**115**	**4,612**	**4,595**	**0**	**(17)**	**0%**	**42**	**(59)**
Growth & Regeneration	**24,887**	**220**	**25,107**	**23,837**	**255**	**(1,015)**	**-4%**	**(942)**	**(73)**
People & Communities	**81,835**	**173**	**82,008**	**83,825**	**0**	**1,817**	**3%**	**3,179**	**(1,362)**
Public Health	**206**	**0**	**206**	**38**	**0**	**(168)**	**-82%**	**(167)**	**(1)**
Resources	**36,237**	**2,018**	**38,255**	**34,707**	**511**	**(3,037)**	**-8%**	**(3,162)**	**125**
Total Expenditure	**149,294**	**2,744**	**152,038**	**148,679**	**766**	**(2,593)**	**-2%**	**(1,125)**	**(1,468)**
Financing	**(149,294)**	**(2,744)**	**(152,038)**	**(151,951)**	**0**	**87**	**-2%**	**0**	**87**
Contribution to Capacity reserve	**0**	**0**	**0**	**0**	**2,338**	**2,338**	**0%**	**1,125**	**1,213**
Contribution to Public Health					**168**	**168**	**0%**	**0**	**168**
Net	**0**	**0**	**0**	**(3,272)**	**3,272**	**0**	**-3%**	**0**	**0**

1.4. It needs to be noted that the Resources Directorate is carrying a significant risk. The revenue budget assumes that £12.7m of capital receipts will be generated which Members agreed in the Budget to use to reduce the debt charges for capital (known as minimum revenue provision). The projected outturn assumes that the £12.7m of receipts is fully achieved, based on a risk assessment. However there remains a possibility that the receipts will fall short of the total. If this were to happen, the difference would need to be funded from reserves and balances. However if the disposals were achieved later than 31 March 2018 and therefore received in 2018/19 the receipts could be used to replenish. Cabinet are updated on the position monthly.

1.5. Further information is provided in the following appendices:

Appendix A- Detailed Revenue Budgetary Control position and explanation of Key variances
Appendix B- Risks Identified
Appendix C- Reserves position
Appendix D- Asset Investment and Treasury Budget Report

Appendix A – Detailed Revenue Budgetary Control position and explanation of Key Variances

Key Movements between the November and December Forecasts

	£000
November position	(1,125)
HR additional savings	(116)
VAT Shelter- Lower forecast received from CKH due to a lower rate of VAT on some expenditure.	288
IBCF Funding to cover Winter Pressures- including £474k on Independent Sector Placements (ISP)	(2,000)
Additional TACT pressure- highlighted in recent report from TACT and partly due to late mobilisation of the contract	600
Improvement on the Highways budget	(76)
Improvement on the overspend forecast within housing (homelessness)	(109)
Minor variances across departments	(55)
December position	(2,593)

Chief Executives

	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Previous Month Variance	Mvmt
Budget Group	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**%**	**£000**	**£000**
Chief Executive	240	0	240	189		(51)	-21%	(39)	(12)
HR	1,393	217	1,610	1,488		(122)	-8%	(36)	(86)
Total Chief Executives	**1,633**	**217**	**1,850**	**1,677**	**0**	**(173)**	**-9%**	**(75)**	**(98)**

Chief Executives is overall reporting a favourable variance of £0.173m against its budget.

Chief Executive

- An underspend of £0.051m is expected on the £0.240m budget for the Chief Executive due to one off savings in supplies and services budgets.

HR

- There is a £0.097m saving on the salary budget of £1.220m due to vacant posts - the budgets will be corrected in 18/19. The saving has increased by £0.058m in the month due mainly to a reduction in consultancy costs and further vacancies.
- There is an expected £0.030m saving against the £0.259m Workforce Development and Training budgets expected in this financial year.
- Other miscellaneous small overspends across the department are £0.005m.

Governance

Budget Group	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Prev. Month Variance	Mvmt
	£000	£000	£000	£000	£000	£000	%	£000	£000
Director of Governance	395	0	395	355	0	(40)	-10%	(21)	(19)
Legal & Democratic	3,517	115	3,632	3,607	0	(25)	-1%	15	(40)
Performance & Information	585	0	585	633	0	48	8%	48	0
Total Governance	**4,497**	**115**	**4,612**	**4,595**	**0**	**(17)**	**0%**	**42**	**(59)**

Governance is overall reporting a favourable variance of £0.017m against its budget.

Director Of Governance

- Miscellaneous small savings of £0.040m.

Legal & Democratic

- An overspend of £0.286m is expected on the £1.740m Legal salaries budget due to a combination of the use of locums being used to cover vacancies, payment of market supplement to retain current staff and also an overspend in children's safeguarding legal costs. There has been agreement to fund an additional Lawyer and a Business Support Officer to cope with the increased workload.
- An underspend of £0.039m is expected on the salary budgets of £0.430m in the Governance support and Elections service.
- Additional income is expected of £0.122m on the £0.220m income budget for Land Charges.
- An underspend of £0.030m is expected on the elections budget of £0.205m due to the low number of elections this year. The budget will be required in full in 18/19.
- An underspend of £0.091m is forecast in relation to the Members' Allowances and other costs budget of £1.120m.
- Other miscellaneous small savings across the service area are £0.029m.

Performance & Information

- An overspend of £0.068m is expected on the £0.480m Coroner's budget due to an increase in demand. This ongoing pressure is being incorporated within the budget requirement for future years.
- An underspend of £0.020m is forecast on the £0.180m FOI Team staff cost budget.

Growth & Regeneration

Budget Group	Budget 2017/18 £000	Cont. from reserves £000	Revised Budget 2017/18 £000	Forecast Spend 2017/18 £000	Cont. to reserves 2017/18 £000	Forecast Variance 2017/18 £000	Forecast Variance 2017/18 %	Prev. Month Variance £000	Mvmt £000
Development and Construction	291	0	291	361	0	70	24%	63	7
Director, OP & JV	528	185	713	(25)	150	(588)	-82%	(577)	(11)
Peterborough Highway Services	9,673	0	9,673	9,734	0	61	1%	137	(76)
Sustainable Growth Strategy	1,800	35	1,835	1,585	105	(145)	-8%	(139)	(6)
Corporate Property	639	0	639	476	0	(163)	-26%	(176)	13
Amey Peterborough & Waste Management	11,864	0	11,864	11,614	0	(250)	-2%	(250)	0
Westcombe Engineering	92	0	92	92	0	0	0%	0	0
Total Growth and Regeneration	**24,887**	**220**	**25,107**	**23,837**	**255**	**(1,015)**	**-4%**	**(942)**	**(73)**

Growth & Regeneration is overall reporting a favourable variance of £1.015m against its budget.

Development and Construction

- There is a forecast £0.050m variance on the £1.260m income budget within Development and Construction due to reduced external recharge income.
- Other miscellaneous small pressures across the Department are £0.020m.

Director, Opportunity Peterborough & Joint Venture

- A saving of £0.438m has been delivered in respect of the Highways roadmap efficiency programme, covering £3.98m of maintenance and related budget. This includes removing budget from the Highways contract where the same level of service is delivered at a lower cost, to "bank" the saving, (such as programme co-ordination efficiencies to avoid separate traffic management costs). It also includes receiving rebates based on a percentage of additional works put through the contract e.g. works for third parties. The ongoing elements of these savings will be factored into 18/19 budgets.
- A saving of £0.150m has been achieved against a total budget for the directorate of £24.887m, through extracting budgets from across the directorate following outturn review for car allowances, administration expenses, telephones, salaries, professional services, and computer software.

Peterborough Highway Services

- An overspend of £0.310m is expected against a budget of £0.870m due to a substantial inflationary increase in street lighting energy costs and a delayed start to the LED project. A budget adjustment is proposed for 18/19.
- Highways Development is favourable by £0.180m on a £0.470m budget due to additional income. This is partly offset by other staff costs and Community Link Bus Service costs.

- The department is also delivering a further £0.100m of savings on a £9.673m budget. This is being delivered via savings within the transport planning, street lighting maintenance and the drainage services. These will be kept under review for 18/19.
- Other miscellaneous pressures across the Department are £0.031m.

Corporate Property

- Additional rental income of £0.108m on a £4.140m budget arises from investment property purchased in Fengate in March 2017. This will be built into the budget for 18/19.
- A saving of £0.060m is reported on Utility costs against a budget of £0.500m. Expected increases in costs are likely to mean this saving will not continue for 18/19.
- Other miscellaneous pressures across the Department are £0.005m.

Amey Peterborough & Waste Management

- An underspend of £0.180m arises on an £8.600m budget for the Amey contract, in respect of a lower pension contribution rate compared with that assumed in the contract. The impact of this in future years will be considered along with a number of other potential contract costs.
- However proposed savings from Bin Sponsorship income £0.040m, and charging developers for bins £0.040m have not been achieved. This will be an ongoing pressure.
- Energy from Waste is reporting £0.100m additional income on a surplus budget of (£2.580m). The one-off additional income due to increased volume and price change
- Street Cleansing £0.050m saving on budget of £2.210m - pro rata saving from delayed start in additional cleansing

People & Communities

Budget Group	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Prev. Month Variance	Mvmt
	£000	£000	£000	£000	£000	£000	%	£000	£000
Adults	45,623	0	45,623	43,847		(1,776)	-4%	178	(1,954)
Commissioning and Commercial Operations	14,243	0	14,243	15,707		1,464	10%	905	559
Children's & Safeguarding	10,588	66	10,654	10,572		(82)	-1%	146	(228)
Director	774	0	774	330		(444)	-57%	(869)	425
Education	5,778	0	5,778	6,360		582	10%	626	(44)
Communities	4,828	107	4,935	7,008		2,073	42%	2,193	(120)
Total People and Communities	**81,834**	**173**	**82,007**	**83,824**	**0**	**1,817**	**2%**	**3,179**	**(1,362)**

People & Communities are overall reporting an adverse variance of £1.817m against its budget. The key variances in each of the service areas are as follows:

Adults

- Overall Adults is forecasting a £1.776m underspend
    - The Therapy, Reablement, Community Equipment service area is forecast to overspend by £0.152m against a total budget of £2.930m. Staffing is forecast to overspend by £0.309m (the 0-25 Team accounts for £0.229m of this figure), non-pay is forecast to underspend by £0.157m.
    - The Home Services Delivery Model is forecast to underspend by £0.134m against a total budget of £1.418m. This saving is part of the non-digital element of the Digital Front Door savings.
    - The Finance Service area is forecast to underspend by £2.148m against a total budget of £0.453m.
        - The forecast is £0.600m more favourable in December because £600k assumed in November to off-set pressures is no longer required.
        - The forecast is £0.293m more favourable in December because this proportion of the Department Savings target has now been found.
        - £0.474m of the Improved Better Care Fund is now reflected in the forecast. In overall Directorate terms this off-sets the pressure on the Adults placement budget
        - A commitment of £0.219m arises from the Care Act 2014. This issue will be addressed in the 2018-19 budget.
    - The Adults placement budget is forecast to overspend by £0.474m against a total budget of £28.610m. This is being mitigated by IBCF Funding held to cover Winter Pressures.
    - Other Adults savings total £0.120m.

Commissioning and Commercial Operations

- Overall Commissioning and Commercial Operations is forecasting a £1.464m overspend
    - Currently Clare Lodge is forecasting an adverse variance of £0.584m at the end of the year. This is due to three key factors:
        - A pressure of £0.250m relating to the non-achievement of the additional MTFS Income target as a result of the delay in Construction work.
        - A £0.100m pressure is as a result of non-achievement of pay terms and conditions savings.
        - A pressure of £0.234m is forecast, which is broken down as follows:
        - There is reduced occupancy and therefore Income as the result of lower demand from other Local Authority Commissioners for beds at Clare Lodge, creating a pressure of £0.380m. This may well be because other Local Authorities are in a difficult financial situation and are having to make savings on commissioned and other services.
        - Clare Lodge is also struggling to recruit and retain staff, Without the required staffing levels it can't safely staff the units and therefore can't make beds available. Due to the low staffing levels there is an under spend on this budget of £0.128m offsetting the income pressure.
        - There is also a small overspend of £0.018m on supplies and services.
        - Clare Lodge in conjunction with the responsible Local Authority Officer are working to increase occupancy
    - The Commissioning service area is forecast to underspend by £0.155m against a budget of £1.079m.
        - A pressure of £0.047m relating to Play Centre property costs has arisen as a result of the delayed Community Asset transfers.
        - An underspend of £0.187m against Children's Commissioning budgets has been identified to mitigate the reported pressure against Clare Lodge.
    - The Permanency Service (TACT) is forecast to overspend by £1.000m against a budget of £13m which is an increase of £0.600m on the previous forecast.
        - The additional cost is as a result of LAC numbers being higher at the beginning of the contract than was anticipated, work is ongoing with TACT on plans to reduce this number however this is taking longer than anticipated and as such giving rise to a pressure in year. Work is still underway to address this with results more likely to give rise to savings in 18/19. Further work is being done around placement mix and the impact on the savings built into the contract for 17/18 due to the later than planned mobilisation of the contract and therefore the changes that TACT are making were later into the contract than was originally anticipated - we are expecting further pressures to arise from this piece of work being done in January. Discussions held with TACT are that at this time it is expected that this will be resolved for 18/19 and that they will be able to deliver the level of savings that the contract require. But this will depend upon working together to get the LAC numbers back to the level that the contract was built on.
    - Other Commissioning and Commercial Operations pressures total £0.035m.

Children's & Safeguarding

- Overall Children’s & Safeguarding is forecasting an £82k underspend
    - The Children's Social Care service area is forecast to overspend by £0.054m against a budget of £6.727m. This is due to a £0.187m pressure on car and travel allowances, a £0.252m saving on staffing costs, a £0.023m pressure on room hire costs & a £0.010m pressure in relation to other costs including ICT maintenance, mobile phone costs, financial assistance etc.
    - Other Children's & Safeguarding budgets are forecast to underspend by £0.028m.

Director

- Overall the Director is forecasting a £444k underspend.
    - Currently reporting a £91k pressure
        - The £0.500m savings target in relation to 'New ways of working' has not been achieved and has therefore been reported as a pressure.
        - This pressure has been partially offset by a £0.409m saving in relation to the prior year element of the Norfolk Ordinary Residence case which has recently been agreed and paid.
    - Currently reporting £400k underspend
        - The MTFS saving re 'SERCO Insight and Analytics' has been reported as a £0.163m pressure.
        - £0.563m of the departmental contingency has been released to off-set the 'SERCO Insight and Analytics' pressure, and £400k of the Permanency Service (TACT). A departmental contingency was set up to help cover some in year pressures including the TACT contract which is the first of its type in the country. It was deemed appropriate to hold a contingency in light of this especially late mobilisation of the contract, an uncommitted balance of £0.127m remains.
    - Currently reporting £135k underspend
        - A pressure in relation to non-achievement of Business Support savings of £0.015m has been reported.
        - Shared Management arrangements with Cambridgeshire have generated an underspend of £0.094m.
        - Staff vacancies in the People and Communities Finance Team have resulted in an underspend of £0.047m.
        - Non staff savings total £0.009m

Education

- Overall Education is forecasting a £582k overspend.
    - The Home to School and Children's Social Care Transport service area is forecast to overspend by £0.416m against a budget of £3.720m.
        - The Home to School Transport budget is forecast to overspend by £0.269m. This forecast includes demographic pressure and the savings arising from the recent exercise to rationalise and re-tender routes etc.
        - Children's Social Care transport is forecast to overspend by £0.107m. In part this is due to the loss of voluntary drivers and the necessity to therefore procure more taxi transport. The transport team are actively trying to recruit additional voluntary drivers.

        - Other pressures total £0.040m.
    - The Pupil Referral Service is forecast to overspend by £0.237m against a surplus budget of (£0.237m), this is as a result of the implementation of a new funding model. This pressure has been addressed in the 18-19 budget process
    - Other Education savings total £0.071m.

Communities

- Overall Communities is forecasting a £2.073m overspend.
    - The Housing Service area is forecast to overspend by £1.594m against the total budget of £0.854m.
        - Of the overspend £1.597m relates to Homelessness / temporary accommodation costs. This is being closely monitored by Management.
        - Other Housing Service savings total £0.003m.
    - The Housing Enforcement Service area is forecast to overspend by £0.413m against the total net income budget of £0.083m.
        - Selective Licensing is forecast to overspend by £0.287m which is primarily as a result of the very high take up of an early bird discount scheme. Work is being undertaken to identify additional homes that should be licensed. The additional income should close the gap in financial years 2018/19 onwards.
        - An overspend of £0.143m has arisen due to under achievement of income in relation to EPC certificates. The income loss will be addressed in the 2018/19 budget setting process.
        - Other Enforcement underspends total £0.017m.
    - Other Communities pressures total £0.066m.

Public Health

Budget Group	Budget 2017/18 £000	Cont. from reserves £000	Revised Budget 2017/18 £000	Forecast Spend 2017/18 £000	Cont. to reserves 2017/18 £000	Forecast Variance 2017/18 £000	Forecast Variance 2017/18 %	Prev. Month Variance £000	Mvmt £000
Children 0-5 Health Visitors	2,967	0	2,967	2,967		0	0%	0	0
Children 5-19 Health Programmes	1,999	0	1,999	1,999		0	0%	0	0
Sexual Health	1,817	0	1,817	1,816	1	0	0%	0	0
Substance Misuse	2,370	0	2,370	2,348	22	0	-1%	(22)	22
Smoking and Tobacco	374	0	374	322	52	0	-14%	(53)	53
Miscellaneous Public Health Services	1,875	0	1,875	1,782	93	0	-5%	(92)	92
Public Health Grant	(11,196)	0	(11,196)	(11,196)		0	0%	0	0
Total Public Health	**206**	**0**	**206**	**38**	**168**	**0**	**-82%**	**(167)**	167

Public Health is reporting a favourable variance of £0.168m against its budget, this will be transferred to the Public Health reserve. The Key variances in each of the service areas are as follows:

- Substance misuse is forecast to underspend by £0.022m against the budget of £2.370m. This underspend is as a result of an accrual for DETOX treatment which is no longer required.
- Smoking and Tobacco is forecast to underspend by £0.052m against the budget of £0.374m. This underspend is against Smoking cessation services.
- Miscellaneous Public Health Services is forecast to underspend by £0.093m against the budget of £1.875m. This underspend is as a result of an accrual for Redundancy which is no longer required (£0.060m) and the balance relates to two PH projects which will no longer be funded from 2017/18 revenue budgets. These are South Asian health checks for people aged under 40, which will no longer be implemented following changes to the relevant evidence base, and Healthier Eating in fast food outlets, which is still under discussion with the Environmental Health Team, and for which any costs will be funded from public health reserves.

Resources

Budget Group	Budget 2017/18 £000	Cont. from reserves £000	Revised Budget 2017/18 £000	Forecast Spend 2017/18 £000	Cont.to reserves 2017/18 £000	Forecast Variance 2017/18 £000	Forecast Variance 2017/18 %	Prev. Month Variance £000	Mvmt £000
Director's Office	258	0	258	307	0	49	19%	55	(6)
Financial Services	3,605	418	4,023	3,356	511	(156)	-4%	(66)	(90)
Capital Financing	12,441	1,322	13,763	11,421	0	(2,342)	-17%	(2,282)	(60)
Corporate Items	5,726	90	5,816	4,342	0	(1,474)	-25%	(1,777)	303
Peterborough Serco Strategic Partnership	7,224	0	7,224	6,674	0	(550)	-8%	(550)	0
ICT	5,995	110	6,105	6,476	0	371	6%	371	0
Commercial Group	336	0	336	309	0	(27)	-8%	3	(30)
Energy	392	0	392	1,156	0	764	195%	771	(7)
Vivacity/Cultural Services	2,473	0	2,473	2,479	0	6	0%	24	(18)
Cemeteries, Cremation & Registrars	(1,348)	38	(1,310)	(1,378)	0	(68)	5%	(36)	(32)
City Services & Communications	(865)	40	(825)	(435)	0	390	-47%	325	65
Total Resources	**36,237**	**2,018**	**38,255**	**34,707**	**511**	**(3,037)**	**-8%**	**(3,162)**	**125**

Resources is overall reporting a £3.037m favourable variance against its budget.

Directors Office

- An overspend of £0.049m is forecast against the Director's budget of £0.258m relating to staffing costs

Financial Services

- A favourable variance of £0.105m is forecast within Financial Services, in respect of the £1.030m Insurance budget, arising mainly from additional income of £0.066m from external recharges relating to management fees on school insurance recharges. Additional savings total £0.051m

Capital Financing

- A favourable position of £2.342m is being reported within this area. The variance includes:
    - A saving of £1.093m on Minimum Revenue Provision due to slippage in the capital programme.
    - The planned MTFS borrowing requirement was £101.276m. This comprises both capital programme requirements; the replacement of maturing debt; and the impact of making minimum revenue provision. See Appendix D for further detail. The reduced level of borrowing; better than expected interest rates achieved; and borrowing been transacted later in the year than expected have led to a favourable variance of £1.249m.
- The capital financing budget is net of £12.7m capital receipts income. Non-delivery of the income is a key financial risk and is being carefully monitored. The income consists of a £1.3m brought

forward balance; £3m of smaller disposals; and £8m of strategic disposals none of which have so far been completed.

Corporate Items

- There is a favourable variance of £1.474m within this area due to a recent review of corporate budgets. The variance includes higher than budgeted income from the Cross Keys VAT shelter (£0.140m variance on £0.380m budget). However as set out in the Key Movements table at the beginning of Appendix A, the favourable variance is less than was expected in November BCR. The favourable variance also includes the retention of £0.373m general and specific inflation not allocated to services. There was a budget allocated for the introduction of the auto enrolment of the pension scheme which was to be introduced this year, but it is expected that this budget will no longer be required (£0.412m) and a further £0.385m saved on a budget of £2.230m in respect of lump sum pension fund contributions. Pension costs for premature retirement are forecast to be £0.100m lower than the £1.260m budgeted. External Audit fees are £0.017m lower than the £0.120m budgeted. Around £0.037m has been saved in respect of the Apprenticeship Levy. Other minor savings total £0.010m. The 18/19 impact of all of these savings will be factored into budget proposals.

Peterborough Serco Strategic Partnership

- There is an additional £0.250m of Court Cost income against a budget of £0.600m based on early performance. This is expected to continue and has been factored into future budgets.
- There is a £0.300m favourable variance on the HB Subsidy Budget. The full cost of unsubsidised temporary accommodation is now charged to the People and Communities budget. It is proposed to amend the budget accordingly in future years.

ICT

- An overspend of £0.270m is expected on the £0.410m budget for the revenue impact of the IT Strategy of moving costs into the Cloud, as the cost was not fully identified at the time that the budget was set.
- There is also a pressure of £0.300m from the delay in delivering Salesforce Line Of Business applications & Box having not yet been decommissioned.
- The SLA's with our partner organisations including NPS and Opportunity Peterborough are generating a surplus of £0.050m on a budget of £0.100m.
- Other miscellaneous savings across the Department are £0.149m.

Energy

- One-off unbudgeted cost of £0.711m in relation to writing off abortive capital project costs.
- There is currently a £0.053m shortfall in the Energy Projects saving target of £0.320m expected this year. This is under review to assess the impact on the 18/19 budget.

City Services & Communications

- The off street parking income budget of £2.400m is £0.357m adverse, but this is being offset by staff parking income which is £0.095m higher than the budget of £0.310m.
- An adverse variance of £0.205m is expected within the Market, Events and Tourism service area. This is mainly due to £0.155m lower income than the budgeted £0.465m at the Market, and £0.040m variance on £0.130m budget at the Destination Centre and a £0.020m surplus generated by the PGER. The income budgets for Travelchoice and the Pedestrian Area of £0.390m are

forecasting to be adverse by £0.081m due to reduced coach company income and street advertising income. Miscellaneous savings total £0.051m

- An overspend of £0.040m on £0.460m budget is reported in respect of increased costs in Food safety following pressures in the numbers of premises in need of inspection. The 18/19 budget will include proposals to address increased demand. There is also a £0.064m pressure relating to reduced Trading Standards income.
- Health and Safety recharges are expected to be £0.050m lower than the £0.090m budgeted. A proposal to amend the baseline budget will be included for 18/19.
- The Design and Print Team is expected to break even, through recharging all costs based on jobs completed, costing around £0.250m. It is expected that £0.033m of this sum will not be recovered.
- Following a review of spending across the City Services & Communications service area, in year savings of £0.264m have been identified for 17/18, over a gross expenditure budget of £5.740m.

Appendix B – Risks Identified

The following table outlines the risks identified, which will have an impact on the councils MTFS.

Dep	Risk	Description
P&C	Clare Lodge	MTFS income savings target not achievable due to delay in construction works
P&C	Children's Health	Pressure on overtime and lack of enhancement budget at Cherry Lodge/Manor-this service is under review
P&C	Home to School Trans.	Assuming same outturn as 16/17 less agreed MTFS saving. Await new academic year for update
Res	Asset Disposals	Capital receipts included within the MTFS may not be achieved, creating a pressure. For more details see main report.
P&C	Homelessness	Included within the BCR pressures.
P&C/Res	Schools funding/ Academisation	11 schools have indicated that they will become academies in 17/18 and 11 in 18/19
P&C	SEND funding	Ceases at the end of the year.
P&C	Universal Credit	administration cost and the risk of UC implementation increasing homelessness
Gov	Legal Income	To secure external income
Gov	Employee Costs	Regrades and restructures- including the costs for redundancy, and future incremental rises.
G&R	Street Lighting	Delays to LED implementation could increase adverse already reported
P&C	ASC Placements	Continuing demand pressure
Res	Parking Income	Demand led in nature -the Summer period traditionally sees a spike in demand, mainly in off street.
Res	Court Costs Income	To be kept under review
Res	Payments & Subsidy	To be kept under review
Res	Wellington St Car Park	Lease with Pelican for Wellington St Car Park
P&C	Troubled Families	Troubled families is a performance related grant from Government that is due to finish in 2020. This grant funds a number of early intervention services that will be at risk without this funding. There is a lobbying campaign for the grant to be extended but this is an early risk alert
Res	Amey-Norse Migration	Issues around volumetrics, inflation currents savings targets and the current contract position.
P&C	EPC income	Unachievable income target
Res	Performance Information	Unachievable savings target for ICT system support savings
P&C	New ways of working	Unachievable savings target
Res	PSSP	Continuing review of this saving.

Appendix C - Reserves

The Council's departmental reserves and the capacity building reserve are monitored throughout the year and feed into the budget setting process accordingly. The next table summarises the expected balance for all reserves for 2017/18 to 2020/21

Out of the total reserves balance only £21m is deemed available or uncommitted, due to restrictions placed on the remaining reserves.

A contribution to the reserves position is projected at the end of 2017/18 through a forecast underspend and through the application of funds received from Planning Obligations Implementation System (POIS) for capital contributions.

Summary of Reserves	Balance Brought Forward 1.4.17	Contribution from reserves	Movement between reserves	Contribution to reserves	Forecast Balance 31.03.18	MTFS 2017/18 Forecast Balance 31.03.18	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Balance	**6,000**				**6,000**	**6,000**	**0**
Available Reserves							
Capacity Building Reserve	4,314	(1,813)	1,445	6,738	10,684	823	9,861
Risk Management Contingency	680	(23)			657	0	657
Grant Equalisation Reserve	15,639	(7,827)	0	0	7,812	4,249	3,563
Development Equalisation Reserve	1,233	(689)			544	0	544
Departmental Reserve	3,855	(1,090)	(1,445)	255	1,575	714	861
	25,721	**(11,442)**	**0**	**6,993**	**21,272**	**5,786**	**15,486**
Ring-Fenced Reserves							
Insurance Reserve	4,425			511	4,936	4,520	416
Schools Capital Expenditure Reserve	1,287				1,287	1,427	(140)
Parish Council Burial Ground Reserve	53				53	40	13
Hackney Carriage Reserve	155				155	75	80
School Leases Reserve	336			3	339	384	(45)
Future Cities Reserve	569	(569)			0	0	0
Public Health Reserve	428			168	596	428	168
Salix Carbon Reduction Reserve	**0**				**0**	**15**	**(15)**
	7,253	**0**	**0**	**682**	**7,366**	**6,889**	**477**
Total Available and Ring-Fenced	**38,974**	**(12,011)**	**0**	**7,675**	**34,638**	**18,675**	**15,963**

* £7.194m was drawn down as part of the budget setting process, the remaining £2.982m has been drawn down during the year as and when it has been required.

Key Changes in the movement in Reserves

Capacity Building Reserve – The £6.738m contribution is primarily available because of the under spend forecast for 2017/18 and £4.2m POIS balances. Between 2010 and 2015 the Council operated the system of Planning Obligations Implementation System (POIS) Section 106 planning agreements. Following Counsel's advice and discussions with external auditors, the balances that are held in the Strategic POIS Pool are available to apply to a capital financing purpose. The Strategic POIS balances will be used to make minimum revenue provision. This allows the resulting underspend on the capital financing budget to be transferred to reserves.

£1.4m has been transferred from earmarked reserves to Capacity reserve as no longer being required for their specific purposes.

Grant Equalisation Reserve – The balance at the end of 2016/17 was greater than expected in the budget due to additional items that were transferred into the reserve.

Departmental reserve contributions:

Growth and Regeneration

£150k - Fourth annual contribution to create £600k fund for Fletton Quays revenue costs (stamp duty etc.)

£75k - Local development plan - LDP has slipped by 9 months into 18/19 and has no recurring budget to fund (cyclical activity)

£30k - New burdens funding for self & custom build housing - to fund fixed term post.

Insurance reserve - £511k is to fund future expected claims this comes from a review of previous years' claims, plus other elements that are not covered externally such as subsidence, an average of the figures plus a review of claims trends are then used to calculate a likely figure for future claims.

Public Health – Any underspend at the end of the financial year will be transferred to the reserve.

Appendix D - Asset Investment and Treasury Budget Report as at December 2017

Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at December 2017. It also provides an estimate of the borrowing requirement for 2017/18 to fund the Asset Investment Plan.

Asset Investment Plan 2017/18

The revised Asset Investment Plan budget as at December 2017 is £92.8m, which includes £15.3m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £219.3m. The movement between the MTFS position and the £324.7m as at Apr-17 was a result of slippages mainly due to delays completing projects from 2016/17.

The actual investment expenditure as at December 2017 is £52.8m (75.9% of the revised budget to date). The latest forecast provided by project managers predicts an overall spend of £92.8m, therefore the Council is expecting to spend a further £40.0m before Mar-18.

The following table shows the breakdown of the Council's Asset Investment over the directorates and how this investment is to be financed.

Directorate	MTFS Budget	1st April Budget	Current Budget FY	Revised Budget YTD	Actual YTD	Forecast Investment & Financing
	£000	£000	£000	£000	£000	£000
Governance	-	49	-	-	-	-
Growth & Regeneration	37,064	43,204	32,000	24,000	13,413	32,000
People & Communities	65,916	79,283	36,549	27,412	21,176	36,549
Resources	23,378	32,575	8,954	6,715	4,405	8,954
Invest to Save	92,954	169,546	15,288	11,466	13,840	15,288
TOTAL	219,312	324,657	92,791	69,593	52,834	92,791
Grants & Contributions	44,259	50,297	39,773	29,829	25,421	39,773
Capital Receipts	942	1,083	1,083	812	-	1,083
Borrowing for capital programme	174,111	273,277	51,935	38952	27,413	51,935
TOTAL	**219,312**	**324,657**	**92,791**	**69,593**	**52,834**	**92,791**

The movement of £231.9m between the budget as at April 17 (£324.7m) and the current budget of £92.8m follows a comprehensive review of the Asset Investment Plan. The Invest to Save projects have been cut significantly, and a number of other large projects across all directorates have been reprofiled to more accurately reflect the spending over future years.

The Asset Investment Plan can be funded via three core elements, external third party income (including grants), capital receipts generated from the sale of Council assets, and borrowing from the external market. For the 2016/17 MTFS onwards the approved strategy is to use Capital Receipts as part of a contribution to the Minimum Revenue Provision (MRP) therefore they are no longer factored into the funding of the Asset Investment.

Borrowing and Funding the Asset Investment Plan

It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the approved Treasury Management Strategy. The Council borrows only to fund the Asset Investment Plan. The current plan assumes that 61.8% of the budgeted expenditure will be funded by borrowing.

The Council's borrowing as at the end of November 2017 was £416.6m (see table below). The debt is measured against the Council’s Authorised Limit for borrowing of £914.1m which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £811.0m.

Borrowings	Less than 1yr £000	1-2yrs £000	2-5yrs £000	5-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	-	-	4,500	16,143	308,944	329,587	3.7
Local Authority	7,000	9,000	50,500	-	-	66,500	1.4
Market Loans	-	-	-	-	17,500	17,500	4.5
LEP Loan	-	3,000	-	-	-	3,000	0.0
Total Borrowing	7,000	12,000	55,000	16,143	326,444	416,587	3.3
% of total Borrowing	2%	3%	13%	4%	78%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

The table below shows the activity in Loans held by the Council for the year to date:

Loans Portfolio £000		
April 17 b/f		**395,371**
Repayment of loans to date	(11,784)	
New loans in year	33,000	
Net increase/(decrease) to date		21,216
Loans portfolio as at November 17		**416,587**

Total interest payable on existing loans for the year (£416.6m) is expected to be £13.5m.

As at December 2017 the Council held £23.2m of S106 and Planning Obligations Implementation Scheme (POIS) funding available for funding Asset Investment projects. To date £6.0m has been earmarked for specific projects. The process for allocation requires project managers to successfully submit project plans meeting the criteria for which the contributions were intended. The S106 Officer is responsible for approving S106 allocations.

The Capital Receipts are monitored on a monthly basis and each sale given a status of Red, Amber or Green to identify the likely receipt before March 2018. The MTFS includes a contribution of £12.7m Capital Receipts, which includes £2.2m rolled forward from uncompleted disposals in 16/17. Any shortfall of actual cash receipts in year will therefore have a direct impact on the final Revenue position and in turn the underpinning of the MTFS approach. The revenue forecast assumes that 100% of green receipts and 50% of amber receipts are achieved.

Capital Receipts				
RAG Status	**Budgeted Income per MTFS £000**	**Revised Budget £000**	**Received to Date £000**	**Not yet received £000**
Green	4,191	4,855	33	4,822
Amber	1,975	9,098	-	9,098
Red	6,572	-	-	-
Total	**12,738**	**13,953**	**33**	**13,920**

Investments

The Council aims to achieve the optimum interest on investments commensurate with the proper levels of security and liquidity. In the current economic climate the Council considers it appropriate to keep investments short term to cover cash-flow fluctuations, and only invest with Barclays (the Council's banking provider) and Bank of Scotland (part of the Lloyds Banking Group), the Debt Management Office and Local Authorities although the Council has recently opened a Money Market Fund account to help mitigate the investment risks, whilst increasing returns.

As at December 2017 the Council's external investments totalled £23.3m and have yielded £58k to date.

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Treasury Management Strategy
2018/19 to 2020/21

Including:
Minimum Revenue Provision Policy 2017/18 and 2018/19

Amendments to Treasury Management Strategy since Audit Committee 12 February 2018

Amendment 1

Paragraph 2.2 – Capital Expenditure Indicator 1 has been amended in 2018/19 to include the £8.34m Yaxley Link Road project which is grant funded.

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 two financial years including how it will be funded either from grants, contributions, or capital receipts with the remaining being the 'net financing requirement'

Capital Expenditure	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Growth & Regeneration	23.9	32.0	57.3	25.4	12.5
People & Communities	27.6	38.5	55.6	50.8	14.4
Resources	6.2	11.2	2.4	1.9	2.0
Invest to Save/Cost Avoidance Schemes	19.1	16.6	43.4	35.0	10.0
Total	**76.8**	**98.3**	**158.7**	**113.1**	**38.9**
Financed by:					
Capital receipts	1.0	1.1	24.2	15.0	0.0
Capital grants contributions	35.9	39.3	40.5	32.1	7.1
Net financing requirement	**39.9**	**57.9**	**94.0**	**66.0**	**31.8**
Total	**76.8**	**98.3**	**158.7**	**113.1**	**38.9**

Amendment 2

Paragraph 2.8 Indicator 3 has been amended to:

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.

Ratio of gross financing costs to net revenue budget	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Total ratio	**6.1%**	**6.2%**	**7.4%**	**8.5%**	**9.2%**

2

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 its cash expenditure. The Treasury Management Strategy (TMS) has four fundamental roles:

- Manage External Investments - Security, Liquidity and Yield
- Ensure Debt is Prudent and Economic
- Produce and Monitor the Prudential Indicators
- To ensure that decisions comply with regulations.

1.1.2. 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.

1.1.3. 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.

1.1.4. 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."

1.1.5. The Treasury Management Strategy also fulfils part of the requirements of the Ministry of Housing Communities and Local Government (MHCLG) for every local authority to produce an Annual Investment Strategy (AIS). The AIS is a separate Report to the TMS.

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. This Treasury Management Strategy report 2018/19 covers:

- 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, investments and amending prudential indicators as necessary.

1.2.4. An Annual Treasury Report will provide details of actual prudential and treasury indicators and actual treasury operations compared to estimates. The Annual Treasury Report is presented alongside the Statement of Accounts.

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

1.3. **Treasury Management Strategy for 2018/19**

1.3.1. The strategy for 2018/19 covers:

- Policy on use of External Advisors - Section 1.4
- Treasury Management Policy Statement - Section 1.5
- Revised CIPFA Treasury Management and Prudential Codes - Section 1.6
- Treasury Management role of the S151 Officer Roles - Section 1.7
- Capital Programme and the Prudential Indicators - Section 2
- Minimum Revenue Provision Policy - Section 3
- Current Treasury Position - Section 4
- Treasury Indicators - Section 4
- Prospects for Interest Rates - Section 5
- Investment and Borrowing Rates - Section 6
- Borrowing Strategy - Section 7
- New Borrowing Approaches to be Considered – Section 8
- Treasury Debt Prudential Indictors - Section 9
- Policy on Borrowing in Advance of Need - Section 10
- Debt Rescheduling - Section 11
- Municipal Bond Agency - Section 12
- Investment Strategy - Section 13
- Creditworthiness Policy - Section 14
- Loans made to Third Parties - Section 15
- Non-financial Investments - Section 16
- Treasury Management Scheme of Delegation - Section 17

1.3.2. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code 2017, the MHCLG, MRP Guidance, the CIPFA Treasury Management Code 2017 and the MHCLG Investment Guidance.

1.4. **Treasury Management Advisors**

1.4.1. The Council uses Link Asset Services (previously Capita Asset Services) as its external treasury management advisors who have a contract until September 2018.

1.4.2. The Council recognises that responsibility for treasury management decisions remains with the Council 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 access 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.

1.5. **Treasury Management Policy Statement**

1.5.1. The Treasury Management Policy Statement sets out the policies and objectives of Treasury Management Activities which is revised annually. It reflects December 2017 guidance.

1.5.2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

1.5.3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.5.4. Investments using the above definition cover all financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework.

1.5.5. The Council's high level policies for borrowing and investments are set out below.

- To invest available cash balances with a number of high quality investment counterparties over a spread of maturity dates in accordance with the Council's lending list;
- To reduce the revenue cost of the Council's debt in the medium term by obtaining financing at the cheapest rate possible;
- To seek to reschedule or repay debt at the optimum time**.**

1.6. **Revised CIPFA Treasury Management and Prudential Codes**

1.6.1. CIPFA has reviewed the Treasury Management Code of Practice and the Prudential Code. This review focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases may involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions affect treasury management.

1.6.2. CIPFA has withdrawn some prudential indicators (listed below) as they have caused confusion as to how to calculate them. However it is appropriate to retain these as local Peterborough indicators because they are highly relevant to measuring the sustainability of the Council's long term financial position.

1.6.2.1. Estimates of the ratio of financing costs as a percentage of net revenue stream for three years ahead

1.6.2.2. Actual ratio of financing costs to net revenue stream (after the year-end)

1.6.2.3. Q4 of the Prudential Code consultation questionnaire also questioned whether HRA indicators should be removed. This will not affect the Council as it is not an HRA Council

1.6.3. The requirement to report on investments of longer than 364 days has been changed to longer than 365 days. This change has been incorporated into Indicator 11.

1.7. **The Treasury Management Role of the Section 151 Officer**

The S151 (responsible) officer must do the following:

- recommend clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submit regular treasury management policy reports;
- submit budgets and budget variations;
- receive and reviewing management information reports;
- review 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 providers;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority. This is done by regular training presentations to the Audit Committee;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above. This is done by regular attendance at course and conferences and joint working with Link Asset Services;
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -

    Risk management (Treasury Management Practise 1 (TMP) and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

    Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

    Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

    Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken to the various committees;

Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

2. Capital Prudential Indicators 2018/19 to 2020/21

2.1. 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.

2.2. **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 two financial years including how it will be funded either from grants, contributions, or capital receipts with the remaining being the 'net financing requirement'

Capital Expenditure	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Growth & Regeneration	23.9	32.0	57.3	25.4	12.5
People & Communities	27.6	38.5	55.6	50.8	14.4
Resources	6.2	11.2	2.4	1.9	2.0
Invest to Save/Cost Avoidance Schemes	19.1	16.6	43.4	35.0	10.0
Total	**76.8**	**98.3**	**158.7**	**113.1**	**38.9**
Financed by:					
Capital receipts	1.0	1.1	24.2	15.0	0.0
Capital grants contributions	35.9	39.3	40.5	32.1	7.1
Net financing requirement	**39.9**	**57.9**	**94.0**	**66.0**	**31.8**
Total	**76.8**	**98.3**	**158.7**	**113.1**	**38.9**

2.3. The capital receipts shown in the tables for future years relate to the following:

- 2016/17 - Local Authority Mortgage Scheme (LAMS) capital loan - £1m
- 2017/18 - Fletton Quays capital receipt - £1.1m
- 2018/19 - Local Authority Mortgage Scheme (LAMS) capital loan - £1m
- 2018/19 – ECS Peterborough 1LLP – capital loan - £23.2m
- 2019/20 – Norlin – capital loan - £15m

2.4. The Invest to Save/Cost Avoidance 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 on revenue budgets elsewhere in the Council's services. Therefore the borrowing costs associated with these projects will have a minimal impact on the Council's MTFS position.

2.5. **Indicator 2** – Capital Financing Requirement (CFR) – the CFR is the total historical 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.

2.6. The current position for the Council is that it does not reduce its total debt outstanding. As the Council continues to invest in the City it will increase the CFR. 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 three financial years:

Capital Financing Requirement	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
CFR brought forward	480.9	509.8	555.4	636.3	688.2
Borrowing/Repayment	9.8	29.0	37.5	16.9	7.0
Invest to Save*	19.1	16.6	43.4	35.0	10.0
CFR carried forward	509.8	555.4	636.3	688.2	705.2
Movement in CFR	**28.9**	**45.6**	**80.9**	**51.9**	**17.0**
Net financing requirement	39.9	57.9	94.0	66.0	31.8
Less MRP & other financing	(11.0)	(12.3)	(13.1)	(14.1)	(14.8)
Movement in CFR	**28.9**	**45.6**	**80.9**	**51.9**	**17.0**

2.7. The difference between the borrowing requirement and the movement on the CFR is the MRP recharge made during the year.

2.8. **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.

Ratio of gross financing costs to net revenue budget	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Total ratio	**6.1%**	**6.2%**	**7.4%**	**8.5%**	**9.2%**

3. Minimum Revenue Provision 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 an 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. 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.

3.4. The Council participates in the Local Authority Mortgage Scheme (LAMS). 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, after a period of five years, with interest paid annually. As this is a temporary five year arrangement and the funds are anticipated to be returned in full, there is no MRP application.

3.5. 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.

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

3.7. Below is a table summarising the MRP Policy adopted in 2016/17.

Summary of MRP Policy	
Capital Expenditure Incurred	**MRP Policy 2017/18 & 2018/19**
Pre 2007/08 debt (ie debt up to 31.03.2007)	Use the annuity method of calculation over an average weighted asset life
Supported Borrowing post 2007/08	
Unsupported borrowing 2007/08 & 2008/09	Use the annuity method of calculation over the remaining asset life
Unsupported borrowing Post 2008/09	Charged in relation to asset life on annuity method
Private Finance Initiative (PFI) - Finance Lease	Use the annuity method of calculation over the remaining asset life
Other Finance Leases	Charged in relation to asset life on annuity method
Expenditure funded by unsupported borrowing reflected within the debt liability after the 31 March 2010	Asset Life Method, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project. If capital receipts have been used to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Corporate Director Resources, taking into account forecasts for future expenditure and the generation of further receipts. The same process will apply for S106, POIS and CIL receipts.

Secured Loans to third parties repaid in bullet form.	No MRP will be charged each year as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security

4. Current Treasury Position

4.1. **Indicator 4** - The Council's treasury position at 31 March 2017, with estimates for future years, is summarised below. The table below shows the actual external borrowing (Gross Debt) against the CFR.

Gross debt & capital financing requirement	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
External Borrowing					
Market Borrowing	363.1	395.4	441.0	522.0	573.5
Repayment of borrowing	-	(18.8)	(12.0)	(28.0)	(17.5)
Expected change in borrowing	32.2	64.3	93.0	79.9	34.4
Other long-term liabilities	35.6	37.7	36.8	36.3	35.8
Gross Debt at 31 March	**430.9**	**478.6**	**558.8**	**610.2**	**626.2**
CFR	509.8	555.4	636.3	688.2	705.2
% of Gross Debt to CFR	**84.5%**	**86.2%**	**87.8%**	**88.6%**	**88.9%**

4.2. Based on the prudential indicators there are a number of key measures 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 2018/19 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.

4.3. The Interim 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 MTFS.

4.4. **Indicator 5** - The Operational Boundary - external borrowing is not normally expected to exceed this limit. 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. The Operational Boundary is set out below:

Operational Boundary	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Borrowing	395.3	524.5	659.7	677.1	653.5
Other long term liabilities	35.6	37.7	36.8	36.3	35.8
Total	**430.9**	**562.2**	**696.5**	**713.4**	**689.3**

4.5. **Indicator 6** - The Authorised Limit for external borrowing - this represents a limit beyond which external borrowing is prohibited. This limit is set and revised by full Council.

Authorised Limit	**16/17 Actual £m**	**17/18 Est £m**	**18/19 Est £m**	**19/20 Est £m**	**20/21 Est £m**
Borrowing	395.3	572.2	706.5	723.4	699.4
Other long term liabilities	35.6	37.7	36.8	36.3	35.8
Total	**430.9**	**609.9**	**743.3**	**759.7**	**735.2**

4.6. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. Government under sections 4(1) and 4(2) may limit either the total of all Council borrowing, or those of a specific Council, although this power has not yet been exercised.

5. Prospects for Interest Rates

5.1. The Council utilises the treasury services of Link 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.

5.2. The Link Asset Services forecast for bank base rate (as at November 2017) and PWLB new borrowing (as at November 2017) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

Interest Rate (All rates shown as %)	**Bank Rate View**	**5yr PWLB Rate**	**10yr PWLB Rate**	**25yr PWLB Rate**	**50yr PWLB Rate**	**Budget Assumption**
Now	0.50	1.50	2.10	2.80	2.50	2.60
Mar 18	0.50	1.60	2.20	2.90	2.60	
Jun 18	0.50	1.60	2.30	3.00	2.70	2.90
Sep 18	0.50	1.70	2.40	3.00	2.80	
Dec 18	0.75	1.80	2.40	3.10	2.90	
Mar 19	0.75	1.80	2.50	3.10	2.90	
Jun 19	0.75	1.90	2.60	3.20	3.00	3.15
Sep 19	0.75	1.90	2.60	3.20	3.00	
Dec 19	1.00	2.00	2.70	3.30	3.10	
Mar 20	1.00	2.10	2.70	3.40	3.20	
Jun 20	1.00	2.10	2.80	3.50	3.30	3.35
Sep 20	1.25	2.20	2.90	3.50	3.30	
Dec 20	1.25	2.30	2.90	3.60	3.40	
Mar 21	1.25	2.30	3.00	3.60	3.40	

5.3. The Council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, during the period 1 November 2017 to 31 October 2018. 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.

5.4. 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.

5.5. Link 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:

- As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.
- The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.
- Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.
- From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.
- 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.

- The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.
- Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The October 2017 Austrian general election has returned a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries
- The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

6. Investment and Borrowing Rates

6.1. Investment returns are likely to remain low during 2018/19 but will be on a rising trend over the next few years.

6.2. Borrowing interest rates increased sharply after the result of the general election in June 2017 and then also after the September 2017 MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little change in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

6.3. There will remain a cost of carry to any new long-term borrowing that temporarily increases cash balances. This revenue cost is the difference between borrowing costs and investment returns.

7. Borrowing Strategy

7.1. The Council is currently maintaining an under-borrowed position, where CFR balance is greater than gross debt, see Indicator 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. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

7.2. The capital programme consists of three main types of capital projects:

- Invest to Save – Self Funding Schemes
- Specific Schemes – eg School Extensions
- Rolling Capital Projects eg Enhancing current assets

7.3. Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Interim Corporate Director: Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

7.4. Any borrowing decisions will be reported to the appropriate decision making body at the next available opportunity.

7.5. The MTFS is based on the following borrowing strategy for the next three years. The borrowing strategy is under constant review throughout the year monitoring changes in interest rates and borrowing opportunities. The proposed strategy for 2018/19 financial year is:

a) To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.

b) Significant risk of a sharp fall in long and short term rates may arise. This might be due to a marked increase of risks around relapse into recession or of risks of deflation. In this case long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

c) Significant risk of a much sharper rise in long and short term rates than currently forecast may arise. This may arise due to a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case 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.

8. New Borrowing Approaches to Be Considered:

8.1. To achieve a more even spread of loan maturities so that there is not an exceptional borrowing requirement in any future year. Rebalancing the current uneven profile will potentially allow interest savings given the current yield curve. Currently under 10 year money and over 35 year money is historically at a low interest cost.

8.2. Maturing long term debt is replaced by new borrowing. To achieve long term financial sustainability the Council should aim to reduce its overall debt and the associated financing costs including interest. A high value of outstanding debt represents a financial risk because of potential interest rate changes.

8.3. The use of Capital receipts or S106 receipts to make minimum revenue provision is a one-off revenue saving. Using these funds in this way means they are not available to fund Capital assets and reduce the overall borrowing requirement.

8.4. Interest rates are liable to change. In the event of significant changes the Council seeks to avoid an increased revenue cost on its capital financing charges.

8.5. The Treasury Management Strategy uses the planned Capital Programme to calculate the borrowing requirement. Typically the Council does not spend at the planned level in any financial year.

8.6. Link Asset Services have a product that will allow the Council to borrow from the market at current interest rates with a small premium but not draw down the funds until they are required - ‘forward borrow’.

9. Treasury Debt Prudential Indicators

9.1. There are three debt treasury indicators which ensure debt structure remains within appropriate limits. This manages risk and reduces the impact of any adverse movement in interest rates.

9.2. **Indicator 7 –** 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.

9.3. **Indicator 8** - 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.

Interest Rate Exposure (Upper Limits)	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
(7) Limits on fixed interest rate net debt	416.3	534.5	669.7	687.1	663.5
% of fixed interest rate exposure	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	104.1	133.6	167.4	171.8	165.9
% of variable interest rate exposure	25%	25%	25%	25%	25%

9.4. **Indicator 9** - Maturity structure of borrowing. These gross limits are set to reduce the Council's immediate exposure to large fixed rate sums falling due for refinancing.

Maturity Structure of borrowing	**Upper Limit**
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%

10. Policy on Borrowing in Advance of Need (Future Capital Expenditure)

10.1. The Council will not borrow more than it requires, 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 terms in anticipation of future capital expenditure. The money borrowed will 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.

10.2. Any decision to borrow in advance of need will be within the CFR limits, and will be considered carefully to ensure value for money.

10.3. 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.

10.4. 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.

10.5. Consideration will be given to the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

11. Debt Rescheduling on Existing Debt Portfolio

11.1. Short term borrowing rates are forecast to be considerably cheaper than longer term fixed interest rates. There may be potential to generate savings by switching 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 cost of debt repayment (premiums incurred). Debt rescheduling will only be carried out on the existing debt portfolio. Future borrowing will be carried out as per this strategy and over shorter periods of time.

12. Municipal Bond Agency

12.1. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council may make use of this new source of borrowing as and when appropriate.

13. Investment Strategy Principles

13.1. The Council does not borrow specifically for the purpose of making investments.

13.2. The Council has not made any non-financial investments. A revised strategy will be put forward to Full Council for consideration before any non-financial investments are undertaken.

14. Investment Counterparty Selection Criteria and Financial Investment Strategy

14.1. 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.

14.2. 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.

14.3. The Interim Corporate Director: Resources will maintain a counterparty list in compliance with the set out below. Any revision of the criteria will be submitted to Council for approval as necessary.

14.4. 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 14.6 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.

14.5. 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 Link 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. Link Asset Services monitors ratings on a real time basis and notifies clients immediately on any rating changes or possible downgrades.

14.6. Minimum Credit Ratings Criteria – further explanations are given in Appendix 1

Minimum Credit Ratings for Group 2 Banks		
Agency	**Short Term**	**Long Term**
Fitch	F1	A
Moody's	P-1	Aa
Standard & Poor's	A-1	A

14.7. All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three rating agencies by Link Asset Services

14.8. The Council does not place sole reliance on the use of Link Asset Service's advice as the Council uses internal expertise and knowledge to make decisions. Market data, market information, information on government support for banks and the credit ratings of that government support are also considered when making treasury decisions.

14.9. 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, as 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

14.10. The Council also uses Barclays Bank, the Council's own banker. If Barclays fall below the criterion in 14.6 then the following strategy will be followed:

With regard to the three credit rating agencies, if one reduces it's 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 Link Asset Services

14.11. 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 to Barclay's Bank 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.

14.12. 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 in 14.6.

- 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.

- Building Societies – if they meet the ratings above
- Money Market Funds - AAA rated by Fitch
- 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.

14.13. 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 Council. Resources. Approval will also be required if any new counterparties are added to the lending list.

14.14. Link 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:

Link 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

14.15. The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval.

14.16. **Indicator 11** - Upper limit for total principal sums invested for over 365 days excluding loans. 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

14.17. Committee at midyear.

Overall limit for sums invested over 365 days	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Principal sums invested 365 days	**1.0**	**10.0**	**10.0**	**10.0**	**10.0**

15. Loans Made to Third Parties

15.1. The Council makes secured loans to third parties to advance the Council's strategic interests.

15.2. Loans are only made after the Council's formal decision making process has been followed. This includes formal approval by the Corporate Director: Resources.

15.3. As part of the formal decision to make the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment.

15.4. The Council have approved the secured capital 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). These are set out in the table below.

Third Party Details	Current Loan Advanced	Maximum Exposure
Longhurst Housing Association (previously Axiom)	Capital Loan £0.5m Capital Loan £6.7m	£30m
ECS Peterborough 1 LLP	Capital Loan £23.2m	£23.5m
Affordable Housing	Nil	Not Agreed
Norlin Loan	Nil	£15m

15.5. Individual loan agreements provide for the recovery of the capital loan in the event of a default.

16. Non-financial investments

16.1. The Council does not hold any non-financial investments whose purpose is to generate revenue to support core services.

17. Treasury Management Scheme of Delegation

17.1. 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

APPENDIX 1

Specified Investment Credit Criteria and Limits
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 Section 14.6)

Investment Type	**Maximum Maturity Period**	**Minimum Credit Criteria**	**Collective Limit £m**	**Individual Limit £m**
Deposit accounts with regulated UK Banks and UK Building Societies	Repayable on call, without notice	Minimum of two short term rating criteria	100	15
Money Market Funds repayable on call, no notice	Call	Minimum rating – AAA (Fitch)	50	10
Debt Management Agency Deposit Facility	6 months currently	UK Government backed	N/A	75
Term Deposits UK Government & Local Authorities	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20
Term Deposits & Certificates of Deposit Banks Group 1	Maturities of up to 1 year	Minimum of three short term rating criteria	100	75
UK Government & Local Authority Stock Issues	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20
Term deposits & Certificates of Deposit Banks Group 2	6 months	Minimum of three short term rating criteria	50	10
Forward Term Deposits with Regulated UK Banks	Maturities of up to 1 year	Minimum of three short term rating criteria	100	15

Non-specified Investment Credit Criteria and Limits

- 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
- If the Council decide to use these investments then Indicator 11 will need to be revised

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Term deposits with UK Government & Local Authorities	1-5 years	Sovereign risk high security not credit rated	20	20
Term deposits & Certificates of Deposit with Banks Group 1	1-5 years (tradable)	F1(Fitch - short term) AAA (long term)	10	10
UK Government & Local Authority Stock Issues	1-10 years (tradable)	Sovereign risk high security not credit rated	10	10
Term deposits & Certificates of Deposit with Banks Group 2	1-5 years (tradable)	F1 (Fitch-short term) A (long term)	20	10
Deposit accounts with regulated UK building societies	1 – 5 years	F1 (Fitch short term) A (long term)	5	5
Term deposits UK building societies no formal credit rating	Up to 1 year	Financial position assessed by Interim Corporate Director: Resources	5	5
Bonds issued by financial institution guaranteed by UK Govt	1-10 years (tradable)	UK Govt backed AAA (Fitch, S&P etc.)	5	5

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.

Explanation of credit ratings		
Agency	**Short Term**	**Long Term**
Fitch	F1-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.	A-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.
Moody's	P-1-superior ability to repay short-term debt obligations	Aa-high quality and are subject to very low credit risk
Standard & Poor's	A-1-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.	A-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.

Asset Investment Strategy

2018/19 – 2020/21

Peterborough City Council Asset Investment and Acquisition Strategy, Capital Programme 2018/19-2020/21

1 Introduction and Strategic Principles

1.1 The Asset Investment Strategy (AIS) supports the strategic priorities of the Council. The AIS is reviewed annually. The Strategy is required by the Local Government Act 2003 and subsequent updates to ensure that Council has a comprehensive approach to investment decisions. It is part of the Medium Term Financial Strategy (MTFS) and is supported by the Asset Management Plan (AMP.) The AIS has four principles:

Managing the revenue impact of Decisions	• Ensuring that investments comply with the Prudential Code • Maximising invest to save opportunities • Maximising returns having regard to appropriate levels of risk
Maximising external funding	• Assessment of surplus assets for disposal • Working with funders and partners to maximise funding streams • A reserves policy linking revenue and capital activity
Project Appraisal	• Maintaining a competitive approval process • Ensuring environmental sustainability • Managing risk and ensuring value for money
Performance Management	• Using the VERTO system to log all projects • Transparency and accountability through the financial and governance processes

1.2 The Aims of the Strategy are that:

- Physical assets efficiently and effectively support Council priorities. Asset Investment schemes demonstrate Value For Money (VFM);
- Property investment and maintenance needs get due weight in Council planning;
- Investment and maintenance decisions are transparent to stakeholders;
- Schemes are generating a hurdle rate of return after financing costs;
- The Prudential Code for Financial Reporting is applied;
- There is optimal use of assets based on the AMP;
- AMP reviews that generate surplus assets lead to capital receipts;
- Sustainable and affordable investment plans are authorised through the MTFS;
- The Council works with partners to achieve better delivery and financial outcomes.

1.3 Over recent financial years Peterborough has planned an ambitious capital programme. However actual expenditure has often been much less than planned. In part this reflects the Council's lack of capacity to deliver such a high number of projects. Future years' programmes are realistic as to the number of projects that can be delivered year on year. Moving forward the Council faces significant financial pressures. It must therefore adopt a capital programme that is affordable. The programme is therefore divided between rolling allocations for core services; invest to save; and one-off allocations for projects. The Guideline maximum programme is £90m per financial year.

2 Context

2.1 The AIS is a summary of asset investment in the city for the future, guided by the development of individual service asset investment plans. AIS policies and practices establish, monitor and manage the Asset Investment Programme in the MTFS.

2.2 The AIS must deliver to the Council's strategic priorities. These are:

- 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.

2.3 Many of these priorities are underpinned by the following:

- The Sustainable Community Strategy (SCS) reflects the major growth aspirations of the Council - 'bigger and better Peterborough' and 'substantial and truly sustainable growth'. Growth requires investment in infrastructure, and the Council facilitates this. The AIS 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.
- Peterborough Planning Policy Framework. The City Council has a fully adopted Local Plan. This is being reviewed with final adoption scheduled 2018. It comprises the documents set out below:
    - 2011 The Peterborough Core Strategy Development Plan Document (DPD)
    - 2012 Site Allocations DPD
    - 2011 Minerals Core Strategy and Site Allocation
    - 2012 Waste Core Strategy and Site Allocation
    - 2012 Planning Policies DPD
    - 2014 City Centre Development Plan

2.4 Reduced local government funding makes specific government grants and private investment the primary sources for investing in growth. Examples of private and government investment achieved include:

- Additional revenue benefits of New Homes Bonus or business rates due to growth;
- A live Infrastructure Delivery Schedule (IDS)
- A Community Infrastructure Levy (CIL) which has been in place since April 2015;
- Specific grant for targeted Government priorities such as schools and infrastructure.

3 Key Areas of Council Asset Investment

3.1 The Council's Asset Investment Programme for 2018/19 to 2020/21 totals £302.4m. The approved Capital Programme is set out in Annex 1. The programme links to the following departmental priorities:

People and Communities Directorate

Adult Social Care

- Adult Social Care is going through a major transformation increasing prevention, reducing dependency and increasing personal choice. The Asset Investment Strategy also reflects additional responsibilities arising from the Care Act;
- Investment in Extra Care per the Older Person's Accommodation Strategy;
- Supported housing for people with learning disabilities or mental health difficulties;
- The delivery of aids, adaptations and assistive technology;
- Care Act and Better Care Fund IT and technology requirements;
- Co-Location conversion of Gloucester Centre to workplace compatible offices.

Community Infrastructure

- Funded primarily by developer contributions;
- Provision of community centres, sports facilities, open space, affordable housing, and ensuring safe, warm and affordable housing in the private sector;
- Cross Keys right to buy receipts invested into a housing Joint Venture;
- Current planning policy ensures 30% of all new housing on eligible sites is affordable homes;
- Decisions informed by a private sector Integrated Dwelling Level Stock Modelling Report;
- Disabled Facilities Grants now part of the Improved Better Care Fund;
- Future Community Infrastructure will be co-located facilities and community hubs;
- A Community Assets Review with appropriate transfers;
- The Green Open Space Strategy and Implementation Programme;
- Meeting the legitimate needs of the Traveller and Gypsy community.

Children's Services

- Responsible for ensuring there are sufficient school places within the area. Shortages increase home to school transport costs;
- Local places for local children aim to meet parental preferences for catchment schools;
- Providing a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies;
- High quality places for people to learn that encourage high levels of achievement;
- Avoiding significant changes to catchment areas and limited and temporary use only of mobile accommodation;
- The need to accommodate an exceptional level of growth;
- A net importer attracting other local authorities' pupils;
- Limited government funding for new provision;
- Land availability problems in some areas;

<u>Growth and Regeneration Directorate</u>

Delivery of Growth Schemes

- City Centre Development Plan;
- The Combined Authority (now responsible for Transport). Current plans in operation pending further review;
- Increasing emphasis on working with local partners.

Street Lighting

- Replacing all old street lights with LED lights.

Regeneration

- The Fletton Quays Development;
- Land assembly for the delivery of the North Westgate regeneration;
- Supporting a limited Strategic Property Portfolio.

<u>Resources Directorate</u>

Information and Communication Technology

- Ensuring a fit for purpose strategy via the review of all ICT provision to develop a joint strategy with Cambridgeshire.

Culture and Leisure

- Projected growth of PCC places greater challenges on cultural services;
- Redevelopment of existing facilities to meet changing customer expectations;
- Open+ better public access and opening hours to nine of Peterborough libraries;
- New cultural complex based at the Mill on The Fletton Quays area.

Invest to save Schemes

- Solar/PV installations with businesses and domestic customer;
- Energy Performance Contract Framework;
- Loan funding to Housing Associations.

Renewable Energy / Energy Efficiency Schemes

- Programme of green leases;
- The Energy Recovery Facility.

4 Managing the Asset Investment Programme

4.1 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.

4.2 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.

4.3 The Asset Investment programme as a whole (both expenditure and income) is monitored by CMT on a quarterly basis.

5. Future Asset Investment Projects

5.1 The Capital Review Group have received early indications from Service Directors of new investment projects that will be required in the future which have not been included in the Asset Investment Strategy.

5.2 Before these schemes can be agreed further work is required on the development of detailed business cases, to carry out due diligence and then approval through the Council's governance process before they are included.

5.3 Future Asset Investment Projects include:

- Car Park Strategy
- Affordable Housing Strategy
- Sports Strategy
- ICT Strategy

6. Sources of Funding

PCC will actively pursue external or joint funding for schemes before resorting to debt financing. As such the sources of funding should reflect the most cost effective methodology for the Council and follow the following prioritisation:

- The maximisation of European, Government Grants and National Lottery funding for schemes;
- Cambridgeshire and Peterborough Combined Authority has approved grant funding for Highways and Infrastructure schemes that will be under taken by PCC and there are further discussions for additional grant funding for schemes to be undertaken by PCC. eg Housing
- The application of CIL, Section 106 and associated funding from developments;
- Reinvestments in housing, when stock is sold following the 42% tariff to HCA on any assets transferred from the former Development Corporation;
- Finally, the use of corporate resources such as capital receipts and borrowing through the PWLB

7. The Application of CIL Receipts is set out in the table below:

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

8. Alternative Financing Arrangements

8.1 The Council will actively investigate public/private partnerships (PPP) and any other innovative financing arrangements.

9. 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.

10. Summary of Asset Investment Programme 2018/19 – 2020/21

	2018/19	2019/20	2020/21
	Budget	Budget	Budget
	£000	£000	£000
Summary Table for Capital Strategy			
Governance	49	0	0
Growth & Regeneration	57,235	25,398	12,507
People & Communities	55,649	50,759	14,413
Resources	2,433	1,947	1,984
Resources - Invest to Save	43,350	35,000	10,000
Total Capital Programme	**158,716**	**113,104**	**38,904**
Funded By:			
Grants & Third Party Contributions	40,486	32,113	7,133
Capital Receipts	24,200	15,000	-
Capital Financing Requirement (Borrowing)	94,030	65,991	31,771
Total Capital Financing	**158,716**	**113,104**	**38,904**

*2018/19 Budget has been amended since Audit Committee to include Yaxley Link Road project of £8.34m which is grant funded

11. Procurement Strategy

11.1 Proactive and effective procurement underpins all aspects of the AIS. Most of the Asset Investment programme is commissioned from external providers. Key principles of the Procurement Strategy are:

- Use of Tender processes or frameworks (highways and schools development);
- Following the Council's the Procurement Strategy;
- Alignment to the Council's Customer Strategy;
- Full monitoring by the appropriate governance group.

Peterborough City Council

Asset Management Plan

February 2018

PETERBOROUGH
CITY COUNCIL

ASSET MANAGEMENT PLAN

Contents

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

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

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).

More information about these are amplified through Section 4.

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		
Operational – held primarily to support the delivery of council services	Functional suitability	Running cost	condition
Investment – held solely for generating rental income or capital growth	Rate of return	Value	Occupancy rates
Growth – 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_2 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.

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Diagram 1 – Summary of Key Actions

KEY ACTIONS *Actions identified are strategic initiatives only & are in addition to the normal day to day activities (S) – Short term – with 12 months (M) – Medium Term – 1 to 3 years*		KEY THEMES Enhancing Portfolio Value	Partnership Working	'Greening' the Portfolio	Developing Delivery Capability
Initial Portfolio Actions					
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)	•			
Operational Portfolio					
Implement office rationalisation (Fletton Quays)	(M)	•	•	•	•
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 *Actions identified are strategic initiatives only & are in addition to the normal day to day activities* *(S) – Short term – with 12 months (M) – Medium Term – 1 to 3 years*		KEY THEMES: Enhancing Portfolio Value	Partnership Working	'Greening' the Portfolio	Developing Delivery Capability
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)	•			

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Diagram 2 – Summary of Strategic Context & Strategic Direction

Strategic Context

NATIONAL / REGIONAL/ LOCAL

NATIONAL

- Public Sector Spending Constraints
- Public Service Reform
- Socio-economic & Demographic Changes
- Sustainable Communities ' place shaping
- Localism & decentralisation
- Partnership Working

REGIONAL

- Devolution – Combined Authority
- Population growth
- Infrastructure pressures
- Skills development & employment

Cambridgeshire & Peterborough Combined Authority

LOCAL (Corporate & Council Wide)

- Bigger and better Peterborough
- Long term sustainability
- Creating UK's environmental capital
- 'Commissioning' service delivery model
- Customer Service Strategy (digital access)
- Smart Cities - PeterboroughDNA

Council Policies

Vision: 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 the 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 environmental capital of the UK

Strategic Direction

Direction

Using property to support growth, inward investment and financial security

Key Themes

Enhancing Portfolio Value

Using 'invest to save principles' to support strategic acquisitions to grow the rental yield from the investment portfolio to support the Council's revenue budget + acquisition of sites to support strategic developments including housing. This will require explicit acquisition / review criteria to ensure an appropriate investment portfolio mix and performance.

Greening the portfolio

Taking practical and pragmatic measures where funding permits to reduce the Council's carbon footprint. Retro-fitting existing buildings to improve sustainability and using locally sourced material with low embodied energy for new buildings. The overall size and nature of the portfolio is an important contributing factor to the Council's carbon foot print.

Partnership Working

Working with public and private sector partners to transform service delivery and reduce operating costs. Review operational assets to identify opportunities to promote integrated public services. Using the capacity, expertise and funding of the Council's strategic partners to create an entrepreneurial culture and to ensure progress on the Council's key priorities.

Developing Delivery Capability

Taking practical and pragmatic measures where funding permits to reduce the Council's carbon footprint. Retro-fitting existing buildings to improve sustainability and using locally sourced material with low embodied energy for new buildings. The overall size and nature of the portfolio is an important contributing factor to the Council's carbon foot print.

Actions

Segmentation of the portfolio to provide greater management focus and action

Operational Portfolio (Reduce ↓)	Service delivery; Offices; Community Assets	Lower operating costs; Reduce liabilities (e.g. maintenance); Improve utilisation; Promote joint use
Investment Portfolio (Growth ↑)	Industrial, Retail & Office; Farms Estate; Specialists Investments	Develop portfolio balance to control risk; Improve rental income yield; Increase tenancy strength; Increase occupancy rates
Growth Portfolio (Growth ↑)	Housing; Regeneration; Strategic Sites	Identify strategic acquisitions; Use Council's covenant strength; Secure planning permission; Delivery by joint venture mechanisms

All Portfolios

- Segmentation of assets into operational, investment & growth portfolios
- Establish Asset Management Forum at Director / Head of Service Level
- Develop & approve acquisitions strategy
- Clarify roles within 'intelligent client and NPS
- Complete H & S organisational responsibilities flow and implement
- Complete H & S organisational responsibilities flow and implement
- Review EPC & DEC requirements in light of forthcoming changes in legislation
- Review rating services & costs internally & externally across portfolio
- Asses the leased in portfolio for possible savings
- Review fire insurance valuations to ensure costs & risks are managed

Operational Portfolio

- Implement office rationalisation (Fletton Quays)
- Review operational assets to categorize by likely retention
- Developed planned maintenance strategy for 'core' retained assets
- Ensure current occupiers directorate are included on Technology Forge
- Where assets are identified as not 'fit for purpose' - replace with acquisitions
- Finalise the Community Assets Transfer Strategy

Investment Portfolio

- Interrogate the portfolio to ensure intelligent management & secure income
- Summary of portfolio strengths & weaknesses in terms of portfolio balance
- Develop performance measures & targets for investment portfolio
- Develop a functional arrears reporting / action system
- Identify poorly performing assets & recommend for disposal
- Secure tenants & income from buildings that will be vacated in 2018
- Ensure common part arrangements are working/use of external agents

Growth Portfolio

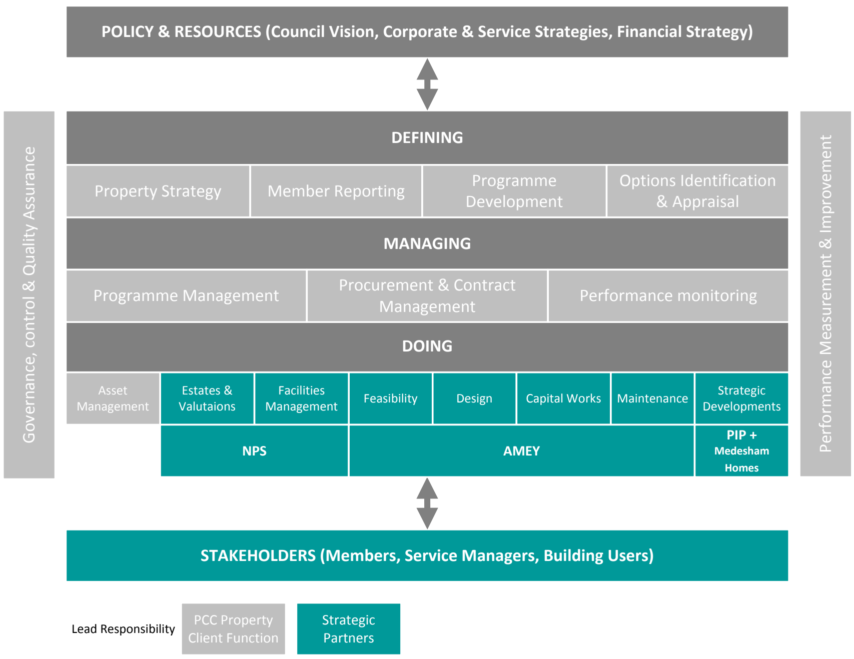
- Ensure sites for future development are secure
- Ensure income producing buildings have occupier agreements
- Consider demolition of assets identified as no longer useful or costly

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

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 asses 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. See Assets Investment Receipts Summary at the end of this report for further details about the capital receipts figures expected in 2018/19 and 2019/20.

Profile of Capital Receipts (£m)							
Achieved				Expected			
13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
£1.489	£1.769	£1.027	£5,978	£12.738	£2.922	£4.319	Nil

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 under taken 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

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
Operational Assets		
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 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.

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		
Cleary 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
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

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
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

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
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

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

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
Strategies & Policies			
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	■	■	■
Protocols, Procedures & Partnerships			
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
Operational	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	
			744
Investment	Industrial Public Houses Retail		
	Farms Estate	Farms / Agricultural land	
			156
Growth		Options to PIP Dev Partner	**3**
Miscellaneous		Former housing land Land	
			838

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			
	£46,505.4			**£37,513.8**	

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.

Asset Investment Receipts Summary from 2018 to 2021

Property Description	2018/19	2019/20
162 Cromwell Road	*	
49 Lincoln Road	*	
5 Royce Road	*	
Barn Conversion Farm Estate	*	
Bayard Place	*	
Caretakers House, Barnack	*	
Farm Estate Building F	*	
Farm Estate Bungalow	*	
Fleet Surplus Land	*	
Land at Angus Court - Large Site	*	
Land at Angus Court - Small Site	*	
Land at Fengate South	*	
Land at Marholm/Lincoln Rd	*	
London Road (gravel car park)	*	
Land at Stanground Academy	*	
Orton Bowling Green	*	
Plot 7 Fletton Quays	*	
Tenterhill/Thistle Drive	*	
Land at Bishops Road Car Park		*
Chauffers Cottage		*
Wellington Street Car Park		*
Wirrina Car Park		*
Dickens Street Car Park		*

Properties Under Consideration for Disposal

Community Asset Transfers
The Cresset
Thorney Church Street
Tank Yard Thorney
441 Lincoln Road
Substations
Allotments - various
Heltwate/Newark Road
Peterscourt
Allia Office Building
St Botolphs Caretakers House
Peterborough Football Ground

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Annex 5

Peterborough City Council

Acquisitions Strategy

December 2016 – To Be Revised

Contents

1 Introduction

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

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 over-arching 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
	▪	
	Over-arching Criteria	
All	▪ There is an approved budget allocation for the acquisition Or ▪ The Council's invest to save criteria are met And ▪ There is a robust business case which identifies any inherent risks from the acquisition	Within or outside the city
	Portfolio Specific Criteria	
Operational	▪ There is a specific service need ▪ There is an opportunity to improve service delivery ▪ There is an ability to provide a shared service use that will release other assets for alternative use or disposal ▪ The acquisition meets current or future service needs of the Council	Within the city or in the case of shared service use within areas covered by joint working arrangements
Investment	▪ Land and / or buildings where: ▪ A sound income return can be generated Or ▪ There is an opportunity to add value to existing assets And ▪ Contribution to the maintenance of a balanced portfolio (to minimise income risk) And ▪ The income generated is greater than the Council's costs of borrowing	Within or outside the city. (Can be UK wide and managed by external agents)
Growth	▪ Sites which have the potential to support development and regeneration Or mixed use commercial / residential development Or ▪ Sites which can contribute to the stock of under	Within the city or within areas covered by joint working

	supplied asset groups in the city Or ▪ Sites which can act as a catalyst for regeneration which will benefit the health, housing, wellbeing, education or business economy of the city Or ▪ Sites which are likely to have a strategic benefit that may provide future opportunity and bring wealth to the city	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 meanings for example to ensure that they allow the Council to participate in the market to acquire assets in a timely, competitive and confidential way. 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.

- Identification of key criteria to allow confidentiality and exemption from the 'key decision' procedures.

- 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 cost	Condition
Investment – held solely for generating rental income or capital growth	Rate of return	Value	Occupancy rates
Growth – 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.

CABINET	AGENDA ITEM No. 4
26 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly, Interim Corporate Director: Resources	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director Financial Services	Tel: 01733 452520 Tel: 01733 384564

ROLLING MEDIUM TERM FINANCIAL STRATEGY BUDGET PROCESS

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Resources	**Deadline date:** Council 7 March 2018

It is recommended that Cabinet:

1) Consider the proposal for a rolling budget process.

2) Recommend to Council that the rolling budget be approved and that authority be delegated to the Interim Director of Law and Governance to approve the amendment of the 'Budget Framework Procedure Rules' to follow a revised budget process.

1. ORIGIN OF REPORT

1.1 This report comes to Cabinet to amend the Council's formal budget setting process.

2. PURPOSE AND REASON FOR REPORT

2.1 To implement a rolling Medium Term Financial Strategy (MTFS) budget process, whereby savings and pressures will be agreed by Council on a quarterly basis.

2.2 This report is for Cabinet to consider under the Part 3, Section 3 – Functions of the Cabinet, paragraph No. 3.2.5, *'To review and recommend to Council changes to the Council's Constitution, protocols and procedure rules.'*

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	**NO**	If yes, date for Cabinet meeting	**N/A**

4. BACKGROUND AND KEY ISSUES

4.1 **Background**

In October 2016 the Council approved an amendment to the Constitution to update the Budget and Policy Framework Procedure Rules (Part4: Section 6). This amendment formalised the two phase process which the Council had adopted as practice since the 2015/16 MTFS.

The two phase approach was adopted to maximise the time possible to consult with the public on budget proposals.

A further additional benefit was that that the early agreement of Phase 1 budget proposals, in the December before the start of each new financial year, gives Departments more time to implement these proposals, some of which may require long lead in times to achieve successful implementation.

The Council is in a very difficult financial position unless detailed savings plans are developed as in 2019/20 expenditure is estimated to exceed income with no recourse to reserves. As such the Council is working on a number of initiatives on how it can close its “budget gap”. Once initiatives are identified there will need to be a governance process in place whereby the Council can make immediate decisions. This will ensure that initiatives can be implemented quickly in order to move the Council to a sustainable budget over the three year MTFS planning horizon.

Proposal Detail

4.2 This report proposes the implementation of a revised budget process whereby the budget model is continually revisited and budget assumptions are revised on an ongoing basis. This will enable identified saving proposals and actions that mitigate new arising pressures to be implemented throughout the financial period and the Council to benefit from results as quickly as possible.

The following table is for illustrative purposes only, using draft dates for Council only. The new process would need to include all Governance processes presently in the budget process (Cabinet Policy Forum, Budget Working Group, and Joint Scrutiny of the Budget, Cabinet Report, Council Approval and consultation requirements) and would work with this process repeating itself on a quarterly basis through the financial year.

Meeting	Content	Date
MTFS Tranche 1		
Cabinet	Consider first tranche of budget proposals (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of first tranche budget proposals	
Cabinet	To recommend the first tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the first tranche of budget proposals	25-Jul-18
MTFS Tranche 2		
Cabinet	Consider second tranche of budget proposals ls (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of second tranche budget proposals	
Cabinet	To recommend the second tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the second tranche of budget proposals	10-Oct-18
MTFS Tranche 3		
Cabinet	Consider third tranche of budget proposals ls (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of third tranche budget proposals	
Cabinet	To recommend the third tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the third tranche of budget proposals	12-Dec-18
MTFS Tranche 4		
Cabinet	To recommend the 2019/20 Council Tax Support Scheme to Council having regard to feedback from Scrutiny & the public. To agree the Council Tax Base, estimated position on the Collection Fund and the NNDR 1 Tax Base position	
Council	Approve the 2019/20 Council Tax Support Scheme	23-Jan-19
Cabinet	Consider fourth tranche of budget proposals ls (following approval	

	through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of fourth tranche budget proposals	
Cabinet	To recommend the fourth tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public. Include all Tranches in a consolidated MTFS for the next three year period from which progress can be measured.	
Council	Approve the fourth tranche of budget proposals and the overall consolidated MTFS for the year	06-Mar-19

The actual final dates to be used are to be finalised depending upon comments of this proposal.

Once this proposal is agreed in principle further consideration will need to be given to:

- Consultation requirements – do all proposals require the same consultation approach?
- Reporting approach – this still assumes all budget proposals will be taken through the current budget route, CMT, CPF, BWG, Cabinet, Scrutiny, Council.
- Officers to work up the detailed specification on how this process will work in the individual quarters as well as the final report that will go to Council in March each year.

4.3 It is recommended to agree to the revised budget setting approach in principle and ensure dates are added to the forward plan for the year. This will ensure that efficiency and savings options can be considered throughout the year and be implemented more quickly than present processes allow.

5. CONSULTATION

5.1 There are no consultation requirements. This is an enhancement to the budget process.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Following approval by Cabinet on 26 February and Council on 7 March 2018, CMT will develop budget proposals in order to meet the budget timetable and process proposed in this report.

7. REASON FOR THE RECOMMENDATION

7.1 The Cabinet is responsible for initiating Budget Proposals within the Council's Budget & Policy Framework Procedure Rules. The proposed approach and timetable for the 2019/20 budget setting process contained within this report varies from that contained within the Procedure Rules and Cabinet is being asked to put forward this alternative, four tranche process, for Council approval. Another benefit of the two four tranche approach is that the early agreement of budget proposals before the start of the new financial year gives all council departments more time to implement these proposals, some of which may require long lead in times to achieve successful implementation.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 No alternative option has been considered as the Cabinet is responsible under the Constitution for initiating Budget Proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11 March annually.

9. IMPLICATIONS

Financial Implications

9.1 None.

Legal Implications

9.2 The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the council must base its budget calculations on and require the council to set a balanced budget with regard to the advice of its Chief Financial Officer (section 151). The setting of the budget in March each year is a function reserved to Full Council, who will consider the draft budget which has been prepared and proposed by Cabinet. When it comes to making its decision in March each year the Council is under a legal duty to meet the full requirements of s31A of the LGFA 1992 which includes the obligation to produce a balanced budget.

9.3 Once the budget has been agreed by Full Council the Cabinet cannot make any decisions which conflict with it, although virements and year-in-year changes can be made in accordance with the Council's financial regulations.

9.4 Councils are under a general duty (Section 151 of the Local Government Act 1972) to make arrangements for 'the proper administration of their financial affairs'. It is for each council to decide on the detail of its budget setting process as part of this overall duty.

Equalities Implications

9.5 None.

Rural Implications

9.6 None.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 Council Constitution – Part 3, Section 3 – Executive Functions – Executive Delegations Council Constitution – Part 4, Section 6 – Budget and Policy Framework Procedure Rules

11. APPENDICES

11.1 None.

CABINET	AGENDA ITEM No. 5
26 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly, Interim Corporate Director: Resources	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director Financial Services	Tel: 01733 452520 Tel: 01733 384564

COUNCIL TAX SUPPORT SCHEME 2018/19

R E C O M M E N D A T I O N S	
FROM: Interim Corporate Director: Resources	**Deadline date:** 26 February 2018

It is recommended that Cabinet:

1. Notes the responses to the consultation on the Council Tax Support Scheme
2. Notes the continuation of the discretionary Council Tax Hardship Policy
3. Recommends that Full Council agrees 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) To keep the scheme mirroring the Housing Benefit scheme as much as possible, the following amendments are also proposed:
      - to limit the award of Council Tax Support based on a maximum of 2 children;
      - to provide protection to existing claims that already include more than 2 children;
      - to make provision for more than 2 children in the applicable amount where the child tax credit calculation includes additional children; and
      - to disregard earnings from part-time fire fighters and payments from the infected blood payment scheme.

   c) To amend appropriate rates in line with annual upratings.

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following consultation to date on proposals for the Council Tax Support Scheme 2018/19 including discussion at the cross party Budget Working Group.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to make a recommendation to Council on the Council Tax Support Scheme in Peterborough for the financial year 2018/19. Following a statutory instrument being laid before Parliament on the 21 December 2017, there is a statutory requirement for the Council to set a localised Council Tax Support Scheme by 11 March 2018 and this forms part of the formal budget process under the Budget and Policy framework.

2.2 This report is for Cabinet to consider under its Terms of Reference Number 3.2.1 which states 'to take collective responsibility for the delivery of all strategic Executive functions within the council's Major Policy and Budget Framework and lead the council's overall improvement programmes to deliver excellent services.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	**YES**	If Yes, date for relevant Cabinet Meeting	**26 February 2018**
Date for relevant Council meeting	**7 March 2018**	Date for submission to Government Dept – Communities and Local Government	**11 March 2018**

4. BACKGROUND

Council Tax Support Scheme (CTSS)

4.1 Peterborough City Council's Council Tax Support Scheme (CTSS) is based on the Council Tax Reduction Default Scheme Regulations amended each year through changes to the government regulations. The council is obliged to consult on the local scheme for the forthcoming financial year (2018/19).

4.2 Since April 2013 council tax benefit was abolished by Government and replaced with a localised Council Tax Support Scheme (CTSS). This meant councils had to develop a local scheme, and had less funding to do so. This change meant that:

- Some people who did not have to pay any council tax will now have to pay something
- Some people who have some help may have to pay more

4.3 From 1 April 2013, the council introduced a scheme whereby council tax benefit would be reduced by 30% for working age claimants at an estimated overall cost of £2.4m. The 30% reduction has remained the same since its introduction.

4.4 Following further grant reductions in 2015/16, the council consulted on whether to change the scheme to 35% or 40%. Ultimately the scheme remained at 30%. Further grant reductions experienced in 2016/17, 2017/18 and further planned reductions in 2018/19 will affect the grant provided for council tax support (which is now subsumed within the councils main grant – which is due to phased out by 2019/20).

4.5 A one per cent increase or decrease in the scheme is approximately £75k per annum. Currently council tax support payers now pay an average of £237.39 more and a one percent increase or decrease would amend this amount by £7.91. Since the introduction of the scheme there has been a sharp increase in the number of households being issued with court summons which adds an additional cost of £68.00. If referred on for enforcement action further costs of £75 and £235.00 are charged and the possibility of a further £110.00 if goods are removed. These costs are paid off first before recovery of council tax.

4.6 The provisional settlement funding assessment reduction in 2018/19 is a further £6.4m or 9.8%. Scaling proportionately the original roll in of the council tax support scheme into the settlement funding assessment, it is estimated that the council tax support component has decreased by £3.3m since 2013/14 (36%). The scheme has remained at 30% during this time with savings having to be made elsewhere. If the scheme were to reduce from 30% to 25% the council would require to find an additional £365k of savings from the budget.

4.7 Claimants have been reducing year on year. The caseload in June 2013 was 11,435, in April 2015 it was 10,497, April 2016 was 10,198 and by April 2017 it was 9,584 cases. This is positive for the council as either these claimants now pay more council tax or have left the area.

4.8 The council introduced a discretionary Council Tax Hardship Policy under current legislation that operates alongside the operation of council tax. Claimants need to meet policy eligibility criteria to qualify for a reduction in council tax.

4.9 The council acts responsibly in collecting council tax and recognises that in some instances people may struggle to pay their council tax. In March 2014, the council signed up to the Citizen's Advice Bureau (CAB) Collection of Council Tax Arrears Good Practice Protocol. The protocol confirms the commitment by the council to do all it can to support people struggling with debt to help them avoid becoming in arrears.

5. PROPOSED CHANGES CONSULTED UPON

Council Tax Support Scheme (CTSS) 1 April 2018 to 31 March 3019

5.1 Peterborough City Council's Council Tax Support Scheme (CTSS) is based on the Council Tax Reduction Default Scheme Regulations amended each year through changes to the government regulations. Over recent years, Government announced that it was proposing changes to Housing Benefit rules and tax credits with some further amendments not being effective until April 2017. Last year the council maintained the scheme in place for 2016/17 and no new amendments to the council tax support scheme were introduced for 2017/18. However, following the recent statutory instrument being laid before Parliament on the 21 December 2017, the changes outlined in 5.2 (b) (below) are being proposed for the 2018/19 scheme. As a result, by introducing these measures and continuing to align the Council Tax Support Scheme to Housing Benefit Rules, it will make it less complicated for claimants and assist with the ongoing transition and implementation of Universal Credit.

5.2 This report sets out the changes to the local components to Peterborough's CTSS to:

a) Maintain an overall reduction in entitlement of 30% for all eligible working age claimants;
b) Continue to align the scheme to Housing Benefit rule changes. Based on proposed government known changes the council is anticipating:

    1. To limit the award of Council Tax Support based on a maximum of 2 children;
    2. To provide protection to existing claims that already include more than 2 children;
    3. To make provision for more than 2 children in the applicable amount where the child tax credit calculation includes additional children; and
    4. To disregard earnings from part-time fire fighters and payments from the infected blood payment scheme.

In addition to the above proposals, the Council Tax Support scheme for 2018/19 will be subject to annual benefits uprating and feedback received during this consultation.

6. CONSULTATION APPROACH AND FEEDBACK

6.1 The proposed changes outlined in this report will amend Peterborough's Council Tax Support Scheme for 1 April 2018 – 31 March 2019, following consideration of any feedback received during the consultation exercise. Cabinet launched the initial consultation after 20 November 2017 and it will remain open until 22 February 2017 to take account of the recently published statutory instrument. This report considers feedback received to date.

6.2 An online document is available to respond to the consultation and hard copies are available on request in the Town Hall and Bayard Receptions, as well as at the Central Library. Members' scrutiny was undertaken as part of the scrutiny meeting set aside for phase one budget discussions, including stakeholder consultation meetings.

6.3 To date, no responses have been received. In addition, there were no comments to note at the Scrutiny committee in November or through the Peterborough Community Assistance Scheme (PCAS). PCAS is a valuable consultation body as it consists of Peterborough Citizen's Advice Bureau, Kingsgate Community Church, Credit Union, MIND, Disability Peterborough and Age UK Peterborough, all of whom have regular, direct contact with vulnerable individuals. Therefore, Cabinet is recommending to approve the changes outlined in section 5 of this report.

6.4 At the time of writing, the consultation remains open. An update will be provided to Cabinet at the meeting and the final picture will be reported to Council on the 7 March 2018.

7. ANTICIPATED OUTCOMES

7.1 The November Cabinet report launched the consultation for the Council Tax Support Scheme from 1 April 2018 and the discretionary Council Tax Hardship Policy as part of the formal budget process outlined in the council's Major Policy and Budget Framework. The consultation responses will inform the design of the operational scheme and any financial implications arising from the final design will be factored into the medium term financial strategy.

7.2 As no responses have been received to date, Cabinet recommends to Council the updated Council Tax Support Scheme.

7.3 In addition, the current Council Tax Discretionary Hardship Policy will continue.

7.4 The Council Tax Support Scheme can be found on the council tax support pages of the council's website.

8. REASONS FOR RECOMMENDATIONS

8.1 The Council is statutorily required to approve a Council Tax Support Scheme by 11 March 2018 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.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 The Council is statutorily required to approve a local scheme by 11 March 2018. Cabinet have 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 £2.3m from elsewhere in the budget.

10. IMPLICATIONS

10.1 In maintaining a scheme with a 30% reduction, the Council will need to cover the reduction in grant referred to in paragraph 4.4 through savings elsewhere in the Council's budget. This will be dealt with in the overall budget proposals.

10.2 An Equality Impact Assessment has been completed and is appended to this report to assess the implications which may arise from the proposed technical changes. However, the assessment does remove reference to tax credits that previously would have given the council a budget pressure following a decision by Government not to amend tax credits as announced in the Autumn Statement 2015.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2013
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015

- The Housing Benefit (Abolition of the Family Premium and date of claim amendment) Regulations 2015 (S.I. 2015 No. 1857)
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2016 (S.I. 2016 No. 1262)
- The Council Tax Reduction Schemes (Amendment) (England) Regulations 2017 No. 1305

12. APPENDICES

Appendix A - Equality Impact Assessment

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PETERBOROUGH CITY COUNCIL

Equality Impact Assessment:

Full assessment

Name/title of the policy area/strand or programme with which this assessment is concerned

Further potential changes to Council Tax Support (formerly Council Tax Benefit) in Peterborough in 2018/19

Description/summary of the policy area/strand or programme

Previously CTB was a means tested benefit which compared the claimant's income and capital against needs assessment of how much they need to live on with 100% of any benefit awarded reimbursed to Peterborough City Council by the Government (individual households paying less or no council tax).

In the 2010 spending review the Government announced its plans to abolish Council Tax Benefit (CTB) and localise support for council tax from 2013-14, reducing expenditure by 10%. This meant Peterborough City Council had around £2.4m less to help low income households with their council tax. The Welfare Reform Act 2012 contained provision for the abolition of CTB and the Local Government Finance Act 2012 enabled billing authorities to construct Local Council Tax Support (CTS) schemes by 31 January 2013 for implementation by 1 April 2013.

The Department for Communities and Local Government produced an impact assessment on the original policy of localising support for council tax which can be found through the following link: http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax

During the second half of 2012, PCC consulted and developed a scheme that would see a reduction in council tax support of 30% for working age claimants (originally consulted at 35%, but improved funding enabled this to be reduced).

As part of this project, and initial and Full EIA (EIA-12-0048) were developed and can be found at the link below:

http://www.peterborough.gov.uk/council_and_democracy/equalities/equality_impact_assessment.aspx?&EIA=59

The original consultation proposals included an option to protect recipients of disability premiums, in the same manner as pensioners, so that these households had no reduction in benefit. Such protection would have meant higher reductions for working age claimants to keep the scheme self-funding in line with the MTFS strategy. Rather than the 30% reduction proposed, the reduction in benefit for working age claimants would have been 7.5% higher at 37.5%. If the protection were not covered by working age claimants, it would have cost the Council around £0.5m to protect all.

Given the additional impact on working age claimants, or the costs to the Council if funded directly, it was not recommended that the protection is included. It should be noted that when the means testing is undertaken to assess whether the claimant is eligible for benefit the applicable amount is increased by the amount of any disability premium that the disability benefit attracts. As such the system does already have an element of protection built in for such claimants.

Further details can be found in the Cabinet report from January 2013:

http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=2856&Ver=4

The original EIA and decision remain relevant to the proposed draft scheme for consultation. The proposed amendments to the scheme are as follows:

1. **Make no changes to the existing 30% reduction for eligible working age claimants**
2. **Continue to align the scheme to Housing Benefit rule changes. Based on proposed government known changes the council is anticipating:**
   - **to limit the award of Council Tax Support based on a maximum of 2 children;**
   - **to provide protection to existing claims that already include more than 2 children;**
   - **to make provision for more than 2 children in the applicable amount where the child tax credit calculation includes additional children; and**
   - **to disregard earnings from part-time fire fighters and payments from the infected blood payment scheme.**

The 30% scheme has been in place since its introduction in April 2013 and every year since. During this time there has been no representations that impact the original equality impact assessment.

The evidence base (list the principal sources of relevant evidence, both quantitative and qualitative.

Quantitative evidence:

Currently 9,229 working age households receive council tax support.

Information relating to equalities groups are not held on the council tax system as a matter of course. There is some proxy information in the case of disabilities.

The number of households receiving disability premiums as part of their council tax benefit is outlined below. As outlined above, it should be stressed this can only be a proxy for whether there is a disabled resident for the following reasons:

- It should be noted that households can claim more than one of these benefits, so the numbers do not necessarily relate to individual households (one household could be in receipt of disability premium and Enhanced Disability premium).
- Some households may not claim a premium – this can potentially happen if the case has been 'passported' through by DWP

The current position is as follows:

- 376 claim the Disability premium
- 79 claim the Disabled Child premium
- 994 claim the Enhanced Disability premium
- 1159 claim the Severe Disability premium

What the evidence shows – keys facts

Particular Age Groups:

- Up to 9,229 working age claimants will be disadvantaged by the new CTS scheme
- Under Council Tax Law the following groups are not included or treated differently in the council tax calculation:
  - Children under 18 years old
  - Apprentices
  - 18 and 19 year olds in full-time education
  - Full-time college and university students
  - People under 25 years old receiving funding from the Skills Funding Agency or Young Peoples Learning Agency
- People who have reached pension credit age are protected and not affected by the new scheme

Disabled people:

- The initial consultation included options for additional protection of households in receipt of disability premia – ultimately this was not recommended
- Current levels claiming premia are outlined in the evidence section above
- Under Council Tax Law the following groups are not included or are treated differently in the council tax calculation:
    - People who have a severe mental impairment
    - Live-in carers who look after someone (not a partner, spouse or child)
- The consultation process will include the disability forum

Married couples or those entered into a civil partnership:

- Not affected; Marriage, civil partnerships and polygamous marriages will continue to be recognised by the new CTS scheme as they currently are under CTB

Pregnant women or women on maternity leave:

- Not affected; will continue to be recognised by the new CTS scheme as they currently are under CTB

Particular Ethnic Groups:

- May be affected by these changes if the communications are not clear and available in a format that is easily understood and presented

Those of a particular religion or who hold a particular belief:

- Not affected; will continue to be recognised by the new CTS scheme as they currently are under CTB – for example, members of religious communities are not included or treated differently in the council tax calculation

Male/Female:

- Not affected; will continue to be recognised by the new CTS scheme as they currently are under CTB

Gender reassignment:

- Not affected; will continue to be recognised by the new CTS scheme as they currently are under CTB

Sexual orientation:

- Not affected; will continue to be recognised by the new CTS scheme as they currently are under CTB

Challenges and opportunities
(indicate the policy's potential to reduce and remove existing inequalities)

- Public and direct consultation will take place until 22 February 2018
- The negative impact is to align government's proposed amendments to the Housing Benefit rules, however this will make it easier for claimants to understand if the scheme contains the same criteria as Housing Benefit criteria. The scheme would also align to Universal Credit which is being rolled out within the Peterborough area at present.
- A neutral or positive impact those affected is the introduction of a Council Tax Discretionary Hardship Policy for claimants that are experiencing significant financial hardship and sought financial advice on their debt

Summary of Equality Impact Assessment

Adverse impact for those in receipt of council tax support but consulting on the draft scheme as a whole can be justified. Cabinet will need to consider all feedback in making their recommendation, including revisiting the EIA as necessary.

Next steps

This Equality Impact Assessment as a whole is a living document that will be revised and updated as appropriate in the light of further evidence, discussions and representations.

This will include the consultation, which will be open to the public to respond to via an online consultation document, and hard copies will also be available on request in the Town Hall and Bayard Receptions and at the Central Library. Members' scrutiny will be undertaken as part of the scrutiny meeting set aside for phase one budget discussions, including stakeholder consultation meetings.

The next steps are:

- Analyse consultation responses with the affected groups. The consultation closes 22 February 2018
- Enable a recommendation to be made to the Council meeting of 7 March 2018
- Use this data to formulate an updated CTS scheme for Peterborough City Council to approve by 11 March 2018

Policy review date	**Autumn 2018**
Assessment completed by	**Chris Yates**
Date Full EqIA completed	**Original scheme - 10 September 2012** **Revised EIA published – November 2015** **Revised EIA published – January 2016** **Final EIA published – February 2018**
Signed by Head of Service	**Peter Carpenter**

CABINET	AGENDA ITEM No. 5
26 FEBRUARY 2018	PUBLIC REPORT

Report of:	Interim Corporate Director of Resources Corporate Director of Growth and Regeneration	
Cabinet Member(s) responsible:	Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter, Service Director Financial Services	Tel: 01733 384564

FLETTON QUAYS AND OFFICE CONSOLIDATION PROJECT

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Resources	**Deadline date:** Cabinet 7 March 2018

It is recommended that Cabinet:

1. Note the significant progress and benefits which the Fletton Quays development has brought to the city since the plan was approved by Cabinet in February 2014, including additional financial benefits from grant funding an additional capital receipts.

2. Recommend that Council approves additional capital investment of £2,636,025 (including a contingency of £500,000), to ensure council office buildings, including Sand Martin House, are able to meet the new and emerging needs of the council and provide opportunities for other organisations to lease parts of the office building to provide the council with additional income streams. It also facilitates the conversion and refurbishments of Bayard Place reception to provide an improved customer experience.

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following a referral from CMT on 31 January 2018.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to:

a. Provide an update to Cabinet on the progress of the Fletton Quays development and the council's office consolidation project and notes gains in revenue income and capital receipts.

b. Set out the revised costs (capital and revenue) for the office consolidation project and seek approval to put the report to full Council to approve additional capital investment,

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.7, *'To be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit'*.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	**YES**	If Yes, date for relevant Cabinet Meeting	**26 February 2018**
Date for relevant Council meeting	**7 March 2018**	Date for submission to Government Dept	**N/A**

4. BACKGROUND

4.1 The Fletton Quays project was approved in February 2014 through a report entitled "Funding Peterborough's Future Growth." This report approved the establishment of a new joint venture, part of whose aim was to bring forward a comprehensive development of the Fletton Quays site, using the council's desire to consolidate its office accommodation in a new office building as a way to kick start the development of a derelict site that has not come forward for development for over 40 years.

4.2 In March 2016, Cabinet approved a report entitled "Council Office Consolidation" confirming the office move to Fletton Quays, whilst retaining the civic core of the Town Hall for the council's own democratic use, and agreeing the principle of letting current office buildings and space. Authority was delegated to the Corporate Director for Resources to conclude and sign an agreement for lease and a lease for the new office development and associated car parking on Fletton Quays, in conjunction with the Director of Governance. This was subsequently agreed in March 2016.

4.3 In December 2016, outline planning consent was secured for a mixed use scheme designed to deliver:

- A hotel
- 280 apartments overlooking the Embankment and Cathedral
- A mix of retail and leisure uses along the river frontage
- Two new office developments totalling 166,000 square feet
- Multi-storey and surface car parks

4.4 The office development was to provide Peterborough City Council and its partners' office accommodation for its city based staff and to address a number of issues:

- Staff were working from a number of locations including Bayard Place, The Town Hall and Manor Drive. This was inefficient, leading to poor communication and costing money in staff time travelling between the different bases.
- Some of the current office accommodation would have needed modernising, ICT upgrades and development in the foreseeable future.
- Current office accommodation was not suitable for the modern and more efficient working practices of agile working.
- Agile working allows staff to work and remain in appropriate contact with colleagues when they may have otherwise been prevented from doing so; due to poor weather conditions, injury, the need to provide child care etc.
- In order to meet future budget pressures it was essential that the most efficient ways of working were achievable through the provision of modern and suitable office accommodation.

5. PROGRESS ON FLETTON QUAYS AND OTHER DEVELOPMENTS

Housing

5.1 Much needed housing is currently under construction and 358 apartments from the original 280 anticipated are now being built on Fletton Quays by Weston Homes. These have recently been launched for sale and sales are ahead of projection.

Hotel on Fletton Quays

5.2 Construction will commence shortly on the four star, 160 bedroom internationally branded Hilton Garden Inn Hotel, which has a roof top bar and restaurant.

Distillery and Visitor Centre

5.3 The Grade II Listed Goods Shed will be converted and extended to create a gin and whisky distillery with visitor centre, including tours and virtual reality experience. There will also be a restaurant and opportunities to sample the products. The addition of this attraction will make Fletton Quays a key tourist destination

Whitworth Mill

5.4 Since the original Cabinet decision, the council has also acquired the Whitworth Mill site from Milton Estates and is supporting its conversion to a creative and digital arts centre to be operated by Metal. This will make a significant contribution to the city's arts and cultural offer. Phase one enabling works will start in April 2018 and a regional grant of almost £500,000 has been secured from Arts Council England, with a bid to the national grant scheme and LEP/Combined Authority being submitted shortly.

Riverside Residential Development

5.5 Surplus land associated with the mill, previously the site of recently demolished silos, will be disposed of for further riverside residential development (up to 30 units) by the council creating a windfall capital receipt. The mill's conversion will also allow the council to dispose of Chauffeur's Cottage, the building currently used by Metal, to generate a further windfall capital receipt.

Sand Martin House

5.6 Sand Martin House, the name of the council's new offices on Fletton Quays, is now firmly taking shape. The building includes the full refurbishment and re-use of the Grade II Listed engine shed together with a significant element of new build. The main structure is in place and the contractor is on schedule for practical completion in May 2018. These physical works are progressing hand-in-hand with the council's own preparations to move in, which will involve moving to a new agile way of working with fundamentally different working practices and ICT requirements from the past.

Fletton Quays Car Park

5.7 Two new car parks, a 418 space multi-storey and 97 space surface car park are to be provided at Fletton Quays and will be completed in 2018. These will be operated by the council.

Town Hall

5.8 The council has secured a lease for the section known as Town Hall South with the Department for Work and Pensions (DWP). This not only secured an income stream for the council, but also ensured that the DWP stays within the city centre and continues to be accessible to residents and customers.

5.9 The refurbishment of this section of the Town Hall is well underway, and DWP are expected to take occupation in mid-2018. This has been secured ahead of the Fletton Quays move delivering both early rental income and a saving in management and utility costs for the council. There have been a number of additional costs associated with the Town Hall south refurbishment and letting as well as an increase in the rental income stream.

5.10 The council is in advanced negotiations with a potential public sector tenant for a lease on the Town Hall north wing, demonstrating further demand for office space in the city centre. Any additional capital expenditure associated with fit out costs for that tenant would need to be met by an increase in rental income.

Bayard Place

5.11 The original office accommodation Cabinet report assumed a capital fit out cost and rental income stream for the refurbishment and letting of Bayard Place as office accommodation at a yearly rental of £540k. Over several months the council has promoted the use of the site as interim teaching accommodation for the new Peterborough University to the HE Steering Group and Combined Authority, but this has not progressed. The decision to move offices to Fletton Quays has created the ability to either rent or sell Bayard Place. The original Cabinet report assumed that the council would be renting out Bayard Place with an associated income of £540k contributing to the overall revenue business case.

5.12 However given the recent and significant temporary accommodate pressure, the council now has the opportunity to potentially sell the building to its housing joint venture company. A capital receipt reflecting use as affordable rather than market housing can potentially be achieved. This will be funded from right to buy receipts/s106 grant funding and will provide around 70 self-contained flats

5.13 The council will retain the ground floor for 2 to 3 years at a peppercorn rent and continue to use this as the Customer Contact Centre, offering an improved customer experience. The refit costs are estimated to be in the region of £150,000 for the ground floor. This action will mean that rather than the council obtaining rental income of £540k from Bayard Place, it would be available to offset cost pressure for temporary accommodation going forward by approximately £800,000 per year, and in addition the Council will obtain a capital receipt and will still own 50% of the building through the joint venture company.

Manor Drive

5.14 The original lease to the Council terminated in December 2017. The Council has agreed a short term extension to the current lease of Manor Drive and sublease to Serco with a view to these agreements being terminated later in the year as soon as we are ready to move to Sand Martin House. As such there will be no ongoing liability for Manor Drive following the move to Sand Martin House

6. FINANCIAL UPDATE

Increase in Cash Receipts

6.1 The original Fletton Quays income assumptions have been exceeded with a greater dividend from the Peterborough Investment Partnership (PIP) together with contributions from PIP to highway improvements and staff costs. In total some £8,183,000 of additional benefits from capital receipts, grant funding and additional funds from the Fletton Quays development from the joint venture company since this project began are forecast as follows:

Mill Conversion (awarded and prospective Grant)	£3,000,000
Capital receipts (surplus Mill land on Fletton Quays Chauffer's Cottage and Bayard Place)	£4,100.000
Additional income from Peterborough Investment Partnership	£1,083,000

Increase in Capital Costs

6.2 There is a requirement for an increase in capital investment to complete the Fletton Quays project and relocation of staff to Sand Martin House. This largely relates to ICT. A fundamental review of the council's current ICT needs has been carried out which has given the council an opportunity to model its new agile working style, ICT and workspace strategy. This has also allowed for an opportunity to design an ICT infrastructure that will support parts of the building as being available to sub-let with an increase in desk spaces, generating additional income to help offset costs.

6.3 Further investment is therefore needed to ensure that all council buildings including Sand Martin House have proper ICT infrastructure installed to support the new way of working, which are fit for purpose to enable partners to share accommodation and to allow the council to sublet the extra capacity to partners who will be working alongside the council in shared services arrangements. The additional income generated from this subletting can be used to offset the additional investment.

6.4 The council has also reviewed its ongoing ICT needs, which would have occurred irrespective of the move to Sand Martin House, and has identified the need for further investment in the council's ICT infrastructure. The benefits of these investments are to ensure that Sand Martin House is "future-proofed", avoiding the need to retrofit the building thereby creating a highly flexible working environment when the time comes to sublet and share with other organisations.

6.5 The total additional capital required is £2,636,025 including a contingency of £500,000. Virements of £990,000 have previously been made to the total additional cost of the project (£3,626,025) and therefore approval for an additional £2,636,025 is requested in order to complete the project. The full cost of the project will be shown after approval and the virements reversed.

Capital	**Sub Amount**	**Total**
Initial Cabinet Report assumptions	£5,342,000	
Changes in the 2017/18 MTFS	£1,885,000	£7,227,000
Previous CMDN - additional costs for refurbishment of Town Hall south (offset by additional rental income)	£1,182,952	£1,034,374
Overall budgeted total		**£8,261,374**
Additional costs ● ICT infrastructure for all council buildings ● Sand Martin House Additional Costs ● Additional Office Move requirement ● Fit out costs for Bayard Place ● Contingency at 5%	 £2,387,025 £350,000 £239,000 £150,000 £500,000	 **£3,626,025**
Total capital requirement		**£11,887,399**

The revenue position

6.6 The revenue position of this project is as set out below but noting as follows:

- A tenant has yet to be secured for the sub-letting space within Sand Martin House (negotiation is ongoing).
- A review on the car park income forecast is to be undertaken to take account of changes to this project and the effect on parking within other council car parks
- Budget adjustment from Bayard Place. No longer receiving £540,000 rental income. In the next few years, the temporary accommodation at Bayard Place will replace currently rented units thereby avoiding a potential pressure in our budget of £800,000.
- The revenue effect of the £3.6million additional capital is £450,000. This £450,000 is calculated as follows: £3.6million x 2.5% interest = £90,000 pa plus £3.6million divided by 10 years = £360,000). The initial capital estimate (£8.3million) has already been accounted for in the 2017/18 MTFS.

Revenue	2018/19	2019/20	2020/21
Sand Martin House revenue costs (Including rental of two car parks)	£2,803,000	£3,609,000	£3,609,000
Existing office accommodation budgets (Excluding car park)	(£1,949,000)	(£1,949,000)	(£1,949,000)
Net increase	**£854,000**	**£1,660,000**	**£1,660,000**
Less Town Hall income (excluding BP)	(£285,000)	(£528,000)	(£528,000)
Less sub-letting space in Sand Martin House	(£262,500)	(£393,750)	(£393,750)
Less additional car park income	(£148,666)	(£337,000)	(£350,000)
Less Bayard Place budget adjustment	(£135,000)	(£405,000)	(£540,000)
Surplus pre capital and one off costs	**£22,834**	**(£3,750)**	**(£151,750)**
Revenue impact of additional capital		£450,000	£450,000
Net adjustment approved in the MTFS	**£22,834**	**£446,250**	**£298,250**
One off costs	£1,211,000	£175,000	

7. CONSULTATION

7.1 This report asks for the approval of additional capital expenditure of **£2.6m** (as set out in paragraph 6.5 above) in order to complete the move from Bayard Place, Manor Drive and the Town Hall to Sand Martin House. In addition it sets out work being done to ensure that all revenue costs are fully accounted for and also sets out the wider economic benefits to Peterborough.

The council needs to make immediate payments after this report has been approved by Council which were previously unforeseen in order to avoid additional contractual liabilities for failing to meet build deadlines. The nature of the ICT works are such that they cannot be delayed until a later stage of the build program as they require works to be undertaken to the fabric of the building.

Council will consider the Medium Term Financial Plan at the full Council budget meeting. This report seeks Cabinet approval to the proposal being put forward to full Council.to be included in the Medium Term Financial Plan for the year 2017-18.

8. ANTICIPATED OUTCOMES & CONCLUSION

8.1 **This is an excellent regeneration project, one of the most significant in Peterborough within the last 50 years. The progress includes:**

- A prestigious hotel chain has been attracted to the city as part of this development
- More homes are being provided. 358 apartments are now being built, which is 78 more than originally envisaged
- We are gaining two car parks, a distillery and a visitor centre
- Whitworth Mill is being developed to provide the city with a creative and digital arts centre, dependent on external funding being secured and applied for
- Capital receipts of £4.1million can be secured
- A further £1.1 million secured from the Peterborough Investment Partnership joint venture company
- An additional £2.6million of capital (in addition to the additional £990,000 virements already made) is required to complete the scheme.

9. IMPLICATIONS

9.1 **Legal Implications**

There are no legal implications of this report as it is financial in nature.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Extraordinary Cabinet 7 March 2016, Agenda Item No. 3, Council Office Consolidation Report

- Cabinet Member Decision, 9 October 2017 - Award of Contract for the Remodelling of South Side Town Hall – OCT17/CMDN/47

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