MEDIUM TERM FINANCIAL STRATEGY

2017/18 – 2026/27

Cabinet

27th February 2017

CONTENTS

Schedule A - Report of the Chief Finance Officer

Schedule B – 2016/17 Forecast Revenue Outturn

Schedule C - Budget Proposals, Key Figures & Cash Limits

Schedule A – Report of the Chief Finance Officer

1. INTRODUCTION

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

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

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

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

1.4. This schedule comprises of the following sections:

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

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

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

- Investments

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

2. NATIONAL & LOCAL CONTEXT

2.1. The budget is set in the context of the most incredibly challenging financial times local government has ever faced.

2.2. The Local Government sector is facing increasing demands for services particularly within Adult Social care services, whilst at the same time facing severe reductions to its funding. Over the course of this Parliament, Councils are expected to face additional funding cuts of 40% nationally (Source: LGA), meaning an extra £20bn of savings must be found nationally to meet this gap. When taken together with cuts experienced since 2010, the total reduction to Local Government funding by 2020 will hit 64%.

2.3. This is a huge challenge, and we must find more new and innovative ways to deliver our services to ensure a sustainable financial future for the Council.

2.4. Furthermore, the Provisional Local Government Finance Settlement announced on 15th December 2016, outlined further changes to the New Homes Bonus grant that reduces the benefit to growing areas such as Peterborough.

2.5. Locally, Peterborough City Council's priorities continue to be:

- Drive growth, regeneration and economic development
- Improve educational attainment and skills
- Safeguard vulnerable children and adults
- Implement the Environment Capital agenda
- Support Peterborough's culture and leisure trust Vivacity
- Keep all our communities safe, cohesive and healthy
- Achieve the best health and wellbeing for the city

2.6. The budget is set within the context of these priorities, according to the Council's constitution.

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

a) Seek to vigorously pursue efficiency savings.

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

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

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

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

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

3. FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1. The provisional local government financial settlement for 2017/18 was announced on 15th December 2016. This detailed the Revenue Support grant, and some smaller grant allocations for the next three years, inline with the multi-year settlement offer secured by the Council in October 2016. The key headlines from the settlement were the changes in funding allocations from New Homes Bonus for 2017/18 and future years and the introduction of a one off Adult Social Care grant in 2017/18 which are detailed within section 3. The publication of the finance settlement has been delayed, It has been confirmed that debate in the House of Commons will not take place until Wednesday

22nd February 2012, and therefore it is expected that DCLG will publish the final settlement shortly before this.

3.2. The LGA have issued legal advice with respect to setting a balanced budget, the full advice is summarised as follows:

"There is a duty for major precepting authorities to issue a precept for 2017/18 before the 1 March 2017. For other local authorities, there is a duty to set 2017/18 budgets before the 11 March 2017. There may be consequences if an authority does not set a budget before these dates. An authority still needs to make sure it sets a balanced budget and this can be done on the basis of the provisional settlement if this is the best information available at the time."

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

Multi-Year Settlements

3.4. The Government had previously offered Councils the opportunity to accept a Four-year funding settlement, which would allow Councils some certainty in the level of revenue support grant that they will receive in future years (they will still reduce, but there should be some certainty over that reduction). This will aid financial planning and alignment of resources to the Council's vision and priorities. It is particularly useful in enabling the planning of transformational projects where cultural change is required.

3.5. The council secured the Multi-year settlement offer following approval of the council's efficiency strategy, submitted to DCLG in October 2016. The efficiency strategy outlines how we have delivered improved services and saved money, as well as how we intend to tackle the challenges moving forward. Approval of the efficiency strategy by government shows they recognise that the council has demonstrated both strong financial management and a clear plan to continue to deliver future efficiencies while protecting services.

3.6. The multi-year settlement was set to cover a four year period, to the end of the current parliament. The 2017/18 settlement forms part of the second year of this offer.

New Homes Bonus

3.7. As part of the Provisional Settlement, the Government has announced significant changes to the New Homes Bonus funding.

3.8. The Council has actively supported the Government's drive for new homes, so this change is concerning. The Council has growth as a key to its vision and associated policies, and it has been inherent in developing services and designing itself to be fit for the future under the new funding regime. For growth to no longer be rewarded in this way is disappointing.

3.9. Previously NHB was paid for all new houses delivered. Now it will only be paid for new houses above a 'normal' growth threshold of 0.4%. Also the plan to pay NHB for 5 years in 2017/18 and then 4 years in future years, instead of 6 will come in. This will come in from next year, which is earlier than originally anticipated. The combined impact of these is that the Council will receive £1.4m less NHB next year than originally expected. Nationally this funding will be used for the Adult Social Care grant (see below).

3.10. The Council has responded to the consultation on the Local Government provisional Finance Settlement Consultation for 2017/18, noting our views on the changes to New Homes Bonus funding. We particularly expressed our disappointment in the diverted focus away from key strategic housing and growth priorities.

Adult Social Care Grant

3.11. The provisional settlement also introduced a one off Adult Social Care grant for 2017/18, in a response to the call for action to address the national pressures facing these services.

3.12. The Government have funded the new grant by top slicing New Homes Bonus funding allocation by £241m. This is then being redistributed to Local Authorities on a relative needs basis. While this method of allocation appears to be fair, it should be noted that we have seen a large shift of funding go to County Councils, due to their responsibilities to provide Adult Social Care and the smaller New Homes Bonus allocations, with District authorities being worst affected and unitaries typically falling between the two.

3.13. Peterborough will receive £0.8m of one off Adult Social Care grant in 2017/18, however this does not cover the £1.4m reduction in New Homes Bonus funding, making the net impact a reduction in funding of £0.6m.

Adult Social Care Precept

3.14. The Provisional Settlement increased the flexibility for Local Government to raise additional funds to meet its Adult Social Care costs.

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

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

3.16. This MTFS assumes that the flexibility of a 3% Adult Social care precept will be exercised in 2017/18 and 2018/19 in order to protect Social Care budgets, however, we remain concerned that this mechanism for raising funds penalises Authorities such as Peterborough who have worked hard to keep Council tax consistently low.

3.17. When calculating a Council's assumed level of spending power, the Government has assumed that each Council will exercise this power, and therefore, there is an implication that Authorities that do not raise the Social Care precept will be worse off.

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

Other Items of Note

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

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

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

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

3.23. A cap of 2% will remain in place on general Council tax and will increase to 3% for the Adult Social Care precept, unless a local referendum is held. If Peterborough were to enter into a referendum it should be noted that the legislation set by government includes a number of strict controls and restrictions such as the questions to be asked and the publicity and communication of the referendum (To ensure the authority is not able to unduly influence the result of the referendum

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

3.25. A consultation on the Provisional Local Government Finance Settlement was launched on 15th December 2016, to which Peterborough responded on 13th January 2017. Within the response there was consideration of the comments above, and also commenting on a required shift where all local authorities core spending power, would be taken into account when allocating grants.

3.26. The final settlement is due to be published in February.

4. CURRENT FINANCIAL POSITION

Revenue

4.1. The Corporate Management Team and Cabinet regularly review the Council's spend against budget.

4.2. Based on information as at the end of December 2016, the Council is forecasting a £0.950m overspend, which has improved by £1.15m (55%) from the £2.1m previously reported. This is a result of Corporate Management Team and Officers reviewing the position and putting actions in to place to mitigate the overspend as far as possible.

4.3. The Corporate Management team together with Service Directors will closely monitor and review the position and will take any necessary actions before the year end to achieve a balanced revenue outturn position for 2016/17.

4.4. Should the outturn position have a residual overspend at the end of the year, money from the capacity reserve will be released to balance the position.

4.5. Monthly updates are brought to Corporate Management Team Meetings, where the forecast outturn position is scrutinised.

4.6. A full revenue outturn forecast at the end of December 2016 is given in Schedule B.

Capital

4.7. The revised Capital Programme's budget as at 31st December 2016 is £145.6m, which includes £57.2m for invest to save schemes (I2S). The agreed investment as per the Medium Term Financial Plan (MTFS) was £156.7m. The movement between the MTFS position and the £238.3m as at April 16 was as a result of slippages mainly due to delays completing projects from 2015/16.

4.8. The actual capital expenditure as at 31st December 2016 is £48.7m. The overall level of spend is influenced by the level of invest to save schemes. In many of these e.g. loan arrangements, the level is determined by the rate at which partners draw down on those arrangements.

Full details of the Capital programme can be found in Schedule E - Capital Strategy, Programme & Disposal 2017/18 – 2026/27

5. BUDGET SUMMARY POSITION FOR 2017/18

5.1. Financial advice has been provided by the Corporate Management Team to Cabinet who have met regularly since June 2016 to identify in excess of £28m of saving proposals to balance the budget for the forthcoming financial year.

5.2. Financial advice and guidance has also been provided to the Cross-Party Budget Working Group. There has been seven meetings with the group over the course of the 2017/18 budget setting process and offers have been made to the political groups to work with together on political options.

5.3. In formulating budget proposals, every budget area has been scrutinised and subject to challenge by Directors with due diligence undertaken on all investment and saving budget proposals that have been put forward.

5.4. The scale of the financial challenge and preference of the Cross-Party Budget Working group to consult at the earliest opportunity led to a two stage approach to identify budget proposals. Cabinet has presented budget proposals over two phases with:

- Phase 1 - savings proposals of £9.9million approved by Council on 14th December 2016;
- Phase 2 – savings proposals of £10.8million to be approved by Cabinet for consultation on 6th February 2017.
- Use of £7.2million of the Grant Equalisation Reserve

5.5. Cabinet's approach is to protect, as far as possible, the services residents care about the most the council's vision for the city. This budget delivers savings without any service reductions.

5.6. The Council, at its meeting on the 25th January, agreed the local Council Tax Support Scheme for Peterborough for 2017/18 with the level of reduction in benefit for working age claimants kept at 30%, for the fifth year running.

5.7. Following the two-phase budget process, a balanced budget for 2017/18 can be presented. The following tables show the position from phase 1, phase 2 and the overall position including the additional savings to be delivered each year.

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

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

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

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

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

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

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

6. FUTURE FINANCIAL OUTLOOK

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

6.2. It should be noted that the profile of funding the Council receives is likely to change significantly from 2020 onwards, after which time the new '100%' business rates retention scheme has been implemented.

6.3. The following issues remain key when looking to address financial challenges going forward:

- The level of funding available to Councils in future, with levels of Revenue Support Grant and New Homes Bonus being key risks.
- The impact of the new Business Rates retention scheme, how it will work in practice, and any resultant changes to other grants or responsibilities for local government.
- The impact of Business Rate appeals.
- Changing demographics and increasing demand for Council services.
- The varying complexity of services required within the Adult Social Care department.

7. BUSINESS RATES

7.1. The business rates retention system was introduced on 1st April 2013 and is based upon authorities retaining a share of locally raised business rates known as baseline funding which represented the equivalent of previous income levels received direct from Government. In order to set this amount the government reduced the amount of actual income expected to be received by imposing a tariff.

7.2. Baseline funding and tariff increase each year with the percentage increase in multiplier used to calculate business rate demands and the council retains this amount. In addition if the council is able to achieve business rate growth above the baseline funding level, the Council can keep its share of the growth (49%) after deducting a levy set by the Government.

7.3. From 1st April 2017 the business rates income is based on new rateable values for all properties following a recent revaluation by the valuation office. This has required various technical adjustments to ensure that as far as possible the revaluation has a neutral effect on the total income raised from business rates both nationally and at individual authority level. These include reducing the national multiplier to take account of higher rateable values, but adding an amount for inflation and an allowance for future appeals. At a local level individual authorities tariffs have been amended to reflect the change in income raised which also amends the levy rate.

7.4. This means that for 2016/17 the Council will effectively retain 41.7 pence to the pound for each pound of growth generated whilst in 2017/18 the Council will receive 46.4 pence. Conversely, if business rates is lower than the baseline business rate, the council will need to make up any shortfall up to a maximum of £2.9m before government funding would be provided.

7.5. The council is also part of a pilot scheme announced by Government during the March 2015 Chancellor's Budget whereby Council's achieving growth over and above a target set by Government would be able to keep Government's share of business rates. The Government have issued draft Regulations on how this pilot scheme will work and they confirm that growth was achieved in 2015/16 which was incorporated into the accounts at 31st March 2016.. The scheme is in addition to the current Business Rates Retention Scheme which will continue to operate in its current form.

7.6. As at December 2016, there was £98m of rateable value with an appeal outstanding on the Rateable Value (RV) 2010 listing of £231m. The Council now shares liability for successful appeals including backdating of appeals with the Government and Fire Authority in proportion to the share of business rates. Some appeals on the RV 2010 listing can be backdated to 1 April 2010.

7.7. The council has no influence on the outcome of appeals, but is required to make a provision to cover for any losses of business rate income. At this stage the council has estimated that a total provision of £12.8m will be required in the accounts as at 31st March 2017 of which £2.1m is in respect of 2016/17 liabilities.

7.8. From 2017/18 the cost of new appeals will be based upon the 2017 rateable value list. At this stage no appeals have been made and these can be made at any time following 1st April 2017 to a date beyond the life of the list (normally 5 years). The council will however need to make a provision for these losses and at this stage an amount of £5m has been included for the 2017/18 financial year based upon the government's allowance included within the multiplier for the level of total losses over the life of the list.

7.9. In last year's report a key issue raised was in respect of the Peterborough power station which has an appeal outstanding against the 2010 RV listing of £3.1m, a significant provision was set aside in the 2014/15 accounts and this remains in place as the appeal has not yet been heard.

7.10. A further key issue is the challenge from NHS trusts for mandatory relief against their properties. This is ongoing and the council are part of a group who in conjunction with the LGA are vigorously defending this claim, the progress will be closely monitored and further action as deemed necessary will be taken and Members informed.

8. SPENDING POWER ASSUMPTIONS

8.1. When assessing the financial position of the Council for this strategy, the government's analysis of Council core spending power has been considered.

8.2. In order to provide Local Authorities with their indicative Settlement Funding Assessments for the remainder of the Parliament, the government has made a number of assumptions regarding Council income and expenditure and what they expect Councils to do. These include:

- The application of each local authority's average annual growth in the council tax base between 2013-14 and 2016-17 throughout the period to 2019-20
- All local authorities increase their band D council tax in line with the 2% referendum limit throughout the period to 2019-20.

- 2017-18 to 2019-20, has been estimated by assuming all eligible local authorities also continue to take up 2% Adult Social Care flexibility.

9. COUNCIL TAX

9.1. Peterborough has one of the lowest Council tax levels in the country, as detailed in section 2.9.

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

9.3. Unlike in previous years up to and including 2015/16, Council Tax freeze grant will no longer be available in 2017/18. Freeze grants were in place to mitigate the impact of foregone Council tax, allowing Councils to freeze Council Tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.

9.4. Given the scale of the challenges that the Council faces going forward, the desire to keep Council Tax bills low must be offset against the need to protect vital services and vulnerable people.

9.5. Therefore, having fully considered the level of pressures identified and savings required, the Cabinet is proposing that Council raise Council Tax by 2%, and levy an Adult Social Care Precept of 3%, meaning that the average Band D Council Tax will rise from £1,173.04 to £1,231.57 per year, an increase of £1.13 per week. The average property in Peterborough is in Band B, meaning council tax would rise from £912.37 to £957.88 per year - an increase of 88p per week.

9.6. When calculating the level of spending power that Councils have, government has factored in rises to Council Tax and has assumed that all Authorities will exercise an Adult Social Care precept of 2%.

9.7. For planning purposes, the MTFS assumes a 2% rise in Council Tax going forward in all years. For 2017/18 and 2018/19 the Social Care precept of 3% has also been factored in. The Council will need to keep this under review as budget decisions for 2018/19 are made and the final eligibility criteria for future years are published.

9.8. The Government has not yet published details of whether a Council Tax referendum threshold will be in place in future years – for 2017/18, the threshold is 5% (comprising 2% for general Council Tax and 3% for the Adult Social Care precept)

9.9. The total rise in Council Tax of 4.99% is therefore within the statutory threshold for Council Tax increase and no referendum is required.

9.10. Statute requires Councils to show the Adult Social Care precept separately to any rises in General Council Tax on the face of the Council Tax bill

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

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

9.12. The respective tax decisions of these bodies are:

- Police – The Cambridgeshire Police and Crime Panel will meet on 1st February 2017, agreeing a rise in their Council tax of 1.97%
- Fire – The Cambridgeshire Fire Authority will meet on 9th February 2017, agreeing a rise in their Council tax of 1.92%
- Parish Councils – the precepts are detailed in the Council Resolution section.

10. EDUCATION FUNDING

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

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

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

10.4. The funding for the majority of education support services came through a grant called the 'Education Services Grant' (ESG). The ESG allocation to local authorities is made up of two rates: **The retained funding rate** which provides funding to local authorities to enable them to fulfil the statutory duties they hold for both maintained schools and academies. **The general funding rate** which provides funding to local authorities to enable them to fulfil the statutory duties they hold for just maintained schools. In the 2015 Spending Review Government announced £600m of saving to the ESG general funding rate by 2019 to 2020. From September 2017 the general funding rate of the

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

11. RESERVES

11.1. For the Chief Finance Officer to recommend the level of reserves and provisions the council should hold, consideration is given to the general economic conditions facing the Council, the internal control framework in operation, and the probability and financial impact of service risks, including specific budget risks identified within the budget process.

11.2. The Council regularly reviews the level of reserves as part of in year budget monitoring, setting the budget and at the end of the financial year in line with the Council's reserve policy. Final proposals for reserve usage are approved by members as part of the budget and final accounts approval process. Reserves are reviewed and monitored during the year to ensure that the adequacy and application of reserve are valid and appropriate.

11.3. Reserves are set aside for either a specific purpose, consideration to the general market conditions, the internal control framework in operation and the probability and financial impact of service risks.

11.4. Estimated levels of reserves for the next five years are outlined in section 11.6. This includes sums that we hold on behalf of others and sums that we are independently advised to hold e.g. insurance reserve.

11.5. Projected movements on reserves for this MTFS are shown in the reserves section later in the MTFS.

11.6. ***Reserves Position***

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

11.7. The capacity fund will be used for transformational projects and change, and the anticipated use in 2017/18, is to support projects generating efficiencies in future years. In the event that the 2016/17 budget is not balance at year end, it will be necessary to use some capacity fund to cover this.

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

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

- Risks also remain around the impact of business rate appeals on Council finances. The current level of provisions for appeals is £12.5m

11.9. The savings proposals put forward in 2017/18 total £20.7m. If these savings proposals are updated during the budget consultation any shortfall will need to be covered from either finding other saving proposals, reducing bids or from reserves

11.10. It is proposed that general fund working balances are maintained at £6.0million. The Council currently has one of the smallest level of reserves when compared to other Unitary councils.

11.11. It is proposed that the balance of the Risk Management Reserve, which currently stands at £0.657m will be used to support the 2016/17 budget outturn position, to help mitigate the impact of the emerging pressures. This means that the reserve will be fully utilised by 31st March 2017.

11.12. The Grant Equalisation (GE) Reserve was set up in 2016/17 to mitigate the impact of reduction to grant funding in future years and to support a strategic and measured approach to savings in future years. This has also helped to minimise the impact on services and customers, creating a sustainable financial future for Peterborough. As part of the MTFS for 2017/18 to 2026/27 it is proposed that £7.2m will be used to balance the budget for 2017/18 and that the balance, £4.3m will be used to support the 2018/19 budget position. This will still be a budget gap of £14.8m, after the use of the GE reserve, a clear indication of the challenging times we have ahead.

11.13. The Chief Finance Officer has reviewed the financial risks identified and the expected level of reserves at 1 April 2017 and the forecast throughout the MTFS period. On this basis the Director is satisfied with the reserves proposals in the MTFS.

Robustness of estimates

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

12. FEES AND CHARGES

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

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

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

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

14. BUDGET VIREMENT LIMITS

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

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

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

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

- All budget virements in excess of £500k will require Cabinet approval.

- All budget virements in excess of £1m will require Council approval

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

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

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

3.13.2 The Chief Executive is authorised:

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

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

15. BUDGET RISKS

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

Area	Risk	Action to Mitigate Risk
Overall Budget	1) The Final Local Government Finance Settlement. 2) The details of years three and four of four-year funding settlement are not yet known, therefore funding may reduce beyond current forecasts.	Prudent approach to forecasting as outlined in this report. The Council has already had its efficiency strategy approved by Government, reducing this risk. Review Government websites for the most up to date information.
Adult Social Care Funding	3) Social care funding, namely: a) Costs of Care Act exceed budgets b) Delivering the outcomes within the Better Care Fund allocation within available resources	Coverage for forecast budget pressures for 2017/18 within MTFS. Scrutiny of guidance and regulations and further refinement of modelling as information emerges on Care Act

Area	Risk	Action to Mitigate Risk
		implications. Effective programme management of the projects associated with the Better Care Fund and close working with the Clinical Commissioning Group. Use of the Social Care precept flexibility to mitigate financial pressures on social care.
Brexit	4) Possible impact from vote to leave EU. Current impact unclear, but two main areas of potential risk a) Overall impact on UK economy and public finances b) Potential impact on workforce, either within PCC or partners	Officers will monitor any further announcements and review the emerging position
Capital receipts	5) The agreed Minimum Revenue Provision strategy allows the Council to benefit from asset disposal proceeds in the year of sale. This does prevent a risk to the achievement of the bottom line if those receipts are not achieved.	Regular monitoring of forecasts for sale completion.
Business Rates	6) Business rate forecasts. a) The council will benefit from any growth in business rates but will also have to share the risk of volatility of collecting business rates, changes to business rates during the financial year and administration costs associated with collecting business rates. b) Furthermore the safety net payment scheme to top up councils for loss in business rates income would require a decrease in business rates of 7.5%. c) Achieving growth in business rate income through supporting infrastructure in the	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.

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

Area	Risk	Action to Mitigate Risk
		if rates increase beyond forecast levels.
Financing Risk	9) The council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, benefiting from reduced interest rates on PWLB loans by 20 basis points. The Council is assuming that there will be a similar scheme in place when this scheme expires and that it will again qualify.	If this risk materialises, the Council will continue to monitor alternative sources of funding in market, then if not available, the Council would refresh budget forecasts as part of setting future budgets.
Service Delivery	10) Future delivery of services will need to be within cash limits and align with all resources available to the council	Regular review of progress by CMT including risks and issues.
Service Delivery	11) Demand-led service pressures. 12) The Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's and adult social care. The demographics of the latter will remain under review due to Peterborough's ageing population above national average and complexities in cases being identified. The need for such services remains difficult to predict, and support must be provided where needed.	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. Demand for Children's Services is monitored through the Placement Model. The Council is implementing an innovative partnership with TACT for delivery of childrens placements and foster care. Savings plans are also based intervention and reducing need and service demand
Service Delivery	13) 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.	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 business transformation programme will be delivered in partnership with Serco.
Reserves	14) Impact of reserves and balances	Reserves are reviewed and monitored during the year to ensure that the adequacy and

Area	Risk	Action to Mitigate Risk
		application of reserve are valid and appropriate
Council Tax and Council Tax Benefit	15) Non-collection rates increase beyond the budget assumptions and / or localisation of council tax benefit scheme if eligible claimants increase beyond forecasts 16) Implementation of the Universal Credit by the Department for Work and Pensions is being introduced in stages and has rolled out to single claimants from December 2015. Although numbers of people affected will be small initially, over the coming years numbers will increase to include all in and out of work benefits. The financial impact is not yet fully known	Monthly updates will monitor the collection rates The council will revise future year forecasts on council tax income accordingly The council is undertaking a pilot between December 2015 and March 2016 as a delivery partner for the Department of Work and Pensions. An assessment of this pilot will help determine and financial consequences in future financial years but is expected to be minimal in 2016/17.
Capital Expenditure	17) The proposed Capital Programme is reliant on developer contributions being achieved, as well as successful grant bids to support school places	Developer contributions to be realised in line with approved policy Grant bids to be worked up in line with previous successful approach. Capital programme to be reviewed and revisited if any elements unsuccessful

16. Devolution

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

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

- £70m capital over five years ring fenced to meet Cambridge housing needs (delivery 500 affordable homes).

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

16.3. Certain other funding streams will now be channelled via the combined authority. The main source initially is the Local Transport Plan capital grant. It will then be down to the combined authority to allocate these funds in line with its transport plan. Final decisions on this could affect the capital programme. The elements of the LTP that will be paid to the CA are listed below. The CA budget papers propose this is passporting back to PCC.

	Peterborough CC
	£000
Integrated Transport Block	1,407
Maintenance Block	3,078
Incentive	259
national productivity investment fund	773
Total	**5,517**

16.4. The transport arrangements of the CA also affect the planning and setting of the transport revenue budget. Currently this is part of the Peterborough and Cambridgeshire overall revenue budget, and as such is funded through a combination of council tax, revenue support grant and business rates. CLG will not unpick the local government settlement to extract funding from the Council's settlements to pass to the CA. These sums will continue to be paid to the Council.

16.5. The approach to be followed will be that the CA can levy on Peterborough and Cambridgeshire County councils for the costs of these transport services. The value of the levy would be equal to the costs of providing those services in each council. The CA will then return the functions and the funding to the Councils to deliver those services. The value of the levy in 2017/18 is expected to be £9.823m.

16.6. The CA may also receive some specific grants from DfT (including Bus Service Operator Grant, Local sustainable transport fund (LSTF) and bikeability). Previously these were paid to Councils, but now DfT will cease paying their grants to the councils, and instead pay them to the CA. In line with proposals above, these will be passed to the Councils if such grants are received during the year. At the time of writing, no LSTF funding has been notified for either Cambridgeshire or Peterborough.

17. Adult Social Care Precept

Background

17.1. In the Provisional 2016/17 Local Government Finance Settlement introduced a new power to enable Local Authorities providing Adult Social Care to raise additional funds. From April 2016, Councils had the option of levying a 2% 'precept' – effectively an additional 2% increase to Council tax in addition to the 2% general Council tax increase power. 95% of councils chose to levy the precept in 2016/17

17.2. In the Provisional 2017/18 Local Government Finance Settlement this flexibility was increased to 3% in 2017/18 and 2018/19. If they did the option to levy an Adult Social care precept in 2019/20 would no longer be available.

Key Issues

17.3. There are strict rules relating to the Adult Social Care Precept. The funding raised must be spent, and continue to be spent, purely on supporting Adult Social Care.

17.4. Regulations stipulate that the Council Tax bill must show the precept separately on the face of the statement so that the taxpayer is aware of how much of the tax is ring fenced for Adult Social Care. There are two options for presenting the statement according to regulations.

17.5. It is also a requirement that the Council publish specific text in the Council Tax leaflet to explain the purpose of the precept to the taxpayer. Whilst additional text may be added, the prescribed wording must be shown.

17.6. At authorities wishing to use the precept power, the section 151 officer and the Director of Adult Services (DAS) will be required to certify that monies will be spent only for the benefit of Adult Social Care. In subsequent years, s151 officers and the DAS will be required to confirm that this money continues to be spent on Adult Social Care.

17.7. When calculating a Council's spending power, the Government has indicated that it anticipates that all who are eligible to levy the precept will levy an additional 2% at least.

17.8. The Government's calculations factor in four-year's worth of Adult Social Care precept, from 2016/17.

17.9. However there are different options available in relation to levying the precept. Local Authorities have the following options:

- 3% in 2017/18 and 3% in 2018/19
- 2% in 2017/18, 2% in 2018/19 and 2% in 2019/20

17.10. You will not be able to exceed a 6% increase overall. However it should be noted that a lot of councils will have received a reduction in New Homes Bonus funding allocation changes and so this, and it would seem that this flexibility has been given to mitigate the funding gap for those badly affected councils.

Peterborough & the Adult Social Care Precept

17.11. Between 2010 and 2021 it is predicted that the number of people in Peterborough aged 85 and over is set to increase by 52 per cent. As life expectancy increases, older people are living with multiple long-term conditions associated with ageing. For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK.

17.12. Like many other Councils, Peterborough has experienced pressure on its Adult Social Care budgets due to a combination of increasing demand for services, including those with more complex needs and also has had its grant funding cut.

17.13. Therefore, Cabinet are recommending that Peterborough levy the 3% Adult Social Care Precept in 2017/18 and 2018/19 addition to a 2% general increase.

17.14. Appendix A and B highlight the pressures facing Adult Social Care, and demonstrate that there has been additional investment, in excess of the precept levied in to the budget for Adult Social Care.

17.15. The final guidance and criteria for the precept will be released with the final settlement. At the moment the Council expects to meet the criteria for 2017/18. The position with regards to 2018/19 will depend on decisions taken in setting that budget, including how the budget gap of £14.8m is closed. This will be kept under review as the proposals for the 2018/19 budget are developed during 2017. We may have to reassess the feasibility to levy the 3% Adult Social Care precept at this time

17.16. It should be noted that although the requirements to invest the money into Adult Social Care has been exceeded for 2017/18, the MTFS projects a reduction in budget for 2018/19. This is entirely due to new Better Care Funding and cessation of one off transformation funding.

Appendix A- Adult Social Care Pressures Report

1. Introduction

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

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

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

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

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

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

2. Budget Pressures Overview/Highlights

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

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

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

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

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

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

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

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

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

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

3. Market Pressures

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

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

4. Opportunities and Mitigation

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

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

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

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

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

5. Conclusion

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

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

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

Appendix B- Adult Social Care Budget Pressure (assumptions) on Adults Commissioning 2017/18

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

93

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

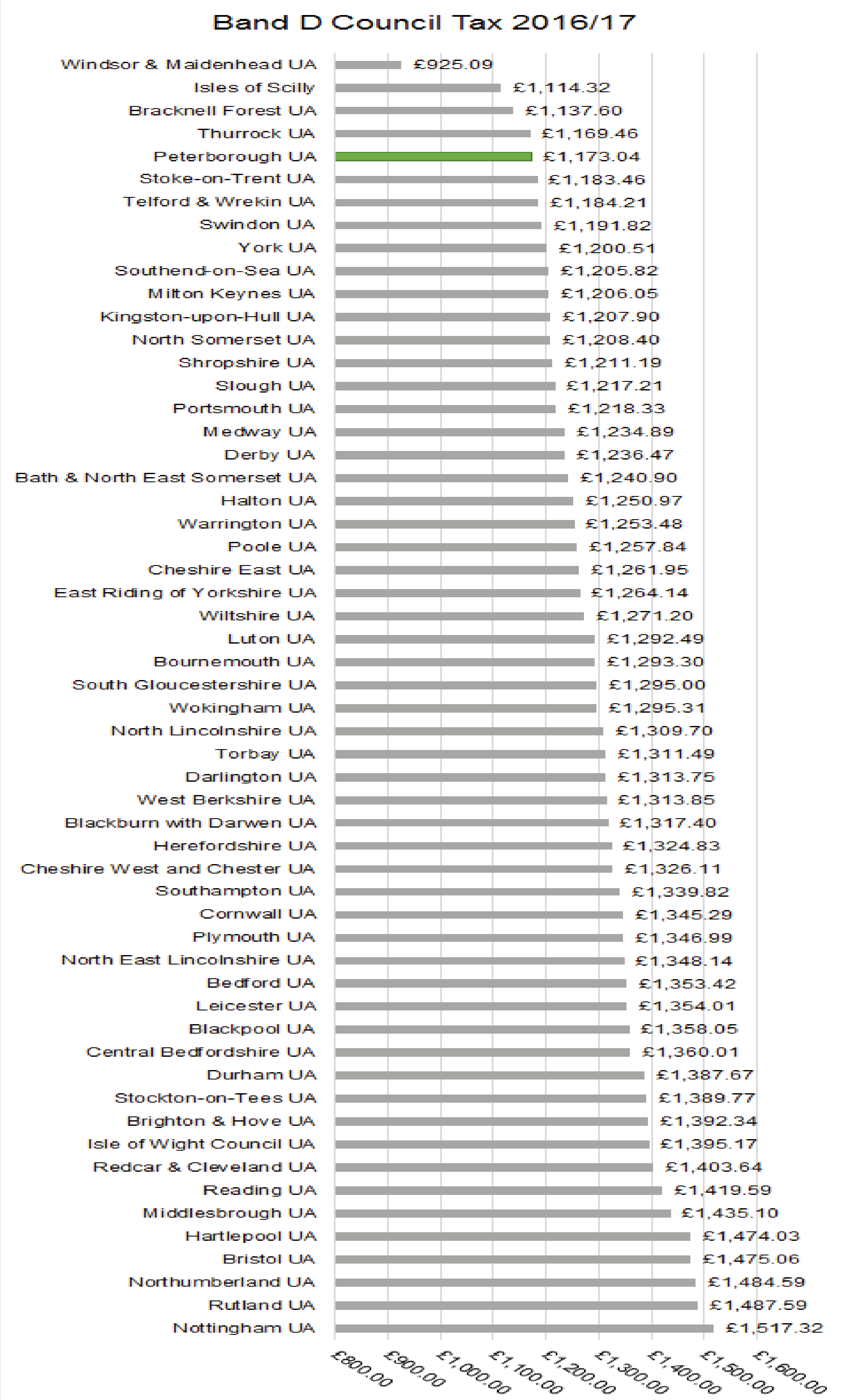
Appendix C- Adult Social Care Budget included within the MTFS 2017/18-2021/22- including the increase in budget

Policy Line	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
OPENING NET EXPENDITURE BUDGET	**39,123**	**41,416**	**39,150**	**38,468**	**40,812**
Investment					
Mental Health – growth in referrals in statutory work. All growth has been contained in budgets for the last three / four years	25	28	28	28	28
Physical Disability – growth in numbers (includes no residential increases)	123	135	135	135	135
Older People (including older people's mental health services) – growth in numbers	215	238	238	238	238
Learning Disability – growth in numbers (non transitional)	1,015	978	977	977	978
Carers Responsibilities	114	0	0	0	0
Social Care Funding changes	69	0	0	0	0
National Living Wage (NLW)	561	565	564	1,566	0
Serco - Insight & Analytics / Front Door saving-resourcing	115	210	-325	0	0
Better Care Fund - Front line investment	1,355	-1,355	0	0	0
Cost Drivers	2,337	0	0	0	0
Total Investment	**5,929**	**799**	**1,617**	**2,944**	**1,379**
One off - Funding ceased					
Adult Social Care, Health and Wellbeing – Transformation costs	-479	0	0	0	0
Customer Experience Programme - Resourcing	-507	-967	0	0	0
Total One off - Funding ceased	**-986**	**-967**	**0**	**0**	**0**
Savings					
Adult social care demography changes	-519	-528	-458	-600	-600
Managing Demand - The Front Door Project	-2,700	0	0	0	0

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

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

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



Schedule B – Probable Revenue Outturn 2016/17

1. Summary of forecast revenue outturn

1.1. The approved revenue budget for 2016/17 is £145m. The year-end outturn, based on reported departmental information as at end of December 2016, is currently forecast to be a £0.950m overspend. The summary position is shown in the following table:

Previous Variance £k	DEPARTMENT	Budget 2016/17 £000	Forecast Spend 2016/17 £000	Variance 2016/17 £000
-20	Chief Executives Dept	286	251	-34
289	Governance	6,764	7,061	297
-833	Growth and Regeneration	12,787	11,492	-1,295
4,139	People and Communities	73,926	77,935	4,009
0	Public Health	-77	-77	0
-825	Resources	51,148	49,734	-1,414
-657	Contribution from Risk Management reserve	0	-657	-657
44	Financing	-144,834	-144,790	44
2,137	**Overall position**	**0**	**950**	**950**

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

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

1.4. The Council is forecasting an overspend position of £0.950m at the end of 2016/17. This has improved from the £2.1m overspend previously reported. This reduction is the result of the actions and plans put in place by CMT and officers, to mitigate this as far as possible. The Outturn position will continue to be closely monitored and reviewed by CMT and further action will be implemented to bring deliver a balanced position by the end of the year.

1.5. Further information is provided in appendix A, which outlines the forecast for each service area, an explanation of key budget variances (those over £100k) and risks that have been identified.

2. Asset Investment and Treasury

Introduction

2.1. The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at December 2016. It also provides an estimate of the borrowing requirement for 2016/17 to fund the Asset Investment Plan.

Asset Investment Plan 2016/17

2.2. The revised Asset Investment Plan budget as at December 2016 is £145.6m, which includes £57.2m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £156.7m. The movement between the MTFS position and the £238.3m as at Apr-16 was a result of slippages mainly due to delays completing projects from 2015/16.

2.3. The actual investment expenditure as at December 2016 is £48.7m (44.6% of the revised budget to date). The latest forecast provided by project managers predicts an overall spend of £145.4m, therefore the Council is expecting to spend a further £96.7 m before March 2017.

2.4. The I2S budget is for schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.

2.5. 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.

2.6. 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 £000	1st April Budget £000	Current Budget FY £000	Revised Budget YTD £000	Actual YTD £000
Governance	-	49	49	36	-
Growth & Regeneration	31,642	37,560	29,057	21,793	14,631
People & Communities	37,476	49,624	38,780	29,085	16,849
Resources	21,677	28,868	20,472	15,354	3,502
Invest to Save	65,900	122,161	57,248	42,936	13,708
TOTAL	**156,696**	**238,262**	**145,606**	**109,204**	**48,689**
Grants & Contributions	33,768	44,715	38,340	28,755	17,672
Borrowing	122,928	193,547	107,266	80,449	31,017
TOTAL	**156,696**	**238,262**	**145,606**	**109,204**	**48,689**

2.7. The movement of £92.7m between the budget as at April 16 (£238.3m) and the current budget of £145.6m is mainly the result of the re-profiling of expenditure for the new secondary school Hampton Gardens and works linked to the Fletton Quays office development, the slippage of £55.7m of I2S relating to the Axiom and Empower Loans into future years and the delay of expenditure on the Community Stadium Project.

Borrowing and Funding the Asset Investment Plan

2.8. 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 73.7% of the budgeted expenditure will be funded by borrowing.

2.9. The Council's borrowing as at the end of December 2016 was £383.4m (see table below). The debt is measured against the Councils Authorised Limit for borrowing of £721.5m which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £669.5m.

Borrowings	Less than 1yr £000	1-2yrs £000	2-5yrs £000	5-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	-	-	500	26,843	292,244	319,587	3.8

Market Loans	-	16,000	26,500	-	-	42,500	1.9
Local Authority	-	-	-	-	17,500	17,500	4.5
LEP Loan	784	-	3,000	-	-	3,784	0.0
Total Borrowing	**784**	**16,000**	**30,000**	**26,843**	**309,744**	**383,371**	**3.6**
% of total Borrowing	0%	4%	8%	7%	81%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

2.10. The majority of the debt is taken on a 10+yr basis. The Corporate Director: Resources believes it to be prudent to take advantage of a relatively low long term fixed rate of interest as it mitigates some of the risk of PWLB rate rises. Long term interest rates are currently at very low rates e.g. the standard PWLB rate for 50yr loans including the certainty rate was 2.46% at end of December 2016.

2.11. The Council's treasury team's borrowing strategy, in line with Capita advice, in that as the outlook continues to be uncertain, borrowing is taken in tranches so as to benefit from the current rates but also to provide some flexibility if rates fall further.

2.12. The following table outlines the activity in Loans held by the Council for the year to date:

Loans Portfolio £000	
April 2016 b/f	**363,171**
repayment of loans to date	(23,200)
new loans in year	43,400
net increase/(decrease) to date	**20,200**
Loans portfolio as at December 2016	**383,371**

2.13. Total interest payable on existing loans for the year (£378.4m) is expected to be £13.1m.

2.14. Capital Receipts are used as part of a contribution to fund the MRP however, close monitoring of the Capital Receipts is maintained as any significant change will now have a direct impact on the Revenue position.

2.15. 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 2017. The MTFS includes a contribution of £3.1m Capital Receipts (not including Investment Assets), with the revised receipts figure including a further £4.6m rolled forward from uncompleted disposals in 15/16. 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

Capital Receipts				
RAG Status	**Budgeted Income per MTFS £000**	**Revised Budget £000**	**Received to Date £000**	**Not yet received £000**
Green	165	1,589	196	1,393
Amber	875	1,511	-	1,511
Red	2,060	-	-	-
Total (not inc Investment Assets)	**3,100**	**3,100**	**196**	**2,904**
Investment Assets	2,575	1,545	-	1,545
Total Capital Receipts	**5,675**	**4,645**	**196**	**4,449**

Investments

2.16. 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 cashflow 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. The Treasury team are currently investigating introducing the use of Money Market funds to help mitigate the investment risks, whilst increasing returns.

2.17. As at December 2016 the Council's external investments totalled £1.1m and forecast interest outturn for the year is £40k.

Appendix A – Detailed Revenue Budgetary Control Report

Previous Variance £k	Department	Budget 2016/17 £000	Actual Spend to date £000	Forecast Spend 2016/17 £000	Variance 2016/17 £000
	CHIEF EXECUTIVE'S DEPARTMENT				
-70	Chief Execs Office	286	143	201	-84
50	Additional Contribution to GE reserve			50	50
-20	**TOTAL CHIEF EXECUTIVE'S DEPARTMENT**	**286**	**143**	**251**	**-34**
	GOVERNANCE				
0	Director of Governance	340	207	340	0
162	Legal & Democratic Services	3,671	2,867	3,852	181
-96	Human Resources	1,394	996	1,281	-113
173	Performance & Information	1,359	751	1,538	179
50	Additional Contribution to GE reserve			50	50
289	**TOTAL GOVERNANCE**	**6,764**	**4,821**	**7,061**	**297**
	GROWTH AND REGENERATION				
-410	Director, OP & JV	754	305	245	-509
-245	Development & Construction	242	-373	-42	-284
188	Sustainable Growth Strategy	1,347	1,436	1,222	-125
-621	Peterborough Highway Services	10,033	4,549	9,401	-632
255	Corporate Property*	411	176	666	255
-833	**TOTAL GROWTH AND REGENERATION**	**12,787**	**6,093**	**11,492**	**-1,295**
	PEOPLE AND COMMUNITIES				
-70	Director of People and Communities	41	437	12	-29
1,286	Adult Services	39,138	28,643	40,423	1,285
1,167	Communities	5,578	3,394	6,749	1,171
597	Children's Services and Safeguarding	23,642	16,733	24,191	549
952	Education	4,092	4,193	4,943	851
207	Business Management & Commercial Ops	1,435	1,032	1,617	182
4,139	**TOTAL PEOPLE AND COMMUNITIES**	**73,926**	**54,432**	**77,935**	**4,009**
	PUBLIC HEALTH				
0	Children 0-5 Health Visitors	3,126	2,202	3,126	0
0	Children 5-19 Health Programmes	1,999	1,499	1,999	0
0	Sexual Health	1,721	1,243	1,721	0
0	Substance Misuse	2,432	1,686	2,432	0
-83	Smoking and Tobacco	375	72	292	-83
83	Miscellaneous Public Health Services	1,749	706	1,832	83
0	Public Health Grant	-11,479	-8,866	-11,479	0
0	**TOTAL PUBLIC HEALTH**	**-77**	**-1,458**	**-77**	**0**

Previous Variance £k	Department	Budget 2016/17 £000	Actual Spend to date £000	Forecast Spend 2016/17 £000	Variance 2016/17 £000
	RESOURCES				
-2	Director's Office	234	175	232	-2
-255	Financial Services	3,609	2,322	3,420	-189
-1,228	Capital Finance	18,615	17,769	16,946	-1,669
-850	Corporate Items	5,923	3,936	5,090	-833
367	Peterborough Serco Strategic Partnership	8,970	7,283	9,297	327
555	ICT	4,186	4,013	4,741	555
-255	Commercial Group	-1,769	-1,256	-2,023	-254
284	Amey Peterborough & Waste Management	10,781	7,798	10,950	169
48	West combe Engineering	49	210	97	48
0	Energy	54	56	54	0
-16	Vivacity / Cultural Services	2,479	1,587	2,463	-16
-57	Cemeteries, Cremation & Registrars	-1,248	-1,063	-1,313	-65
-1	City Services & Communications - SD*	143	268	141	-1
-20	City Services & Communications - Regulatory Services*	482	-70	437	-44
140	City Services & Communications - Parking Services	-2,221	-1,773	-2,058	163
-33	City Services & Communications - Communications*	166	136	126	-39
40	City Services & Communications - CCTV, Resilience & Health + Safety*	226	185	266	40
90	City Services & Communications - Markets, Tourism & Events*	469	152	498	29
368	Additional Contribution to GE reserve			368	368
-825	**TOTAL RESOURCES**	**51,148**	**41,728**	**49,734**	**-1,414**
-657	Contribution from Risk Management reserve			-657	-657
2,093	**TOTAL EXPENDITURE**	**144,834**	**105,759**	**145,740**	**906**
	FINANCING				
0	Council Tax	-64,038	0	-64,038	0
44	NDR Income	-49,113	0	-49,069	44
0	NDR Levy	484	0	484	0
0	NDR Tariff	6,736	5,120	6,736	0
0	Revenue Support Grant	-26,983	-20,507	-26,983	0
0	Grants	-9,460	-7,068	-9,460	0
0	Reserves	-1,809	-1,809	-1,809	0
0	Collection Fund	-653	0	-653	0
44	**TOTAL FINANCING**	**-144,834**	**-24,264**	**-144,790**	**44**
2,137	**OVERALL POSITION**	**0**	**81,495**	**950**	**950**

* These budget groups have transferred from different departments.

Breakdown of savings taken directly to reserve:		
Directorate	**Saving**	**Amount £000**
Chief Executive	Chief Executive – additional saving from permanent arrangement	-50
Governance	Alternative Governance saving	-50
Resources	Additional saving from MRP review	-150
Resources	Apprenticeship levy not payable in 2016/17	-218
	Total	**- 468**

These contributions to reserve are shown within the BCR of the relevant Directorate.

Appendix B- Explanation of Key Variances

Key Variances (over £100k)	Total £000	Explanation
Gov - Legal & Democratic Services	181	Land Charges Income (£123k), Staffing Costs £214k, Legal Costs £74k
Gov - Human Resources	-113	Salary Savings (£122k)
Gov - Performance & Information	179	Staffing Costs £79k, Unachievable saving £100k
G&R - Director, OP & JV	-509	Joint Venture recharge (£143k), Road Map savings (£400k)
G&R - Development & Construction	-284	Additional Income (£313k)
G&R - Sustainable Growth Strategy	-125	Additional Income (£91k)
G&R - Peterborough Highway Services	-632	Concessionary Fares (£575k)
G&R - Corporate Property	255	Rent, Rates & Service Charges for Midgate £200k
P&C - Adult Services	1285	Reablement Team £130k (invest to save), £219k - Revisions to grant forecasts, £1.077m Adults Placements
P&C - Communities	1171	B&B homelessness pressure of £1.352m, Energy Performance Certificate income shortfall of £144k, Selective Licensing £170k and savings from employee costs (£362k).
P&C - Children's Services and Safeguarding	549	£230k short breaks pressure and £310k pressure on children's placements.
P&C - Education	851	Home to School Transport £497k demand led pressure for transporting children to available school places across the city, £210k shortfall on Educational Services Grant - grant reduced in previous years but not spend, £422k Dedicated Schools Grant overspend, offset by (£305k) PFI Insurance rebate,
P&C - Business Management & Commercial Ops	182	Clare Lodge, reduced occupancy £184k.
Res - Financial Services	-189	Balance sheet funds released (£147k)
Res - Capital Finance	-1669	This is a combination of underspends from lower interest rates on new borrowing than anticipated in the MTFS and increased Direct Revenue Funding (£803k).
Res - Corporate Items	-833	Apprenticeship Levy no longer due in 2016/17 (£218k), release of pension budgets (£260k), VAT Shelter income (£64k) and the release of inflation budgets (£394k).
Res - PSSP	327	Procurement pressure (£289k)
Res - ICT	555	Out of Scope costs £153k, Applications support saving not achievable £140k, Saving in data transmission costs not yet delivered, Schools broadband income shortfall £191k, Digital roadmap £240k, offset by (£250k) budget for cloud
Res - Commercial Group	-254	Court Cost income estimated above budget (£200k).
Res - Amey Peterborough & Waste Management	169	£135k Additional volume Waste Treatment at EFW Plant, £35k HRC - Price and volume pressure, £88k Amey service changes (£126k) Business Rates Credit for Dodson House - Amey to pay WEEEE element since contract start
Res - City Services & Communications- Parking Services*	163	£268k off street parking, offset by residents parking (£30k) & staff parking (£37k) & Employee costs (£55k)

Schedule C – Budget Proposals

1. Overview

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

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

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

2. Investments

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

Phase 1 Investment

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
1	Resources	CFO Insights Analysis	10	10	0	0	0
1	Resources	North West Gate- MRP costs	45	135	202.5	225	225
1	Resources	Shrub Cutting & Central and Itter park attendant Proposals	127	127	127	127	127
		Total Phase 1 Investments	**182**	**272**	**330**	**352**	**352**

Phase 2 Investment

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
2	Resources	Capital Bid- Whitworth Mill development	0	32	97	97	97
2	Resources	Capital Bid- Agile working	8	129	129	128	128
2	Resources	Capital Bid- Future Transport projects	84	333	519	616	713
2	Resources	Capital Bid-Operation Can do area	21	124	277	338	338
2	Resources	Capital impact of schools organisation plan	13	616	556	461	495

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

3. Pressures

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

Phase 1 Pressures

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
1	Governance	Legal Services Pressures	133	133	133	133	133
1	Governance	Member Allowances	186	186	186	186	186
1	Governance	Terms & Conditions - Lease Cars	54	54	54	54	54
1	Growth & Regeneration	Highways Capital Maintenance- Costs of delivery	5	21	37	53	69
1	People & Communities	Better Care Fund - Front line investment	1355	0	0	0	0
1	People & Communities	Adults Transformation costs	115	325	0	0	0
1	People & Communities	Leaving Care at 25 - New Burdens Update	260	260	260	260	260
1	People & Communities	Unaccompanied Minors Update	600	0	0	0	0
1	Resources	Academisation & loss of business rates	70	96	122	148	174
1	Resources	Inflation Review (Pensions)	500	1250	2000	2250	2500
1	Resources	Internal Audit Partnership	52	52	52	52	52
		Total Phase 1 Pressures	**3,330**	**2,377**	**2,844**	**3,136**	**3,428**

Phase 2 Pressures

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
2	Governance	Organisational change	373	75	75	75	75
2	Growth & Regeneration	Arboriculture- Tree and woodland health and safety	422	150	150	150	150
2	People & Communities	Adult Social Care Cost Drivers	2337	2337	2337	2337	2337
2	People & Communities	Dedicated Schools Grant (DSG change in regs)	500	500	500	500	500
2	People & Communities	Early Years Funding Formula	149	430	430	430	430
2	People & Communities	Home to School Transport	524	524	524	524	524
2	Resources	Academisation & loss of business rates (increased to reflect new transfer forecast)	107	107	110	110	110
2	Resources	Amey Parks - Eye Nature Reserve	10	10	10	10	10

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
2	Resources	Apprenticeship Levy- HR element for schools	302	302	302	302	302
2	Resources	Employee Terms & Conditions (including Living wage increase)	96	96	96	96	96
2	Resources	Employee Terms & Conditions- HMRC salary sacrifice changes	32	32	40	46	46
2	Resources	ICT	796	491	454	521	521
2	Resources	Insurance Premium Tax	12	12	12	12	12
		Total Phase 2 Pressures	**5,660**	**5,066**	**5,040**	**5,113**	**5,113**

4. Savings

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

Phase 1 Savings

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
1	Chief Executive	Shared Chief Executive - additional savings	-110	-110	-110	-110	-110
1	Governance	Alternative Governance - No Longer Required	-50	-50	-50	-50	-50
1	Growth & Regeneration	Capital Receipts Update- Please refer to the Capital table for breakdown	-3,864	0	0	0	0
1	Growth & Regeneration	Concessionary Fares	-686	-838	-978	-1118	-1258
1	Growth & Regeneration	Highways Capital Maintenance- Savings	-240	-450	-450	-450	-450
1	Growth & Regeneration	Highways Roadmap	-120	-120	-120	-120	-120
1	People & Communities	Adult Social Care Precept 2017/18 - 2%	-1,287	-1,331	-1,333	-1,334	-1,335
1	People & Communities	Adult Social Care Precept 2018/19 - 2%	0	-1,334	-1,380	-1,381	-1,382
1	People & Communities	Better Care Fund	-1,689	0	0	0	0
1	People & Communities	Digital Front door- Saving	-163	-794	-280	-280	-280
1	People & Communities	Open Loan Share Arrangement with Cambridgeshire County Council to share Director of Peoples and Communities	-45	0	0	0	0
1	Resources	CFO Insights Analysis- saving impact	-20	-40	-60	-60	-60
1	Resources	Collection Fund Surplus - NNDR & CT part 1	-36	0	0	0	0
1	Resources	Cross Keys VAT Shelter Review	-375	-200	0	0	0
1	Resources	Inflation Review	-1,057	-1,126	-1,161	-1,118	-1,531
1	Resources	Internal Audit Services to schools	-52	-52	-52	-52	-52
1	Resources	MRP Review	-149	-149	-149	-149	-149
		Total Phase 1 Savings	**-9,948**	**-6,599**	**-6,128**	**-6,227**	**-6,782**

Phase 2 Savings

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
2	People & Communities	Academisation- Charging for the cost of Transfer (to reflect increased transfer forecast)	-25	0	0	0	0
2	People & Communities	Adult Social Care Precept- additional 1% in 17/18 and 18/19	-644	-1373	-1418	-1423	-1429
2	People & Communities	Direct Revenue Funding (DRF) Review	-519	-497	-473	-450	-427
2	People & Communities	Hardship Fund- Removal of budget/ Use of credit union	-50	-50	-50	-50	-50
2	People & Communities	National Funding Formula- Charging schools for ESG services	-1100	-1100	-1100	-1100	-1100
2	People & Communities	Passenger transport (home to school, children and ASC community link and Dial-a-ride)	0	-33	-33	-33	-33
2	People & Communities	PFI - Insurance (Schools)	-100	-100	-100	-100	-100
2	People & Communities	Private enforcement- Kingdom	-47	0	0	0	0
2	Resources	Amey Contract	0	-100	-100	-100	-100
2	Resources	Apprenticeship Levy- Charge for schools	-302	-302	-302	-302	-302
2	Resources	Business Rates Revaluation & Growth Forecast	-1000	-2600	-3400	-4400	-5300
2	Resources	Capital Programme / Asset investment Plan Review & Forecast	267	-1997	-3306	-2192	-3588
2	Resources	Capital Receipts- investment property receipts and loss of rental income	-4928	35	-3274	449	449
2	Resources	Capital Receipts- update	-647	-35	0	0	0
2	Resources	Collection Fund Surplus Forecast	-137	0	0	0	0
2	Resources	Early repayment scheme of suppliers for rebates (Oxygen)	50	-50	-50	-50	-50
2	Resources	ESPO Dividend	-100	-100	-100	-100	-100
2	Resources	Fees & Charges Review-	-82	-82	-82	-82	-82
2	Resources	Fletton Quays cash- South Bank	-689	0	0	0	0
2	Resources	Inflation Review (Pension)	-500	-1250	-2000	-1816	-2061
2	Resources	Music Hub	-15	-15	-15	-15	0
2	Resources	Parking Review	-168	-188	-239	-262	-242
2	Resources	Procurement Resource	-9	-43	-68	-118	-118
2	Resources	Public Notices-Communications Striving for excellence award	-9	-9	-9	-9	-9
2	Resources	Social Care Platform- SPA / SPA plus (Arcus) & PeopleToo	-31	-88	-247	-228	-209
2	Resources	The Peterborough Lottery	-23	-62	-62	-62	-62
2	Resources	Vivacity	0	-170	-170	-170	-170
		Total Phase 2 Savings	**-10,808**	**-10,209**	**-16,598**	**-12,613**	**-15,083**

5. Grant Adjustments

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

5.2. Further changes to future year grant levels are expected, as the government plan to radically change local government funding from 2020/21. Although there is some short term stability on allocation levels for Revenue Support Grant and some other smaller funding streams, secured through the multi-year settlement offer.

5.3. Members will be updated when further details of changes to funding arrangements have been released.

Phase 2 Grant Adjustments

Phase	Department	Proposal	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
2	People & Communities	Adult Social Care grant- (LG provisional Finance Settlement 2017-18)	-797	0	0	0	0
2	People & Communities	National Funding Formula- removal of the Education Services Grant (ESG)	2242	2242	2242	2242	2242
2	Resources	New Homes Bonus- (LG provisional Finance Settlement 2017-18)	1391	-75	298	933	666
		Total Phase 2 Grant Adjustments	**2,836**	**2,167**	**2,540**	**3,175**	**2,908**

6. Detailed 5-Year Budget Position

6.1. The table below indicates the Council's 5-year budget position based on the most up-to-date information.

6.2. The budget position for the 2017/18 financial year is balanced, however this is with the use of £7.1m from the Grant Equalisation (GE) Reserve. There are still significant challenges in future years, with a budget gap of £14.5m, after the use of £4.3m from the GE reserve in 2018/19, followed by a substantial gap of £21m and rising from 2019/20 onwards.

6.3. It should be noted that the below figures are subject to change, pending the Final Local Government Finance Settlement and the completion of the Council's NNDR 1 form.

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

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

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

7. Key figures 2017/18 – 2026/27

Funding	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Business Rates	-43,650	-44,883	-46,446	-47,439	-48,336	-50,394	-50,555	-50,719	-50,933	-50,933
Revenue Support Grant	-19,821	-15,056	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246
Other Grants	-31,502	-31,597	-33,191	-32,696	-32,810	-32,508	-32,508	-32,508	-32,508	-32,508
Housing Benefit Grant	-66,684	-66,684	-66,684	-66,684	-66,684	-66,684	-66,684	-66,684	-66,684	-66,684
Parish Precept	-600	-600	-600	-600	-600	-600	-600	-600	-600	-600
Council Tax Base	-62,241	-64,394	-66,609	-68,884	-71,226	-73,634	-76,109	-78,654	-81,270	-81,270
Council Tax Growth Estimate	-896	-915	-931	-952	-971	-991	-1,011	-1,030	-1,052	-1,052
Council Tax Increase	-1,256	-1,300	-1,344	-1,390	-1,437	-1,485	-1,535	-1,586	-1,638	-1,638
Council Tax - Adult Social Care precept	-3,194	-5,344	-5,482	-5,535	-5,543	-5,543	-5,543	-5,543	-5,543	-5,543
Coll. Fund - Council Tax Deficit/Surplus (-)	-173	0	0	0	0	0	0	0	0	0
Coll. Fund - NDR Deficit/Surplus (-)	1,159	0	0	0	0	0	0	0	0	0
Transport Levy returned from Combined Authority	-9823	0	0	0	0	0	0	0	0	0
Transport Levy paid to Combined Authority	9,823	0	0	0	0	0	0	0	0	0
Contribution to/from (-) Reserves	-7,194	-4,250	0	0	0	0	0	0	0	0
Subtotal	**-236,053**	**-235,023**	**-231,534**	**-234,427**	**-237,852**	**-242,083**	**-244,790**	**-247,570**	**-250,475**	**-250,474**
Schools Grant	-132,775	-132,775	-132,775	-132,775	-132,775	-132,775	-132,775	-132,775	-132,775	-132,775
Total Funding	**-368,828**	**-367,798**	**-364,309**	**-367,202**	**-370,627**	**-374,858**	**-377,565**	**-380,345**	**-383,250**	**-383,249**
Control Totals	**376,832**	**383,626**	**390,721**	**395,903**	**398,658**	**399,122**	**402,744**	**405,552**	**408,973**	**409,135**
Investment 2017/18	9,648	9,128	10,030	10,453	10,851	10,851	10,851	10,851	10,851	10,851
Savings 2017/18	-17,652	-10,170	-15,195	-10,302	-12,419	-13,153	-14,381	-15,562	-16,697	-16,697
Total Expenditure	**368,828**	**382,584**	**385,555**	**396,054**	**397,090**	**396,820**	**399,214**	**400,841**	**403,128**	**403,290**
Budget Deficit/Surplus -	**0**	**14,786**	**21,246**	**28,852**	**26,462**	**21,962**	**21,650**	**20,496**	**19,876**	**20,039**

8. Breakdown of Other Grants

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
2017-18 Adult Social Care Support Grant	-797	0	0	0	0
Council Tax Support New Burdens Funding	-46	-46	-46	-46	-46
Dept of Health revenue grant	-249	-249	-249	-249	-249
Housing Benefit Admin Grant	-826	-826	-826	-826	-826
Improved Better Care Fund	-354	-2,986	-5,345	-5,345	-5,345
Independent Living Fund grant	-125	-120	-117	-117	-117
New Homes Bonus	-6,547	-5,122	-4,544	-3,991	-4,046
Better Care Fund	-2,976	-2,976	-2,976	-2,976	-2,976
Better Care Fund	-661	-661	-661	-661	-661
PFI	-4,731	-4,731	-4,731	-4,731	-4,731
Public Health grant	-11,196	-10,905	-10,621	-10,621	-10,621
S31 Business rate capping grant	-625	-644	-666	-679	-692
S31 Business rate doubling SBRR grant	-2,098	-2,159	-2,237	-2,282	-2,328
S31 Long term empty reoccupation	-5	0	0	0	0
S31 NHB grant	-95	0	0	0	0
S31 Rural rate relief	-7	-7	-7	-7	-7
SEND Grant	-165	-165	-165	-165	-165
Total Other Grants	**-31,502**	**-31,597**	**-33,191**	**-32,696**	**-32,810**

9. Departmental Cash Limits 2017/18 – Summarised

Department	MTFS 2016 Budget 2017/18	2017/18 Savings	2017/18 Investment	2017/18 Changes to Grants	2017/18 Budget Adjustments	Net Budget 2017/18
	£000	£000	£000	£000	£000	£000
Chief Executives	344	-110	0	0	0	234
Governance	6,342	-50	692	0	0	6,984
Growth & Regeneration	13,686	-1,054	422	0	-7	13,048
People & Communities	73,608	-3,744	5,932	2,242	-4	78,034
Public Health	206	0	0	0	0	206
Resources	33,612	-2,584	2,426	322	-291	33,486
COST OF SERVICES	**127,799**	**-7,542**	**9,472**	**2,564**	**-302**	**131,992**
Drainage & Flood Levy	619	0	0	0	-6	613
Capital Financing Costs	22,388	-10,110	176	0	0	12,454
BUDGET REQUIREMENT	**150,805**	**-17,652**	**9,648**	**2,564**	**-307**	**145,058**
Parish Precepts	703	0	0	0	10	713
TOTAL EXPENDITURE	**151,508**	**-17,652**	**9,648**	**2,564**	**-298**	**145,771**
Council Tax	-64,393	0	0	0	0	-64,393
Council Tax - Adult Social Care precept	-1,263	-1,931	0	0	0	-3,194
NDR Income	-48,142	-1,000	177	0	5,315	-43,650
NDR Levy	0	0	0	0	183	183
NDR Tarriff	6,950	0	0	0	-4,818	2,132
Revenue Support Grant	-19,821	0	0	0	0	-19,821
Transport Levy returned from the Combined Authority	0	0	0	0	-9,823	-9,823
Transport Levy paid to the Combined Authority	0	0	0	0	9,823	9,823
Parish Precept	-576	0	0	0	-25	-600
New Homes Bonus	-8,033	0	0	1,485	0	-6,548
Section 31 Grant	-941	0	0	-2,731	0	-3,672
Contribution from/to Grant Equalisation Reserve	-11,188	0	0	0	3,994	-7,194
Contribution from/to Reserves	0	0	0	0	0	0
Collection Fund - Council Tax	0	-173	0	0	0	-173
Collection Fund - NDR	0	0	0	0	1,159	1,159
TOTAL FUNDING	**-147,407**	**-3,104**	**177**	**-1,245**	**5,808**	**-145,771**
(SURPLUS)/DEFICIT	**4,101**	**-20,756**	**9,825**	**1,319**	**5,510**	**0**

9a. Departmental Cash Limits 2017/18

Department	Gross Budget 2016-17 £000	Income 2016-17 £000	Net Budget 2016/17 £000	Prior Year Savings £000	Prior Year Investment £000	Inflation £000	Changes to Grants £000	Prior Year Budget Adjustments £000	MTFS 2016 Budget 2017/18 £000	2017/18 Savings - Phase 1 £000	2017/18 Investment - Phase 1 £000	2017/18 Changes to Grants - Phase 1 £000	2017/18 Budget Adjustments - Phase 1	Net Budget 2017/18 £000	2017/18 Savings - Phase 2 £000	2017/18 Investment - Phase 2 £000	2017/18 Changes to Grants - Phase 2 £000	2017/18 Budget Adjustments - Phase 2 £000	Net Budget 2017/18 £000
Chief Executives	341	-60	281	60	0	3	0	0	344	-110	0	0	0	234	0	0	0	0	234
Governance	7,244	-684	6,561	-250	0	32	0	0	6,342	-50	319	0	0	6,611	-0	373	0	0	6,984
Growth & Regeneration	20,229	-7,401	12,828	85	516	257	0	0	13,686	-1,046	0	0	0	12,640	-8	422	0	-7	13,048
People & Communities	232,051	-158,051	74,001	-1,768	1,497	228	-350	0	73,608	-1,902	2,330	0	0	74,036	-1,842	3,602	2,242	-4	78,034
Public Health	11,507	-11,584	-77	0	0	0	283	0	206	0	0	0	0	206	0	0	0	0	206
Resources	122,515	-92,060	30,454	-292	697	2,765	0	-11	33,612	-1,504	743	0	0	32,852	-1,080	1,683	322	-291	33,486
COST OF SERVICES	**393,888**	**-269,840**	**124,048**	**-2,165**	**2,710**	**3,284**	**-67**	**-11**	**127,799**	**-4,612**	**3,392**	**0**	**0**	**126,579**	**-2,930**	**6,080**	**2,564**	**-302**	**131,992**
Drainage & Flood Levy	609	0	609	0	0	9	0	0	619	0	0	0	0	619	0	0	0	-6	613
Capital Financing Costs	18,626	-12	18,615	1,809	1,859	0	0	105	22,388	-4,013	50	0	0	18,425	-6,097	126	0	0	12,454
BUDGET REQUIREMENT	**413,124**	**-269,852**	**143,272**	**-356**	**4,569**	**3,293**	**-67**	**94**	**150,805**	**-8,625**	**3,442**	**0**	**0**	**145,622**	**-9,027**	**6,206**	**2,564**	**-307**	**145,058**
Parish Precepts	703	0	703	0	0	0	0	0	703	0	0	0	0	703	0	0	0	10	713
TOTAL EXPENDITURE	**413,826**	**-269,852**	**143,975**	**-356**	**4,569**	**3,293**	**-67**	**94**	**151,508**	**-8,625**	**3,442**	**0**	**0**	**146,325**	**-9,027**	**6,206**	**2,564**	**-298**	**145,771**
Council Tax	0	-62,241	-62,241	-263	0	0	0	-1,889	-64,393	0	0	0	0	-64,393	0	0	0	0	-64,393
Council Tax - Adult Social Care precept	0	-1,221	-1,221	-42	0	0	0	0	-1,263	-1,287	0	0	0	-2,550	-644	0	0	0	-3,194
NDR Income	0	-49,113	-49,113	-19	0	0	0	990	-48,142	0	70	0	0	-48,072	-1,000	107	0	5,315	-43,650
NDR Levy	484	0	484	0	0	0	0	-484	0	0	0	0	0	0	0	0	0	183	183
NDR Tarriff	6,736	0	6,736	0	0	0	0	214	6,950	0	0	0	0	6,950	0	0	0	-4,818	2,132
Revenue Support Grant	0	-26,983	-26,983	0	0	0	0	7,162	-19,821	0	0	0	0	-19,821	0	0	0	0	-19,821
Transport Levy returned from the Combined Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-9,823	-9,823
Transport Levy paid to the Combined Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,823	9,823
Parish Precept	0	-576	-576	0	0	0	0	0	-576	0	0	0	0	-576	0	0	0	-25	-600
New Homes Bonus	0	-7,902	-7,902	-341	0	0	210	0	-8,033	0	0	0	0	-8,033	0	0	1,485	0	-6,548
Section 31 Grant	0	-1,558	-1,558	0	0	0	88	529	-941	0	0	0	0	-941	0	0	-2,731	0	-3,672
Contribution from/to Grant Equalisation Reserve	0	-950	-950	12,638	0	0	0	-22,876	-11,188	0	0	0	2,335	-8,853	0	0	0	1,659	-7,194
Contribution from/to Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Collection Fund - Council Tax	0	-1,494	-1,494	1,494	0	0	0	0	0	-36	0	0	0	-36	-137	0	0	0	-173
Collection Fund - NDR	841	0	841	0	0	0	0	-841	0	0	0	0	0	0	0	0	0	1,159	1,159
TOTAL FUNDING	**8,062**	**-152,036**	**-143,975**	**13,467**	**0**	**0**	**298**	**-17,196**	**-147,407**	**-1,323**	**70**	**0**	**2,335**	**-146,325**	**-1,781**	**107**	**-1,245**	**3,473**	**-145,771**
(SURPLUS)/DEFICIT	**421,888**	**-421,888**	**0**	**13,111**	**4,569**	**3,293**	**231**	**-17,102**	**4,101**	**-9,948**	**3,512**	**0**	**2,335**	**0**	**-10,808**	**6,313**	**1,319**	**3,175**	**0**

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

Department	MTFS 2016 Budget 2017/18	2017/18 Savings - Phase 1	2017/18 Investment- Phase 1	2017/18 Budget Adjustment Phase 1	Net Budget 2017/18	2017/18 Savings - Phase 2	2017/18 Investment Phase 2	2017/18 Changes to Grants - Phase 2	2017/18 Budget Adjustment Phase 2	Net Budget 2017/18
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executives	344	-110	0	0	234	0	0	0	0	234
Governance	6,342	-50	319	0	6,611	-0	373	0	0	6,984
Growth & Regeneration	13,686	-1,046	0	0	12,640	-8	422	0	-7	13,048
People & Communities	73,608	-1,902	2,330	0	74,036	-1,842	3,602	2,242	-4	78,034
Public Health	206	0	0	0	206	0	0	0	0	206
Resources	33,612	-1,504	743	0	32,852	-1,080	1,683	322	-291	33,486
COST OF SERVICES	**127,799**	**-4,612**	**3,392**	**0**	**126,579**	**-2,930**	**6,080**	**2,564**	**-302**	**131,992**
Drainage & Flood Levy	619	0	0	0	619	0	0	0	-6	613
Capital Financing Costs	22,388	-4,013	50	0	18,425	-6,097	126	0	0	12,454
BUDGET REQUIREMENT	**150,805**	**-8,625**	**3,442**	**0**	**145,622**	**-9,027**	**6,206**	**2,564**	**-307**	**145,058**
Parish Precepts	703	0	0	0	703	0	0	0	10	713
TOTAL EXPENDITURE	**151,508**	**-8,625**	**3,442**	**0**	**146,325**	**-9,027**	**6,206**	**2,564**	**-298**	**145,771**
Council Tax	-64,393	0	0	0	-64,393	0	0	0	0	-64,393
Council Tax - Adult Social Care precept	-1,263	-1,287	0	0	-2,550	-644	0	0	0	-3,194
NDR Income	-48,142	0	70	0	-48,072	-1,000	107	0	5,315	-43,650
NDR Levy	0	0	0	0	0	0	0	0	183	183
NDR Tarriff	6,950	0	0	0	6,950	0	0	0	-4,818	2,132
Revenue Support Grant	-19,821	0	0	0	-19,821	0	0	0	0	-19,821
Transport Levy returned from Combined Authority	0	0	0	0	0	0	0	0	-9,823	-9,823
Transport Levy paid to the Combined Authority	0	0	0	0	0	0	0	0	9,823	9,823
Parish Precept	-576	0	0	0	-576	0	0	0	-25	-600
New Homes Bonus	-8,033	0	0	0	-8,033	0	0	1,485	0	-6,548
Section 31 Grant	-941	0	0	0	-941	0	0	-2,731	0	-3,672
Contribution from/to Grant Equalisation Reserve	-11,188	0	0	2,335	-8,853	0	0	0	1,659	-7,194
Collection Fund - NDR	0	0	0	0	0	0	0	0	1,159	1,159
TOTAL FUNDING	**-147,407**	**-1,323**	**70**	**2,335**	**-146,325**	**-1,781**	**107**	**-1,245**	**3,473**	**-145,771**
- SURPLUS / DEFICIT	**4,101**	**-9,948**	**3,512**	**2,335**	**0**	**-10,808**	**6,313**	**1,319**	**3,175**	**0**

117

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

Department	Net Budget 2017/18 £000	Net Budget 2018/19 £000	Net Budget 2019/20 £000	Net Budget 2020/21 £000	Net Budget 2021/22 £000
Chief Executives	234	234	234	234	234
Governance	6,984	6,686	6,686	6,686	6,686
Growth & Regeneration	13,048	12,325	12,648	12,641	13,115
People & Communities	78,034	75,367	74,697	77,148	78,010
Public Health	206	497	781	781	781
Resources	33,486	35,085	36,754	39,244	40,992
Drainage & Flood Levy	613	613	613	613	613
Capital Financing Costs	12,454	25,567	24,775	30,270	28,148
Parish Precepts	713	713	713	713	713
TOTAL EXPENDITURE	**145,771**	**157,086**	**157,900**	**168,329**	**169,291**
Council Tax	-64,393	-66,609	-68,884	-71,226	-73,634
Council Tax - Adult Social Care precept	-3,194	-5,344	-5,482	-5,535	-5,543
NDR Income	-43,650	-44,883	-46,446	-47,439	-48,336
NDR Levy	183	218	224	226	230
NDR Tarriff	2,132	2,200	2,279	2,348	2,418
Revenue Support Grant	-19,821	-15,056	-10,246	-10,246	-10,246
Transport Levy returned from Combined Authority	-9,823	-9,823	-9,823	-9,823	-9,823
Transport Levy paid to the Combined Authority	9,823	9,823	9,823	9,823	9,823
Parish Precept	-600	-600	-600	-600	-600
New Homes Bonus	-6,548	-5,122	-4,544	-3,991	-4,046
Section 31 Grant	-3,672	-2,856	-2,956	-3,013	-3,072
Contribution from/to Grant Equalisation Reserve	-7,194	-4,250	0	0	0
Contribution from/to Reserves	0	0	0	0	0
Collection Fund - Council Tax	-173	0	0	0	0
Collection Fund - NDR	1,159	0	0	0	0
TOTAL FUNDING	**-145,771**	**-142,301**	**-136,655**	**-139,477**	**-142,829**
(SURPLUS)/DEFICIT	**0**	**14,786**	**21,246**	**28,852**	**26,462**

9e. Detailed Budgets by Department.

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

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

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

PEOPLE & COMMUNITIES	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Opening Gross Expenditure (MTFS 2016)	**233,327**	232,717	230,988	232,673	235,124
Permanent Virements in 2016/17	-2,239				
Hierarchy Changes	964				
REVISED OPENING GROSS EXPENDITURE	**232,051**	**232,717**	**230,988**	**232,673**	**235,124**
Prior Year Investment					
Children Social Care placement costs	-252	-333	-483	0	0
Housing stock survey	0	85	-85	0	0
Mental Health – growth in referrals in statutory work. All growth has been contained in budgets for the last three / four years	25	28	28	28	28
Physical Disability – growth in numbers (includes no residential increases)	123	135	135	135	135
Older People (including older people's mental health services) – growth in numbers	215	238	238	238	238
Children Social Care demography	72	60	98	84	60
Learning Disability – growth in numbers (non transitional)	1,015	978	977	977	978
Home to School Transport (mainstream)	-68	-46	-19	0	0
LAC Transport	-10	-10	0	0	0
Carers Responsibilities	114	0	0	0	0
Social Care Funding changes	69	0	0	0	0
Support for looked after children	594	333	483	0	0
Change in foster care legislation	30	0	0	0	0
Adult Social Care, Health and Wellbeing – Transformation costs	-479	0	0	0	0
Selective Licencing	0	-50	0	0	0
National Living Wage (NLW)	561	565	564	1,566	0
Customer Experience Programme - Resourcing	-507	-967	0	0	0
St Georges Community Hydrotherapy Pool	-5	-6	-6	0	0
Prior Year Savings					
Reduction in costs of supporting looked after children	-342	0	0	0	0
Adult social care demography changes	-519	-528	-458	-600	-600
Managing Demand - The Front Door Project	-2,700	0	0	0	0
Reducing spend on agency social workers - Children's Services	47	29	0	0	0
Develop a Permanency Service / children's' placement costs	-650	-250	0	0	0
New Ways of Working	-125	0	0	0	0
New Ways of Working	-125	0	0	0	0
Clare Lodge	-250	0	0	0	0
GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS	**228,884**	**232,978**	**232,460**	**235,101**	**235,963**
INFLATION	294	0	0	0	0
INVESTMENTS					
Leaving Care at 25 - New Burdens Update	260	0	0	0	0
Unaccompanied Minors Update	600	-600	0	0	0
Adults transformation costs	115	210	-325	0	0
Better Care Fund - Front line investment	1,355	-1,355	0	0	0
Early Years Funding Formula	149	281	0	0	0
Insurance Premium Tax	92	0	0	0	0
Adult Social Care Cost Drivers	2,337	0	0	0	0
Home to School Transport	524	0	0	0	0
SUBTOTAL INVESTMENTS	5,432	-1,464	-325	0	0
SAVINGS					
Open Loan Share Arrangement with Cambridgeshire County Council to share Director of Peoples and Communities	-45	45	0	0	0
Academisation - Charging for Costs of Transfer	-30	25	0	0	0
Serco - Insight & Analytics / Front Door	-163	-631	514	0	0

PEOPLE & COMMUNITIES	Detailed Plans	Outline Plans			
	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
National Funding Formula- Charging schools for ESG services	-1,100	0	0	0	0
Passenger Transport - & Equivalent Saving	0	-33	0	0	0
Direct Revenue Funding (DRF) Review	-519	22	24	23	23
Hardship Fund- Removal of budget/ Use of credit union	-50	0	0	0	0
Private enforcement- Kingdom	-47	47	0	0	0
Public Notices-Communications Striving for excellence award	-1	0	0	0	0
PFI - Insurance (Schools)	-100	0	0	0	0
SUBTOTAL SAVINGS	-2,055	-525	538	23	23
BUDGET ADJUSTMENTS	161	0	0	0	0
TOTAL GROSS EXPENDITURE	**233,217**	**230,988**	**232,673**	**235,124**	**235,986**
INCOME					
Previous Years income (MTFS 2016)	-159,989	-154,682	-155,621	-157,977	-157,977
Permanent Virements in 2016/17	2,813				
Hierarchy Changes	-875				
Fees & Charges Inflation	-65	0	0	0	0
Changes to grants					
Improved Better Care Fund	-354	-2,632	-2,359	0	0
Better Care Fund - Transformation	1,689	0	0	0	0
Better Care Fund - Protecting ASC	1,207	0	0	0	0
Independent Living Fund grant	4	4	4	0	0
Better Care Fund	-1,689	1,689	0	0	0
National Funding Formula- removal of the Education Services Grant	2,242	0	0	0	0
Dedicated Schools Grant	500	0	0	0	0
Directorate Budget Adjustments - income budget SEND grant	-165	0	0	0	0
SUBTOTAL INCOME	-154,682	-155,621	-157,977	-157,977	-157,977
TOTAL NET EXPENDITURE	**78,034**	**75,367**	**74,697**	**77,148**	**78,010**

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

RESOURCES	Detailed Plans	Outline Plans			
	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Opening Gross Expenditure (MTFS 2016)	**128,537**	125,242	126,841	128,510	131,302
Permanent Virements in 2016/17	-7,195				
Hierarchy Changes	1,173				
OPENING GROSS EXPENDITURE	**122,515**	**125,543**	**127,142**	**128,812**	**131,302**
Prior Year Investment					
Vivacity withdrawal from council's support services	4	2	4	4	3
Waste disposal	575	258	267	753	304
Pension costs	331	339	0	0	0
Energy inflation indices updated to DECC forecast	-24	32	0	0	0
Energy Parks - delay costs	-4,304	-287	-291	-130	-33
removal of renewables wind and ground mounted income	4,563	555	549	391	298
Mausoleum Income	0	123	0	0	0
Procurement (Serco)	31	-9	-9	-9	0
Waste Management / Recycling	-38	0	0	0	0
Metal Culture Peterborough	0	-50	0	0	0
Green Flag/Pocket Parks	-18	0	0	0	0
Statutory Testing	-50	-50	0	0	0
Empower	-409	0	0	0	0
Car Parking	35	40	41	43	0
Rounding adjustments	-11	-17	11	-38	15
Prior Year Savings					
Manor Drive Managed	328	-5	0	-11	-510
Solar Energy	-145	-146	-148	-150	-151
EfW - removal of (Landfill) existing treatment budget	-517	-197	-203	-685	-230
EfW Operating income	-97	-40	-129	-68	-7
Pension Strain budget	42	42	42	43	42
EfW Operating cost	163	169	176	183	190
Wind and Solar energy	-114	-122	-109	-111	-114
Reduced costs through new Broadband provision	4	0	4	3	0
Serco Contract	61	0	0	0	0
Serco Strategic Partnership	-266	0	0	0	0
Environment capital including CRC	0	0	-300	0	0
Customer experience	-1,000	0	0	0	0
Empower – per Cabinet report	-24	60	0	-18	0
Expansion of Solar PV Schemes	636	0	0	0	0
Future Customer Exp net savings already counted in MTFS position	1,000	0	0	0	0
Vivacity - Premier Fitness	-70	0	0	0	0
Workforce Modernisation	-356	0	0	0	0
Cross Key Homes VAT Shelter	560	0	0	0	0
GROSS EXPENDITURE + PRIOR YEAR ADJUSTMENTS	**123,403**	**126,239**	**127,045**	**129,012**	**131,109**
INFLATION	**1,231**	**1,718**	**1,772**	**2,272**	**1,885**
INVESTMENTS					
Internal Audit Partnership	52	0	0	0	0
CFO Insights Analysis	10	0	-10	0	0
Grass/Hedge Cutting & Littering Proposals	127	0	0	0	0
Terms & Conditions - Lease Cars	54	0	0	0	0
Amey Parks - Eye Nature reserve	10	0	0	0	0
Apprenticeship Levy- Charge for schools	302	0	0	0	0
Employee Terms & Conditions (including Living wage increase)	96	0	0	0	0
Insurance Premium Tax	-80	0	0	0	0
Task and Finish group- street cleansing	187	0	0	0	0
The Digital Front Door	340	-145	88	0	1
Employee Terms & Conditions- HMRC salary sacrifice changes	32	0	8	6	0
ICT	796	-305	-37	67	0
SUBTOTAL INVESTMENTS	1,926	-450	49	73	1
SAVINGS					
Internal Audit Services to schools	-52	0	0	0	0

RESOURCES	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Cross Keys VAT Shelter Review	-375	175	200	0	0
CFO Insights Analysis- saving impact	-20	-20	-20	0	0
Fees & Charges Review	-82	0	0	0	0
Social Care Platform- SPA / SPA plus (Arcus) & PeopleToo	-31	-57	-159	19	19
The Peterborough Lottery (Aylesbury Vale)	-23	-39	0	0	0
Apprenticeship Levy- Charge for schools	-302	0	0	0	0
Procurement Resource	-9	-34	-25	-50	0
Parking Review	-168	-20	-51	-23	20
Amey Contract termination	0	-100	0	0	0
Early repayment scheme of suppliers for rebates (Oxygen)	50	-100	0	0	0
Music Hub	-15	0	0	0	15
Vivacity	0	-170	0	0	0
SUBTOTAL SAVINGS	-1,027	-365	-55	-54	54
BUDGET ADJUSTMENTS	-291	0	1	-1	1
TOTAL GROSS EXPENDITURE	**125,242**	**126,841**	**128, 510**	**131,000**	**132,748**
INCOME					
Previous Years income (MTFS 2016)	-96,433	-91,756	-91,756	-91,756	-91,756
Permanent Virements in 2016/17	6,187				
Hierarchy Changes	-1,815				
Fees & Charges Inflation	-18	0	0	0	0
Changes to grants					
Housing Benefit Admin grant	322	0	0	0	0
SUBTOTAL INCOME	-91,756	-91,756	-91,756	-91,756	-91,756
TOTAL NET EXPENDITURE	**33,486**	**35,085**	**36,754**	**39,244**	**40,971**

CAPITAL FINANCING COSTS	Detailed Plans	Outline Plans			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
2016/17 Budget	18,626	12,465	25,578	24,787	30,281
Permanent Virements in 2016/17					
OPENING GROSS EXPENDITURE	**18,626**	**12,465**	**25,578**	**24,787**	**30,281**
Investment					
Costs of inescapable capital schemes	52	30	-4	2	29
Costs of essential capital schemes	404	236	162	97	97
Capital Receipts Adjustments	0	-28	-14	0	0
Fletton Parkway J1-2	-9	-13	1	1	1
Riverside Opportunity Area	0	2	2	2	2
Departmental capital programme new bids	0	3	2	1	3
Schools Additional Capital Requirement	181	13	14	14	15
Additional cost of capital programme re Efw	-1	10	10	11	12
Operations capital bids revenue cost	252	31	19	20	20
Solar Energy	0	-1	0	0	0
Capital Financing - Investment costs	146	0	136	4	121
Capital financing costs following capital investment	206	39	13	10	9
Highways Capitalisation proposal	4	0	1	0	0
Jack Hunt School	89	0	0	0	0
Multi-Storey Car Parks - Suicide Prevention	8	0	0	0	0
Housing Joint Venture	282	204	129	-62	0
Street Lighting	100	280	190	-60	-60
ICT Investment	145	37	1	1	0
Prior Year Savings					

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

10. Schedule of Fees & Charges

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

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

Treasury Management Strategy
2017/18 to 2026/27

Including:

Minimum Revenue Provision Policy 2017/18

1. Introduction

1.1 Background

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

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

1.1.3 CIPFA defines treasury management as:

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

1.2 Reporting requirements

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

1.2.2 The Treasury Management Strategy report will cover:

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

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

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

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

1.3 Treasury Management Strategy for 2017/18

1.3.1 The strategy for 2017/18 will cover

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

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

1.4 Treasury Management Advisors

1.4.1 The Council uses Capita Asset Services, as its external treasury management advisors who have a contract until December 2017.

1.4.2 The Council recognises that responsibility for treasury management decisions remain with the organisation at all times and will ensure that undue reliance is not placed upon external advisors.

1.4.3 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

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

2.1.1 The Council's capital programme is the key driver of the treasury management activity. The output of the capital programme is reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.

2.1.2 **Indicator 1** – Capital Expenditure – this Prudential Indicator is a summary of the Council's estimated capital expenditure for the forthcoming financial year and the following nine financial years.

(1a) Capital Expenditure	**2015/16 Actuals £m**	**2016/17 Est. £m**	**2017/18 Est. £m**	**2018/19 Est. £m**	**2019/20 Est. £m**	**2020/21 Est. £m**	**2021/22 Est. £m**	**2022/23 Est. £m**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**	**2026/27 Est. £m**
Governance	-	-	0.4	-	-	-	-	-	-	-	-	-
People & Communities	*22.6*	35.7	65.5	65.6	25.8	9.4	5.0	3.7	3.7	3.7	3.7	3.7
Resources	*31.2*	16.6	10.1	4.1	4.1	4.1	4.5	3.7	3.8	4.1	3.9	3.9
Growth & Regeneration	*18.5*	32.3	64.6	46.7	19.4	9.7	8.2	8.2	6.4	6.4	7.3	7.3
Invest to Save	*9.3*	93.7	78.7	52.5	42.6	25.0	-	-	-	-	-	-
Total	***81.6***	**178.3**	**219.3**	**168.9**	**91.9**	**48.2**	**17.7**	**15.6**	**13.9**	**14.2**	**14.9**	**14.9**
Financed by:												
Capital receipts	-	1.0	0.9	1.0	-	-	-	-	-	-	-	-
Capital grants & contributions	*17.1*	38.4	44.3	48.1	20.2	8.1	5.6	5.7	5.8	5.8	5.8	5.8
Net financing requirement	***64.5***	**138.9**	**174.1**	**119.8**	**71.7**	**40.1**	**12.1**	**9.9**	**8.1**	**8.4**	**9.1**	**9.1**
Total	***81.6***	**178.3**	**219.3**	**168.9**	**91.9**	**48.2**	**17.7**	**15.6**	**13.9**	**14.2**	**14.9**	**14.9**

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

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

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

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

(2) Capital Financing Requirement	**2015/16 Actuals £m**	**2016/17 Est. £m**	**2017/18 Est. £m**	**2018/19 Est. £m**	**2019/20 Est. £m**	**2020/21 Est. £m**	**2021/22 Est. £m**	**2022/23 Est. £m**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**	**2026/27 Est. £m**
CFR B/fwd	*422.5*	480.9	609.8	694.3	800.5	857.5	882.6	880.5	876.0	869.3	862.4	855.6
Borrowing/Repayment	*49.1*	*35.2*	*6.2*	*53.7*	*14.4*	*0.1*	*(2.1)*	*(4.5)*	*(6.7)*	*(6.9)*	*(6.8)*	*(7.2)*
Invest to Save*	*9.3*	93.7	78.3	52.5	42.6	25.0	-	-	-	-	-	-
CFR C/fwd	*480.9*	609.8	694.3	800.5	857.5	882.6	880.5	876.0	869.3	862.4	855.6	848.4
Movement in CFR	***58.4***	**128.9**	**84.5**	**106.2**	**57.0**	**25.1**	**(2.1)**	**(4.5)**	**(6.7)**	**(6.9)**	**(6.8)**	**(7.2)**

(2) Capital Financing Requirement	2015/16 Actuals £m	2016/17 Est. £m	2017/18 Est. £m	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/2 4Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m
Net financing requirement	*64.5*	139.0	174.1	119.8	71.7	40.1	12.1	9.9	8.1	8.4	9.1	9.1
Less MRP & other financing	*(6.1)*	(10.1)	(89.6)	(13.6)	(14.7)	(15.0)	(14.2)	(14.4)	(14.8)	(15.3)	(15.9)	(16.3)
Movement in CFR	***58.4***	**128.9**	**84.5**	**106.2**	**57.0**	**25.1**	**(2.1)**	**(4.5)**	**(6.7)**	**(6.9)**	**(6.8)**	**(7.2)**

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

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

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

3) Ratio of financing costs to net revenue budget	2015/16 Actuals £m	2016/17 Est. £m	2017/18 Est. £m	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/2 4Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m
Total ratio	***4.2%***	**4.7%**	**6.2%**	**6.7%**	**7.3%**	**7.5%**	**7.3%**	**7.4%**	**7.3%**	**7.3%**	**7.3%**	**7.4%**

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

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

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

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

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

3. Minimum Revenue Provision (MRP) Policy

3.1. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, equipment, etc. Such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).

3.2. CLG Regulations require full Council to approve a MRP statement in advance of each year. A variety of options are provided to Councils to calculate this revenue charge and the Council must satisfy itself that the provision is prudent.

3.3. A comprehensive review of the Council's method for calculating its MRP was undertaken in 2015/16 and approved in the MTFS in order to ensure that the amount of revenue put aside to repayment debt represents a fair charge compared to the life of the asset that is being financed via borrowing.

3.4. Councils are allowed by statute to use capital receipts for the repayment of any borrowing previously incurred. The application of capital receipts to repay debt would reduce the level of MRP chargeable to revenue, but statutory guidance does not address how such a reduction should be calculated. When the Council uses its capital receipts to redeem borrowing, the value of the MRP which would otherwise have been set aside for that year will be reduced by the amounts which have instead been repaid from capital receipts. This results in a prudent level of MRP, as there will be no reduction in the overall level of funding set aside to redeem debt.

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

3.6. Axiom are in preliminary discussions with Longhurst regarding joining the Longhurst Group. If this does happen, then the existing loan facility would still remain in place. The majority of terms within that facility would remain the same, but there may be some alignment of banking covenants. The capital programme also has provision for the Council to consider an additional loan facility to the group. This would require separate negotiation and would only proceed following an appropriate executive decision.

3.7. The Council participates in the Local Authority Mortgage Scheme (LAMS). During 2011/12 the Council deposited £1m with Lloyds, which was repaid in December 2016 and a further £1m during 2013/14 which is due to be repaid in 2018/19. Such deposits are treated as capital expenditure, as a loan to a third party. The CFR increased by the total of these indemnities. Operation of the Scheme sees these deposits returned in full at maturity, a period of five years, with interest paid annually. Once the deposit matures, and funds are returned to the Council, the funds are classed as a capital receipt (as it is a loan) and the CFR will reduce accordingly. As this is a temporary five year arrangement and the funds are anticipated to be returned in full, there is no MRP application.

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

Summary of the MRP Policy Adopted 2016/17

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

4. Treasury Management Strategy

4.1. Treasury Management Policy

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

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

a) to invest available cash balances with a number of high quality investment counterparties (see 4.8.12) over a spread of maturity dates in accordance with the Council's lending list;

b) to reduce the revenue cost of the Council's debt in the medium term by obtaining financing at the cheapest rate possible; and

c) to seek to reschedule debt at the optimum time.

4.2 Current Treasury Position

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

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

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

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

4.2.3 The Corporate Director: Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in this medium term financial strategy (MTFS).

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

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

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

4.2.6 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Council's plans, or those of a specific Council, although this power has not yet been exercised.

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

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

Prospects for Interest Rates

4.2.8 The Council utilises the treasury services of Capita Asset Services and part of their service is to assist the Council to formulate a view on interest rates to assist with borrowing and investment decisions. The Capita Asset Services forecast for bank base rate (as at January 2016) and PWLB new borrowing (as at November 2015) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

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

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

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

4.2.11 Capita Asset Services interest rate forecasts, detailed above, are based on their views of the future economic climate, and below are some extracts taken from their economic forecasts:

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

- Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

- PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

- The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

- Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
    - Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
    - Major national polls within the Eurozone.
    - A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free

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

- Weak capitalisation of some European banks.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

- The potential for upside risks to current forecasts for UK gilts yields and PWLB rates especially for longer term PWLB rates include:
  - UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
  - A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
  - The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
  - A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

4.3 Borrowing Strategy

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

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

a) To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.

b) If there was a significant risk of a sharp fall in long and short term rates e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

c) If there was a significant risk of a much sharper rise in long and short term rates than currently forecast, perhaps rising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

d) Loans will primarily be arranged from the PWLB and other Local Authorities.

e) To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.

f) To give full consideration to other debt instruments e.g. Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations. The Council is monitoring the development of the scheme and may participate if this proves beneficial.

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

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

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

Interest Rate Exposure (Upper Limits)	**2015/16 Actuals £m**	**2016/17 Est. £m**	**2017/18 Est. £m**	**2018/19 Est. £m**	**2019/20 Est. £m**	**2020/21 Est. £m**	**2021/22 Est. £m**	**2022/23 Est. £m**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**	**2026/27 Est. £m**
(8) Limits on fixed interest rates based on net debt	*494.7*	525.0	877.4	869.0	857.0	844.6	813.9	808.3	807.6	806.9	806.9	807.1
% of fixed interest rate exposure	*100%*	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(9) Limits on variable interest rates based on net debt	-	-	219.3	217.2	214.3	211.2	203.5	202.1	201.9	201.7	201.7	201.8
% of variable interest rate exposure	*25%*	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%

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

(10) 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%

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

4.5.1 The Council will not borrow more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. However, at any time the Council may obtain a loan or other financing at what are considered advantageous opportunities in anticipation of future capital expenditure, which can be invested temporarily. The Council may also borrow in the day to day management of its cash flow operations or as an alternative to redeeming higher yielding investments.

4.5.2 Any decision to borrow in advance of need will be within forward approved CFR estimates, and will be considered carefully to ensure value for money.

4.5.3 The Council will ensure there is a clear link between the capital programme across the future years and the maturity profile of the existing debt portfolio which supports the need to take funding in advance of capital expenditure.

4.5.4 The Council will ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered and factored into the MTFS.

4.5.5 Consideration will be given to the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

4.6 Debt Rescheduling on Existing Debt Portfolio

4.6.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates there may be potential to generate savings by switching from the existing long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Debt rescheduling will only be carried out on current debt portfolio as future borrowing will be carried out as per this strategy and over shorter periods of time.

4.6.2 The reasons for rescheduling will include:

- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the debt portfolio.

4.6.3 All rescheduling will be reported to the Audit Committee at the earliest opportunity.

4.7 Annual Investment Strategy – Changes to Credit Rating Methodology

4.7.1 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

4.7.2 In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements of the process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

4.7.3 The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. The new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

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

4.8 Annual Investment Policy

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

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

4.8.2 The Council's investment priorities are the security of capital and the liquidity of investments. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

4.8.3 Investment instruments identified for use in the financial year are listed in Appendix 1 under the 'Specified' and 'Non-Specified' Investment categories. Counterparty limits will be as set through the Council's Treasury Management Practices.

4.8.4 **Investment Counterparty Selection Criteria and Investment Strategy**

4.8.5 As the Council has run down its cash balances, surplus cash will be generated from cash flow movements e.g. a grant received in advance of spend or from borrowing in advance of need. Therefore investment activity will be kept to a minimum.

4.8.6 However, where it is necessary for investments to be undertaken in order to manage the Council's cash flows, the Council's primary principle is for the security of its investments. After this main principle the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

4.8.7 The Corporate Director: Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

4.8.8 The Councils minimum criteria will apply to the lowest rating for any institution according to the type of investment account being used. For instance, the credit rating criteria for the use of the Council's call accounts and Money Market Funds, which are used for short term investments only, will use the Short Term credit ratings in the table shown within 4.8.13 if an institution is rated by the three credit agencies and two meet the Council's criteria and the other one does not, the institution will fall outside the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

4.8.9 In order to minimise the risk to investing, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The Council uses the creditworthiness service provided by Capita Asset Services which uses ratings from all three rating agencies, Fitch, Moody's and Standard and Poor's, as well as Credit Default Swap (CDS) spreads. Capita Asset Services monitors ratings on a real time basis and notifies clients immediately on any rating changes or possible downgrades.

4.8.10 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three rating agencies by Capita Asset Services.

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

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

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

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

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

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

The above approach has been developed following consideration of:

  - that the Council needs banking facilities to process daily banking transactions, and such activity presents a lower risk profile compared to investment activity
  - the significant impact, resource requirement, and risk exposure of changing bank provider
  - the possible state and stability of the banking sector and viable alternative suppliers

- Local Authority Mortgage Scheme. Under this scheme the Council had placed funds of £2m with Lloyds Bank for a period of five years. The first tranche of £1m has matured and been returned to the Council, leaving £1m still on deposit. This is classified as being an indemnity arrangement and therefore accounted for as a capital expenditure transaction, rather than a treasury management investment. Therefore LAMS is outside the

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

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

Agency	Short Term	Long Term
Fitch	F1	A
Moody's	P-1	Aa
Standard & Poor's	A-1	A

- Building Societies – if they meet the ratings above
- Money Market Funds - AAA rated by Fitch
- Cambridgeshire and Peterborough Combined Authority
- Bill Payment Service – The Council currently has a contract with Santander UK who collect payments of Council Tax through the post office via various methods of payment such as Paypoint. The funds that are collected are transferred to the Council daily thus minimising the risk of Santander UK holding the Council's cash. This arrangement for the bill payment service falls outside the investment criteria for investments therefore any downgrade of Santander UK will not affect this service. However this arrangement will be closely monitored to ensure funds continue to be transferred daily.

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

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

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

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

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

Financial Year	Bank Base Rate	Forecast
2016/17	0.25%	There is an upside risk to these forecasts (i.e. if increases in Bank Rate occurs sooner than forecast) if economic growth remains strong and unemployment falls faster than expected.
2017/18	0.25%	
2018/19	0.25%	However there is also a downside risk if the pace of growth falls back particularly if the Bank of England inflation forecasts for the rate of unemployment prove to be too optimistic.
2019/20	0.63%	

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

(11) Interest Rate Exposure (Upper Limits)	2015/16 Actuals £m	2016/17 Est. £m	2017/18 Est. £m	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/2 4Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m
Principal sums invested > 364 days	*0.0*	0.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

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

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

4.9 Peterborough's Growth Delivery Project

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

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

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

4.10 Treasury Management Scheme of Delegation

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

Full Council / Audit Committee

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

Audit Committee / S151 Officer (Corporate Director: Resources)

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

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

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

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

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

Specified Investment:

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

APPROVED "SPECIFIED" INVESTMENTS				
Investment Type	**Maximum Maturity period**	**Minimum Credit Criteria**	**Collective Limit £m**	**Individual Limit £m**
Debt Management Agency Deposit Facility	Currently only accepts deposits up to 6 months duration.	UK Government backed	N/A	75
Term deposits with UK Government & Local Authorities	6 months	Sovereign risk / high security although not credit rated	100	20
Term deposits & Certificates of Deposit with Banks Group 1	6 months	Minimum ratings - F1(Fitch - short term) AAA (long term)	100	15
UK Government & Local Authority Stock Issues	6 months	Sovereign risk / high security although not credit rated	100	20
Term deposits & Certificates of Deposit with Banks Group 2	6 months	Minimum ratings – F1 (Fitch-short term) A (long term)	50	10
Deposit accounts with regulated UK building societies	6 months	Minimum ratings - F1 (Fitch short term) A (long term)	50	10
Money Market Funds	Repayable on call, without notice.	Minimum rating – AAA (Fitch)	50	10

APPROVED "SPECIFIED" INVESTMENTS

Investment Type	Maximum Maturity period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Commercial Paper (short term obligations issued by banks, corporations & other issuers).	6 months	Minimum short term rating - F1 (Fitch) (Held by custodian)	10	10
Gilt & Bond Funds (open ended mutual funds investing in Gov. & corporate bonds)	Highly liquid, may be sold at any time.	Minimum rating - AAA-(Fitch, S&P A-1 etc.)	10	10
Reverse Gilt Repos (Gilts bought with commitment to sell on a specified date or on call, at agreed price)	6 months	UK Government backed (Held by custodian)	10	10
Treasury Bills	Maturities of up to 6 months Issued through a bidding process at a discount to face value	UK Government backed (Held by custodian)	10	10
Bonds issued by a financial institution guaranteed by UK Government	6 months	UK Government backed (Held by custodian)	10	10
Bonds issued by multilateral development banks	6 months	Minimum rating – AAA (Fitch, S&P A-1etc)	10	10

Non-Specified Investment:

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

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

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

Explanation Of Credit Ratings **APPENDIX 2**

Agency	Short Term	Long Term
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.

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

Contents

1 Introduction and Strategic Principles

1.1 The Asset Investment Strategy outlines how Peterborough City Council (PCC) will look to make Asset Investment and manage its Asset Investment resources to help achieve the strategic priorities of the Council. It is good practice that the Asset Investment Strategy and Asset Management Plans are regularly reviewed and revised to meet the changing priorities and circumstances. The Council's Asset Investment Strategy is reviewed on an annual basis to reflect the changing needs and priorities of the residents.

1.2 The strategy is an integral part of the Medium Term Financial Strategy (MTFS) and intrinsically linked with the Asset Management Plan (AMP) of the Council and should be read in conjunction with these documents.

1.3 Over the period of the MTFS, the Council needs Asset Investment to deliver its priorities. In order to achieve this, it recognises the need to deliver efficiencies, seek additional funding and periodically review both the consumption of the Asset Investment resources and stated priorities. It ensures this happens through the four core principles below:

1.4 **Principle 1** – Managing the impact of investment decisions on revenue budgets

- Ensuring Asset Investment decisions do not place any unnecessary pressure on the MTFS or Council Tax, and they are also within the Council's Prudential Indicators (see the Prudential Code and Treasury Management Strategy and Minimum Revenue Provision Policy).
- Promoting Asset Investment which enables invest to save outcomes.
- Making sure assets yield maximum return, through effective ongoing asset management, consistent with levels of investment. (See AMP).

1.5 **Principle 2** – Optimise the availability of Asset Investment funding where that funding supports the priorities for Peterborough

- Disposal of surplus assets (including asset transfer to community organisations where appropriate) and reinvestment.
- Effective working relationships with potential funders.
- Listening to and supporting effective partnering arrangements.
- Having clear policies for the consumption of any reserves.

1.6 **Principle 3 –** Ensure effective pre and post project appraisal

- Ensuring a system of competition exists for project approval.
- Building into project appraisal recognition of environmental sustainability.
- Fully considering project risk.
- Carefully considering value for money and efficiency of every project.
-

1.7 **Principle 4 –** Performance manage the Asset Investment programme

- Integrating the Asset Investment programme with the Verto project management system, Infrastructure Planning systems/processes e.g. Infrastructure Delivery Schedule (IDS) and other service plans.
- Ensuring the Asset Investment schemes use appropriate project management tools.
- Ensuring responsibility for the delivery of the Asset Investment programme is clearly defined.

2 Aims of the Strategy

2.1 The specific aims of this strategy are to ensure:

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

3 Strategic Context

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

3.2 The Council's strategic priorities are:

1. **Drive growth, regeneration and economic development**
    - To bring new investment and jobs
    - To support people into work and off benefits
    - To boost the city's economy and the wellbeing of all people

2. **Improve educational attainment and skills**
    - To allow people to seize opportunities of new jobs and university provision

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

3. **Safeguard vulnerable children and adults**

4. **Implement the Environment Asset Investment agenda**
   - To position Peterborough as a leading city in environmental matters
   - To reduce the city's carbon footprint

5. **Support Peterborough's culture and leisure trust Vivacity**
   - To deliver arts and culture to all people

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

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

3.3 Sustainable Community Strategy (SCS)

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

3.4 Peterborough Planning Policy Framework

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

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

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

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

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

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

4 Key Areas of Council Asset Investment

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

[1]IDS - http://www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/community_infrastructure_levy.aspx

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

People and Communities Directorate

4.3 Adult Social Care

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

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

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

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

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

4.4 **Community Infrastructure**

- Community Infrastructure incorporates community centres, sports facilities, open space, affordable housing, and ensuring safe, warm and affordable housing in the private sector and other community infrastructure related items for the period 2016-2026. Funding for community infrastructure needs primarily come forward via new developments as part of the S106/POIS/CIL.

- During the first 30 years of the contract governing the Large Scale Voluntary Transfer of the Council's housing stock to Cross Keys Homes (CKH) in October 2004, the Council receives part of the sale proceeds under the Preserved Right to Buy (Council tenants transferred to CKH retain the right-to-buy) on an agreed basis. As part of a budget approval decision by Full Council for 2016/17 that agreed to the creation of a housing Joint Venture , it was also agreed that the funds accumulated from these Right to Buy receipts would be directed to the housing joint Venture to build new affordable homes in Peterborough.

- A significant percentage of new affordable housing provision will continue to come forward via developers as part of S106 planning agreements. The Council's current planning policy aims to secure 30% of all new housing (on eligible sites) to be affordable homes, subject to negotiation with developers. The delivery of affordable housing varies each year according to national funding allocations, local funding and planning permissions approved.

  - Affordable Houses completed over the last few years are as follows;

    2012/13 – 276 Houses

    2013/14 – 162 Houses

    2014/15 – 492 Houses

    2015/16 -167 Houses

- For 2016/17, current projections indicate at least 135 new affordable homes should be completed.

- There is a proposal to build 1,100 new developments per year of all types of housing.

- In 2015 PCC commissioned the Building Research Establishment (BRE) to undertake an Integrated Dwelling Level Stock Modelling Report on the private sector housing stock. This modelling exercise also included Energy Performance Certificate (EPC), Land & Property Gazateer (LLPG) and vacant property data provided by the Council. The headline results of this report are:

- The estimated number of dwellings with HHSRS Category 1 hazards in Peterborough's private sector stock is 7,952. The estimated average cost of mitigating hazards per dwelling is £3,548 resulting in the total cost of mitigating all hazards within those dwellings as £28,215,236

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

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

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

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

4.5 Children's Services

The Council is responsible for ensuring there are sufficient school places within its area to meet the needs of the population. The Council is responsible for providing transport where children have to access schools which are some distance from their home, often as a result of a shortage of school places.

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

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

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

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

4.5.5 Avoiding significant changes to catchment areas

4.5.6 Limited and temporary use only of mobile accommodation.

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

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

- Peterborough remains one of the fastest growing city in the UK. 1,300 dwellings were completed in the year to March 2015 and a further 925 to March 2016. There were an additional 1,020 dwellings under construction as at March 2016.
- Peterborough's birth rate is one of the highest in England, with the second highest total fertility rate (2.34). This figure is the average number of children each woman living in the area would have over her lifetime if current birth rates were consistent. (Source: ONS Live births (numbers rates and percentages) by area of usual residence 2015).
- Peterborough also has one of the country's highest rate of In Year school admissions, ie those outside the normal admissions rounds of starting primary or secondary school. So the population is growing rapidly and is highly mobile. Between January 2015 and January 2016 there was an overall increase in pupil numbers of 981. This increase is the result of a mobile pupil population and high numbers of In-Year admissions coupled with increasingly larger cohorts of children starting school. The 2015/16 Reception year cohort was 3037 compared to the 2015/16 Year 11 cohort of 2278. As cohorts move through school, trends demonstrate that the year group population increases further.
- During the school summer holidays of summer 2016, 600 In Year applications for primary and secondary school places were received. Of these 56% were new to Peterborough (ie from overseas or other part of the UK). Schools notified us of just under 250 children that left their schools in September 2016.

- As at March 2016, there were planning permissions in place for over 6,000 further dwellings that have not yet been started. This includes 3000 at Hampton East which are expected to start to be developed from late 2016. It is anticipated that as the economy recovers the rate of house building will increase.

- The quality of the City's schools continues to attract students from other local authorities. Peterborough is a net importer of children overall which means the City has more children coming into it from outside the boundaries than Peterborough children studying at schools outside the boundaries.

4.5.9 Peterborough has been allocated government grants of £1.9m to cover schools capital maintenance in 2016. The only funding the Council is expected to receive for 2017/18 onwards is devolved formula capital grant which is passported direct to the schools and capital maintenance associated with condition works.

4.5.10 For 2017/18 the Council has been allocated £6.9m in Basic Need funding for increasing school places and £14.7m in 2018/19.

4.5.11 The Education Funding Agency (EFA) has agreed a grant of £22m for the Hampton Gardens Secondary Free School which is due to open in September 2017. This was a significant contribution towards the capital cost of the build.

4.5.12 The availability of land to create school places especially in certain areas of the city is limited. The Council will continue to look at more creative solutions to finding suitable accommodation and this includes reusing buildings currently used for other purposes. The Council will also work with the EFA who support the acquisition of premises for Free Schools.

4.5.13 The Council needs to assess its 'school place needs' now and in the future. If schools are built to cater for a short-term pressure created by a high birth rate one year or the pressures of migration and this demand decreases in the future, this could lead to empty schools which would not be an efficient use of public funding. The challenge is to balance these short and long term issues to ensure public money is used as effectively and efficiently as it can be for now and the future. The impact of BREXIT on school places is unknown but we will assess the reasons for children leaving the school system in 2016/17 as well as analysing In Year applications to determine whether children are moving to Peterborough from overseas or within the UK or their requests are for children moving school within Peterborough.

4.5.14 Limited places remain in the city but these are not always in the right places where demand exists. This is particularly the case with rural schools against the demand from the city.

4.5.15 Significant pressures are within primary schools where the number of four year olds in the city has risen from 2,165 in 2006. 3,118 children were allocated a reception school place for September 2016. This is expected to rise to 3,332 by September 2021. This has meant significant investment has been required during the past 3-4 years to meet basic need. A desk top study has also commenced to assess the capacity of every primary school site for expansion and is due for completion by the end of 2016

4.5.16 The impact of this significant growth in primary school age children means that this will eventually put pressure on the Council's secondary schools too. Current forecasts suggest pressure for year 7 places started in 2015 and be critical by 2018. Hence, expansion projects are planned for Ormiston Bushfield Academy and Nene Park Academy to increase their capacity by 2 forms of entry. Additional capacity will also be required regardless of the planned secondary schools for the new housing developments at Hampton East and Paston Reserve. As a consequence, the Council is and must as a priority monitor very closely the demographic trends along with the growth in housing developments. The Council is analysing the post code data of children attending city schools to ensure expansions are taking place in the right parts of the City.

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

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

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

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

4.6 School Places

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

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

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

* Subject to monitoring off housing developments
** Subject to on-going demographic review

Growth and Regeneration Directorate

4.7 **Delivery of Growth Schemes**

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

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

[2] City Centre Action Plan – fly-through demonstration link

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

4.7.3 Improving the city centre began in earnest with the completion of the first phase of a revitalised public realm in Cathedral Square and the nearby St John's Square. This gave a much-needed face lift to a key part of the city centre, helping Peterborough to better compete regionally, and has been continued with major improvements in Long Causeway, Cowgate and Wheel Yard. Work is now underway to update the public realm in Lower Bridge Street and further improvements are scheduled to commence at Bishops Road in the coming months.

4.7.4 The Peterborough Long Term Transport Strategy identified the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and is set out in the Peterborough Infrastructure Delivery Plan (IDP) and associated schedule (IDS). The fourth Peterborough Local Transport Plan (LTP4) was adopted in April 2016 and sets out the Long Term Transport Strategy (LTTS) for the area to 2026 and a more detailed programme of works to 2021.

4.7.5 The Council is increasingly working with partners in joint ventures to actively drive the delivery of growth and regeneration in the city. Building on the success of the Peterborough Investment Partnership (which in its first year of operation obtained planning consent for a landmark scheme on Fletton Quays), the Council is creating a new joint venture with Cross Keys Homes to drive the delivery of housing.

4.7.6 The Council's increasingly commercial and active role in delivery (which includes a willingness to leverage its own assets and covenant as appropriate) is a key facilitator for bringing sites forward, and remains a pillar-stone for delivering Peterborough's growth agenda. It will take this active role in bringing North Westgate forward, using its unique position to support land assembly on this historically challenging site that the market has failed to bring forward

4.8 Street Lighting

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

4.9 Transport

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

[2] City Centre Development Plan - www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/development_plan_documents/city_centre_plan.aspx

4.9.2 To provide the context, the fourth Peterborough Local Transport Plan (LTP4) was adopted in April 2016 and sets out the Peterborough Long Term Transport Strategy (LTTS) for the area to 2026 and a more detailed programme of works to 2021. The LTTS identifies the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and a programme of works is set out in the transport element of the IDS.

4.9.3 The transport Asset Investment programme, as reflected in the IDS, takes account of the following goals:

- Drive growth, regeneration and economic development
- Improve educational attainment and skills
- Safeguard vulnerable children and adults
- Implement the Environment Capital agenda
- Support Peterborough's culture and leisure trust Vivacity
- Keep all our communities safe, cohesive and healthy
- Achieve the best health and wellbeing for the city

4.9.4 LTP4 sets out how the forecast increased demand to travel will be met by a combination of increased use of sustainable travel and a programme of targeted highway infrastructure improvement and Asset Investment maintenance works.

4.9.5 The Council awarded as of 1st October 2013 a new 10 Year Highway Services contract, which can be extendable by a further 10 years. This contract gives the authority more flexibility in meeting its strategic objectives and goals in an efficient and effective manner.

4.9.6 The Council is progressing with the Department for Transport's incentive fund requirements to ensure it maximises the LTP maintenance block allocation to maintain the existing highway infrastructure. In order to determine the level of funding, each local highway authority in England (excluding London) is required on an annual basis to compile a report answering 22 questions with 3 assessment bands. Currently, Peterborough City Council is a band one but hopes to progress to band 2 for 2017/18 by undertaking a number of work streams as well as further investment in asset surveys.

4.9.7 The Council has experienced a reduction in transport Asset Investment allocations through a reduction in Government LTP allocations in 2011/12 partly as a result of the cessation of Primary Route Network (PRN) structures funding. Since 2015/16, there have been further reductions in transport Asset Investment allocations as a proportion of this funding has been given to the LEPs. Funding for Major Schemes is now primarily delivered through the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGP LEP). Peterborough City Council will concentrate on promoting and delivering projects that enhance the economic wellbeing of Peterborough.

4.9.8 The Combined Authority of Cambridgeshire and Peterborough will channel certain other funding streams and the main source initially is the Local Transport Plan capital grant (both the maintenance and integrated transport elements). The Combined Authority will allocate these finds in line with its transport plan to the highways authorities.

4.10 **Regeneration**

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

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

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

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

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

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

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

4.11 **Strategic Property**

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

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

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

Resources Directorate

4.12 **Information and Communication Technology - ICT**

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

4.13 **Culture and Leisure**

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

4.13.2 Cultural Services within the city face significant challenges which relate to growth and the re-development of existing facilities to meet changing customer expectations.

4.13.3 The Council invested in a new technology called Open+ which enables increased public access and opening hours to nine of Peterborough libraries. Through the system the libraries are now open for an extra 126 hours a week with a yearly saving to the council of £285,000 for the first eight years after which the saving increases to £305,000 a year. The next stage to this project will be to invest in updating existing library kiosks to enable printing during Open+ hours, which is currently unavailable.

4.13.4 The Council will publish its updated Sports Strategy in September 2017, The Council will be considering options and opportunities from the document including investing in a 3G pitch in Werrington to replace the existing sand pitch which has come to the end of its life. And the possible replace the Regional Pool.

4.13.5 The Council will invest in a new cultural complex based at the Mill on The Fletton Quays area with the intention to develop the buildings into a multi-disciplinary artist's creative and digital hub for the city led. The creative and digital sector is one of the top four sectors prioritised by the Greater Cambridge Greater Peterborough Enterprise Partnership as a strategic priority and the Mill project will have both an immediate and long term benefit for this sector both in Peterborough as well as regionally, nationally and internationally. External grant funding is being bid for to support this project.

It is proposed that the 'cultural hub' will prioritise 'creation' rather than the 'presentation' of work. The vision for the Mill is as a creation centre rather than a standard arts centre model. This will not be a public space in the way that conventional art centres are. It will be public at times, used for educational purposes at all levels, it will be where work is developed, discussed, supported and made. It will therefore require a mixture of flexible 'clean' and 'dirty' workspaces and studios, rehearsal spaces for performance (dance, music, theatre), and overnight accommodation for visiting artists and companies with associated facilities (en-suite bedrooms, access to kitchen and communal eating/living spaces).

4.14 Invest to Save

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

4.14.2 The following set of principles are applied in assessment of such schemes:

- Each project needs to complete the Council's standard full business case. This includes the required officer evaluation and approvals as for all business cases.
- Schemes should deliver savings that improve the financial position of the Council as presented in this MTFS.

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

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

4.15 **Invest to Save Current Schemes:**

4.15.1 Solar PV Installation - PCC has completed installations on industrial estates, corporate buildings and 26 schools. With the reduction in the Feed In Tariff it is unlikely that PCC will install further PV on its properties in the short term.

4.15.2 Energy Performance Contract Framework (ENPC) – PCC is currently using its contract with Honeywell to develop proposals for works to its corporate buildings using the framework to reduce utility costs.

4.15.3 The Council has continued to investigate further ways it can support the development of housing, and has agreed a facility to provide finance of up to £30million to Axiom Housing Association. The capital programme has provision to support a similar facility of up to £100m to the Longhurst Group. This proposal would be subject to due diligence and an executive decision. This would enable the housing association to deliver more housing as it will enable it to secure lower cost finance through the council. The benefit for the council and its residents is that the loan would generate a financial return to support the council's budget and to protect other council services. This loan is treated as Asset Investment expenditure, and as such will be financed from the invest to save budget.

4.15.4 The Council is developing other projects - further details of this will be brought forward should the option be financially beneficial to the council. Any projects will comply with the terms and conditions outlined to obtain invest to save funding.

4.15.5 The Empower community solar panel scheme is covered in the next section. The Council has also agreed an arrangement to provide additional funding for the expansion of the project, enabling more installations to be undertaken and for the Council to generate further income from the interest on the loan. The solar installation is free of charge on properties that are assessed as suitable (for example orientation, shading, size and access).

4.16 **Renewable Energy / Energy Efficiency**

4.16.1 Energy Performance Contracts - The Council entered into an Energy Performance framework agreement (EnPC) with Honeywell Control Systems ("Honeywell") in June 2013 by which energy efficiency improvements would be made initially to Council properties with the possibility of widening the scope of the scheme to other local authorities, social housing and other organisations.

4.16.2 Empower Solar Panel Scheme - The Council has agreed to enter into a partnership with social enterprise Empower Community Management LLP to deliver solar panels on private properties in the city, and to finance such schemes outside the city.

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

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

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

2017.

- **Green Leases –** In August 2014 the Council agreed to issue a memorandum of understanding to all existing tenants of Council owned buildings (and new tenants as they enter into leases) to ensure that it was explicitly clear that the Council would not prohibit a tenant from undertaking any works that would improve the energy performance of a building. In addition to this the Council committed to carrying out a review to identify which of the council's assets have a low energy efficiency rating and are likely to be rented out now or at some point in the future. This includes an assessment of the potential loss of income that may be felt if these properties become un-rentable in the future, alongside a potential schedule for invest to save works that would prevent this as appropriate

- **Energy Recovery Facility (ERF) -** In February 2013 Peterborough City Council signed a contract with Viridor, to build and operate a new 'energy from waste' facility (known as an Energy Recovery Facility) in the City. The plant is now operational, and will offer a more environmentally friendly and lower-cost alternative to burying the City's waste in landfills.

  The energy from waste facility will save over 10,000 tonnes of CO2 equivalent every year compared to sending the City's waste to landfill. The facility is close to the power station in Fengate, and is designed to meet the City's needs for the next 30 years. The facility will burn any waste that cannot be recycled to ash and in so doing allow significant energy to be captured from an otherwise wasted resource. In doing so, the weight of rubbish needing to be sent to landfill will be reduced by more than 93 per cent. The remaining ash can also be recycled, for example as aggregate for building roads, diverting potentially 100 per cent from landfill.

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

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

  A plan for the development of Combined Heat and Power (CHP) at the facility is under development with the heat created feeding into a number of proposed developments over a period of a number of years. The key element of the CHP development is to consider securing of long term offtake arrangements for the heat generated by the ERF, hence the growth and regeneration team are working closely with resources on this project. Producing heat and power at the facility improves its efficiency as well as improving its carbon reduction performance.
  A second project is examining the opportunities to develop private electrical connections to large commercial and industrial users in order to maximise the facilities potential to generate power considering the existing constraints within the local electricity distribution network. In addition options to manipulate the facilities output to match specific grid requirements of peak generation, rapid response and frequency management are being examined to add additional value to the Councils investment.

5 Managing the Asset Investment Programme

5.1 To manage the Asset Investment programme the Council operates a project management system (Verto). Option appraisals and feasibility studies are required to support and justify a business case for projects. The Programme Management Team are responsible for co-ordinating and monitoring this process. The longer term property and revenue implications (i.e. whole-life considerations) are part of this process which is consistent with the principles set down in the Prudential Code for Asset Investment Finance in Local Authorities.

5.2 Project officers monitor the implementation of the Asset Investment Programme on a regular basis with reports being submitted monthly to Verto. Heads of Service or project leads offer regular updates which are reported to Department Management Teams.

5.3 The Asset Investment programme as a whole (both expenditure and income) is reported to CMT on a quarterly basis. The quarterly report sent to CMT contains an overview of the current position and provides CMT with the information required to ensure that the Asset Investment programme is sustainable in the long term through revenue support by the Council or its partners and that use of Asset Investment resources reflects what was agreed in the production of the Council's MTFS.

6 Sources of Asset Investment Funding

6.1 A summary of the sources of Asset Investment funding is shown in Table 1, Annex one.

6.2 External sources arise from the Council's aims, together with partners, to maximise opportunities for funding from any source, including European and Government Grants and applications for National Lottery funding for schemes. Corporate resources can consist of Asset Investment receipts and borrowing. Under the Prudential Code for Asset Investment Finance, the Council has the ability to borrow money. To do this, the Council must be able to show that any borrowing is affordable, prudent and sustainable, see the Treasury Management, Prudential Code and Minimum Revenue Provision Strategy.

6.3 The Council is required to pay the Homes and Communities Agency (HCA) a percentage of gross Asset Investment receipts from sales of Community Related Assets (CRA) transferred to it from the Peterborough Development Corporation. From August 2016, this is 42% (diminishing annually by 2%). Although this represents a significant loss of opportunity for the Council, the HCA is encouraged to reinvest the receipt back into Peterborough. The Council is currently awaiting consultation from the HCA regarding the policy surrounding these arrangements.

6.4 Developers are required to contribute resources to ensure appropriate infrastructure comes forward alongside growth. Some of this contribution is made directly by the developer, such as the provision of new community facilities as part of a development scheme. Developers also commonly contribute financially to the Council, so that the Council can pool contributions to deliver infrastructure. This process is through the Council's adopted Community Infrastructure Levy. Legislation requires the Council to hand over a proportion of any CIL money it receives to the parish council (the neighbourhood proportion) in which the development is located (if it is in a parished area) or to discuss with the local community how to spend that proportion locally (if the development is in an un-parished area). The proportion to be handed over depends upon whether there is or is not a statutory neighbourhood development plan in place. The Council will also retain a proportion of CIL receipts for administration of the charge.

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

6.5 **Neighbourhood Proportion**

	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%

6.6 **Alternative Financing Arrangements**

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

6.7 **Capital Receipts**

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

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

7 Procurement Strategy

7.1 Delivery of the majority of the Asset Investment programme is commissioned from external providers. The Council will either use a tender process, or use some of the following frameworks for the major contracts that it has in place for example:

- Skanska – for highways works
- Carillion – for major school development works

7.2 The Councils approach is governed by its Procurement Strategy. This five year strategy sets out how the Council intends to purchase goods, works or services from third parties that:

- contribute towards achieving the Council's priorities (para 7.8) and aligns to the seven commissioning principles the Council has adopted to become a Commissioning Led Council (7.9);
- supports Peterborough's Sustainable Community Strategy[3] and ambition to become the UK's Environment Capital, to substantially improve the quality of life of the people of Peterborough and to raise the profile and reputation of the City as a leading city in environmental matters and a great place in which to live, visit and work;
- complies with the legislative requirements for procurement; and
- meets the challenge within local government and the wider public sector to spend within its means. The Council has already seen its government funding cut by £54m (50%) over the previous six years, with this downward trend set to continue over the next four years.

7.3 The Council spends in excess of £200 million per year on procuring works, goods and services through a variety of procurement and contracting arrangements covering a wide and diverse spectrum of council functions. For example, this includes buying stationery, energy, insurance, home to school transport for eligible pupils, care packages for eligible adults and children in social care, services from our strategic partners such as building maintenance and highway maintenance, to major IT systems and construction projects. The majority of the Asset Investment Expenditure incurred is undertaken by the Council's partner organisations.

[3] https://www.peterborough.gov.uk/council/strategies-polices-and-plans/strategic-priorities/

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

7.5 The outcomes of this strategy will be to:

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

7.6 Monitoring arrangements

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

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

7.7 **Council Strategic Priorities 2017**

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

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

[4] https://www.peterborough.gov.uk/council/strategies-polices-and-plans/customer-service-strategy/

7.8 **Commissioning Led Council and Principles**

What is a commissioning led council?

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

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

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

7.9 **Commissioning principles**

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

8 Conclusion

8.1 The Asset Investment Strategy demonstrates and sets the framework for how the Councils Asset Investment programme supports its strategic priorities. The Asset Investment Strategy is subject to continuous review and has been prepared in collaboration with other services to ensure it’s consistent with the MTFS, which itself has been reviewed and updated. Any revenue implications from the Asset Investment Strategy have been built into the MTFS.

The Council has implemented and continues to implement changes to its core business and culture to ensure that limited funding is prioritised and effectively targeted to deliver the objectives, through reviewing the current Asset Investment programme for efficiencies in procurement and rationalisation of programmes

Table 1 - Summary Asset Investment Programme

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

Summary of Fixed Asset Values as at 31st March 2016

Fixed Asset Values	Gross book value £000	Depreciation £000	Net book value £000
Land & buildings	441,283	(32,793)	408,490
Vehicles, plant & equipment	40,915	(20,725)	20,190
Infrastructure assets	237,434	(94,695)	142,739
Community assets	1,199	(298)	901
Heritage assets	688	-	688

Investment properties	31,770	-	31,770
Surplus assets	2,710	(8)	2,702
Assets Under Construction	8,718	-	8,718
Total	**764,717**	**(148,519)**	**616,198**

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

Annex Two

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

http://www.peterborough.gov.uk/pdf/Planning-policy_Planning%20Obligation%20Implementation%20Scheme%20SPD1.pdf

http://www.peterborough.gov.uk/pdf/Planning-policy_Planning Obligation Implementation Scheme SPD1.pdf

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

Annex Three

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

186

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

187

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

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

Property	Ward	2016/17	2017/18	2018/19	2019/20
Bretton Residential Land	Bretton	*			
John Mansfield - Main Site & Remote Site Land (MoU)	Dogsthorpe	*			
Medical Centre @ John Mansfield site	Dogsthorpe	*			
Land at Corner of Marholm Road/Lincoln Road	Paston & Walton	*			
Miscellaneous Surplus Farm Buildings Americas Farm	Various	*			
Miscellaneous Farm Estate- Olympia Cottage	Eye Thorney & Newborough	*			
Substations	Various	*			
Welland House - Former Care Home	Dogsthorpe	*			
Wellington Street Car Park - phase 1	East			*	*
7-23 London Road	Fletton & Stanground		*		
Assets at Church Street Thorney	Eye Thorney & Newborough		*		
City Clinic - NHS Operated Clinic Facility	Central			*	
First Drove, Fengate - Land	East	*			
Duke of Bedford Primary School - Surplus land	Eye Thorney & Newborough		*		
Fleet surplus Assets - Land	Stanground South	*			
Former Depot Land Wittering	Wittering	*			
Land at Alma Road	Park		*		
No of Allotment Sites & Open Space locations	Various	*	*	*	*
Tenterhill/Thistle Drive - Land	Fletton & Stanground	*			
Willow Drove Newborough	Eye Thorney & Newborough	*			
Land at Stanground Academy	Stanground South	*			
Operational Assets Pending Property Rationalisation - Future Years	Various		*	*	
Investment Assets					
Northminster House, Ground Lease - Investment Asset - Freehold Office	Central		*		

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

Westwood 7 Estate Saville Road Ground Lease	Ravensthorpe				*
Herlington Centre - Investment Retail Units	Orton Longueville		*		
Ivatt Way Ground Rent Portfolio	Ravensthorpe				*
Laxton Square	Central		-		*
Pyramid Centre, North Bretton	Bretton	*			
Bretton Court - Investment Office and Retail Block Over Three Storeys	Bretton	*			
Lindens	Central	*			
New England Complex, Lincoln Road - Investment asset - Former School	North			*	
Peterscourt - Investment Asset - Offices	Central		*		
Royce Road Ground Rent Portfolio	East		*		
Saville Road Portfolio of individual Ground Rents	Ravensthorpe				*
Orton Centre Filling Station	Orton Waterville	*			
Saville Road Estate	Ravensthorpe				*

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

Annex five

Acquisitions Strategy

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	Within or outside the city

	And ▪ There is a robust business case which identifies any inherent risks from the acquisition	
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 suppled 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	Within the city or within areas covered by joint working or devolution arrangements. Use of CPOs where appropriate within Peterborough

2.3 An Outline of Governance Arrangements for Acquisitions

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

- All acquisitions will be assessed through a robust business case and with particular reference to the costs, benefits, impacts and risks of the property and how it relates to the Council's corporate objectives.

- In all cases an independent valuation will be obtained from a properly qualified member of The Royal Institution of Chartered Surveyors to ensure that the transaction represents good value.

- Acquisitions and disposals will, under the Council's Rules of Financial Governance require consultation with and agreement of the Section 151 Officer. In all cases, be supported by a financial appraisal providing the financial / budgetary implications. Under the Council's scheme of delegations nominated senior officers along with Corporate Management Team and/or Cabinet can approve acquisitions or disposals subject to a maximum value.

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

3.0 Review & Performance

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

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

Schedule F- 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).

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

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

1.3 Links to Other Plans

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

2 Strategic Context & Direction

2.1 Influences for Change

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

National

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

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

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

Regional

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

Local

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

2.2 Council & Service Priorities

The Council recognises that in meeting its aspirations for the community it serves it too has to change. These changes need to improve value for money in services, support growth and promote prosperity across the city. The Council's vision is to create a bigger and better Peterborough that grows the right way, and through truly sustainable development and growth:

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

The key priorities underpinning this vision are:

- Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and the wellbeing of the people concerned.

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

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

- ***People & Communities Strategy*** – The Council will develop new models of service delivery in response to the pressures of a growing city but working within constrained financial resources. In the future the focus will be through targeting services rather than universal support using a commissioning model. There will be a need to re-think service delivery with fewer services provided directly by the Council, increasing 'shared services' with partner agencies and more use of community and voluntary bodies to assist with services. Whilst the Council will retain a role for regulating and ensuring service standards it in the future is likely to be smaller with less directly employed staff.

- ***UK's Environmental Capital*** – The Council has a vision to be a sustainable city. Its aspirations are encapsulated in '*Creating the UK's Environmental Capital: Action Plan*'. This sets targets around 10 themes which include: zero carbon energy; sustainable water; land use & wild life; sustainable materials; sustainable local food; waste; transport and heritage. All these will impact to a degree on how the Council manages and uses its property portfolio.
- ***Customer Service Strategy*** – The council is undergoing a programme of transformation to provide clients greater choice over how they engage with the Council. This will involve improved on-line access through a remodelled web site, access by e-mail or social media and access via 'My Peterborough App'. Whilst there will be a focus on digital access the Council will retain the ability for customers to access the Council by phone or in person through face to face contact. At the heart of this transformation are high service standards with contact provided in the right way, by the right people at the right time.

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

2.3 Service Strategies & Partnerships

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

2.4 Resource Context

The Council's budget is set within a national context of continuing uncertainty over public finances. Local government is facing significant funding cuts and the way local authorities are funded will also change. For the

Council this means it is facing a rising demand for services whilst at the same time severe reductions in its funding. The Council's priorities continue to be focussed on driving growth and regeneration; improving educational attainment; safeguarding vulnerable children and adults; implementing the Environmental Capital agenda; supporting the city's culture and achieving health and well-being for the city.

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

2.5 Challenges in the Portfolio

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

- Ageing Portfolio – The operational portfolio is ageing and thus has increasing maintenance and repair needs as well as being not fully 'fit for purpose'. This is a potential liability for the Council and a drain on scarce capital and revenue resources. There is a need to identify and if appropriate dispose of assets with high maintenance costs. Often buildings have a physical life that exceeds their functional life and it becomes increasingly problematic to accommodate service needs in an ageing, inappropriate building stock. As the Council adopts a more 'commissioning' model for services there will be a need to review the portfolio to optimise its utilisation, reduce costs but also seek to support shared use and provide the flexibility that services will need for the future.

- Portfolio balance – Within the investment portfolio there is a need to ensure balance between different assets types (industrial, offices & retail etc.) in order to create a balanced risk profile for the security of financial returns. There is also a need to ensure there is no ambiguity between social or economic purposes for holding these assets; with a presumption that assets within the investment portfolio are only held to optimise financial returns.

- 'Portfolio Intelligence' – Whilst the Council has robust data at an individual property level through its Technology Forge database the resource capacity to draw this together to provide strategic oversight of the portfolio is constrained. A lack of 'portfolio intelligence' means that strategic opportunities within the portfolio may be currently overlooked.

- Profile of Asset Management – There is a need to assert a corporate, strategic role for asset management both to counteract any perception of service 'ownership' of assets and to respond to challenges articulated through this AMP. A clear role for asset management is key to delivery of the actions identified in this AMP; and it will be important to provide clarity of roles of the Council's client function and its strategic partner, NPS Peterborough Ltd.

- Planned Preventative Maintenance – the Council has a good level of information about the condition of the portfolio, and when totalled, the liability is large. However, a more strategic approach to the actual useful life of individual buildings relating to the actual market value and active liaison about the future requirements of service users or the property place within the growth or investment market will see this liability diminish.

- Change – individual properties will move between the three portfolios at different times as their primary purpose changes. For example, Fletton Quays will become an operational building (currently growth) whilst Bayard Place will become an Investment building. Such changes in property categorisation are a direct result of active asset management with the changes implying a different management focus and resources as properties are re-classified.

2.6 Strategic Direction

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

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

Asset Type	Management Objectives		
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.

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)	•		

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

Portfolio	Segments	Actions
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

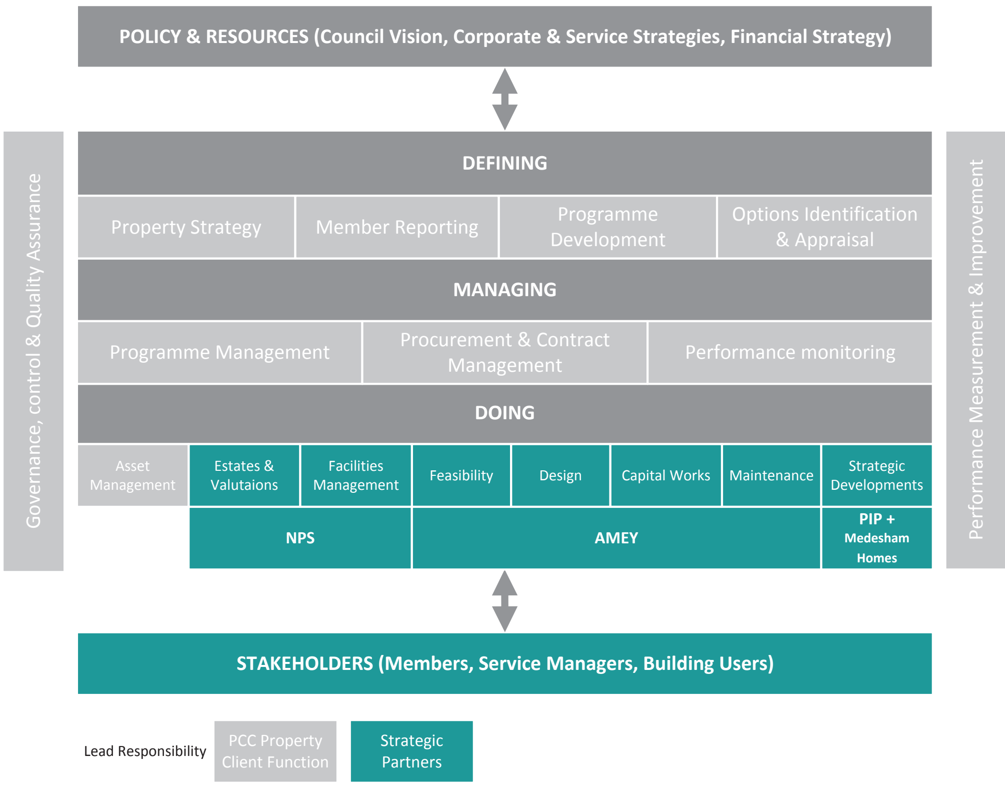
- Ensure sites for future development are secure
- Ensure income producing buildings have occupier agreements
- Consider demolition of assets identified as no longer useful or costly

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.

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

4.5 Sustainability & Energy

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

4.6 Statutory Compliance

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

- Asbestos Management - Asbestos surveys of all properties have been undertaken. Asbestos removal work is carried out on a reactive basis as and when required for refurbishment or demolition.

- Display Energy Certificates (DECs) – With changing legislative requirements there will be a need to re-assess DECs over the short to medium term.

- Water Safety – water management testing (including legionella) is 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.