Appendix 3 – Performance Monitoring

1. Treasury Management Update – March 2017

1.1. Economic Update

The following paragraphs are based on information from the Council's Treasury Advisors (Capita Asset Services)

The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum. By the end of March 2017, sterling was 17% down against the dollar but had not fallen as far against the euro. In February 2017, the latest CPI inflation figure had risen to 2.3%, above the MPC's inflation target of 2%. However, the MPC's view was that it would look through near term supply side driven inflation, (i.e. not raise Bank Rate), caused by sterling's devaluation, despite forecasting that inflation would reach nearly 3% during 2017 and 2018. This outlook, however, is dependent on domestically generated inflation, (i.e. wage inflation), continuing to remain subdued despite the fact that unemployment is at historically very low levels and is on a downward trend. Market expectations for the first increase in Bank Rate moved forward to quarter 3 2018 by the end of March 2017 in response to increasing concerns around inflation.

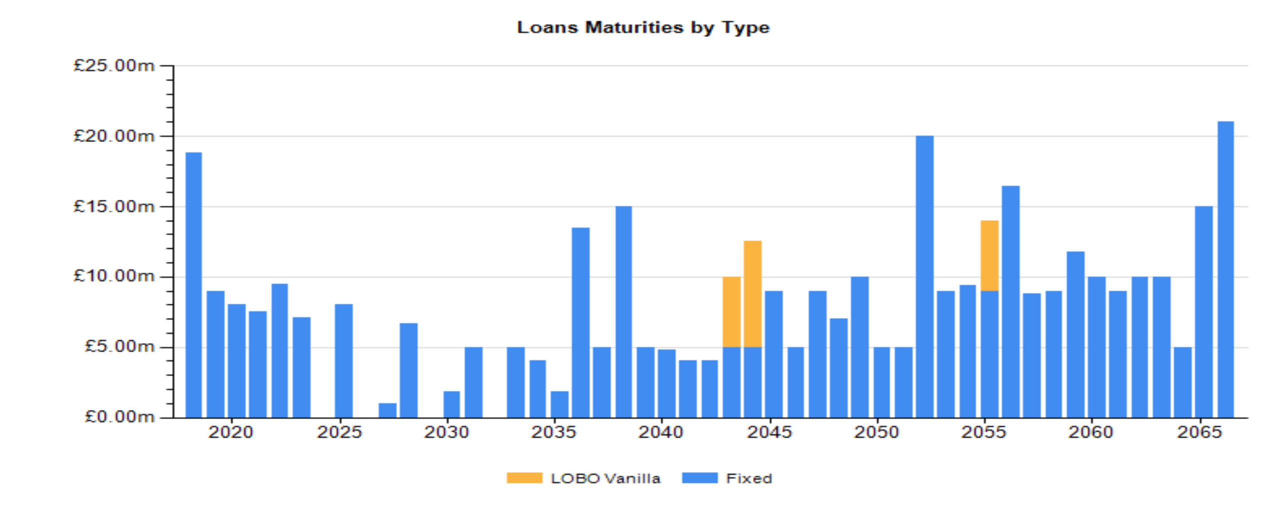
The result of the referendum, and the consequent devaluation of sterling, boosted the shares of many FTSE 100 companies which had major earnings which were not denominated in sterling. The overall trend since then has been steeply upwards and received further momentum after Donald Trump was elected President as he had promised a major fiscal stimulus to boost the US economy and growth rate.

2. Borrowing

2.1. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.

2.2. The Council's borrowing as at 31 March 2017 was £430.9m. The actual total external debt is measured against the Council's Authorised Limit for borrowing of £835.2m, which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £729.5m. The table in Appendix B, Indicator 10 shows a breakdown of the borrowing.

2.3. The following chart shows the maturity profile of the Council's debt as at 31 March 2017:



** 2016/17 includes £17.5m of market loans which are repayable in the long term but are classed as current year loans due to a callable option in the loan agreement.*

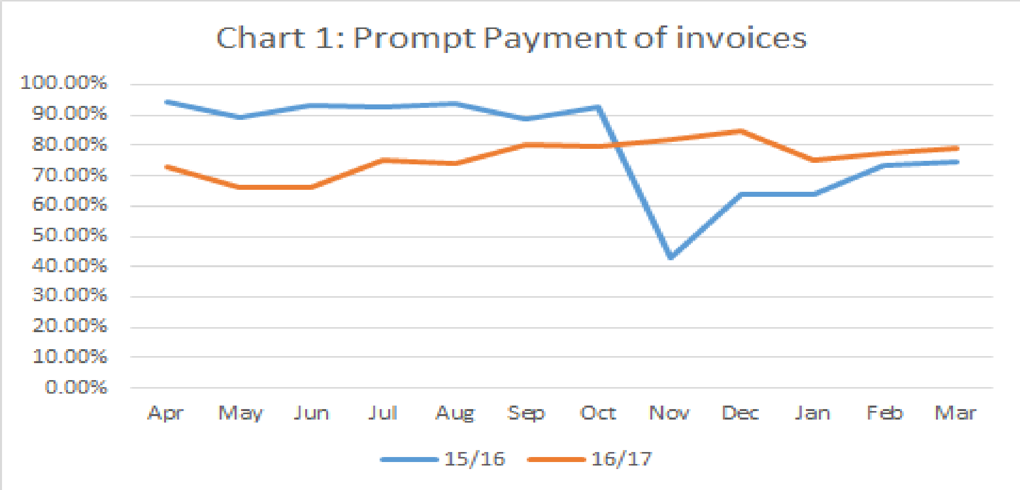
3. Investments

3.1. The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with Barclays (the Council's banking provider), Bank of Scotland, the Debt Management Office and Local Authorities.

4. Prompt Payment of Invoices (Invoices paid within 30 Days)

4.1. The cumulative position on prompt payment of invoices as at 31 March 2017 (the first full year of using Agresso (the Council's new finance system)) was 75.73%, which is below the previous year's performance of 83.54%. Performance against the prompt payment of invoices indicator was adversely affected by the implementation of Agresso and the subsequent bedding down of the change across Serco and the Council. Business processes are being continually reviewed and challenged to reflect the new set-up. They are also being aligned to the rollout of the new eProcurement system (SourceDogg). This will support improved performance in 2017/18. Last year's performance is shown alongside the equivalent figures for 2015/16 in Chart 1.

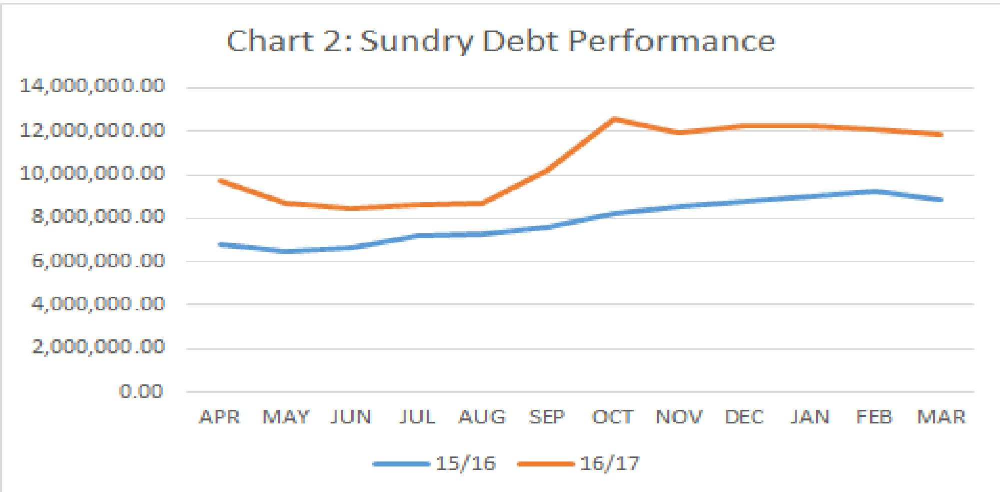
4.2. Regulation 113(7) of the Public Contracts Regulations 2015 introduced a requirement that from March 2016, all in-scope organisations must publish, on an annual basis and covering the previous 12 months, the amount of interest paid to suppliers (and due to them) as a result of late payment. For Peterborough City Council, 65,101 invoices were paid in 2016/17 of which 49,300 were paid within 30 days.



5. Sundry Debt Performance

5.1. The total outstanding Sundry Debt in excess of 6 months old (as at 31 March 2017) was £11.8m and is set out in Chart 2 (alongside comparative figures for 2015/16). The top 20 debts owed to the Council total £5.1m of which £1.8m is less than a month old. A review of the end-to-end Sundry Debt recovery process has been undertaken and a proposal around this is being formalised. This will include quicker intervention and more robust recovery action (i.e. legal action and use of enforcement agents (bailiffs)), as well as clearer escalation processes, more engagement with the PCC directorates and more timely write-offs.

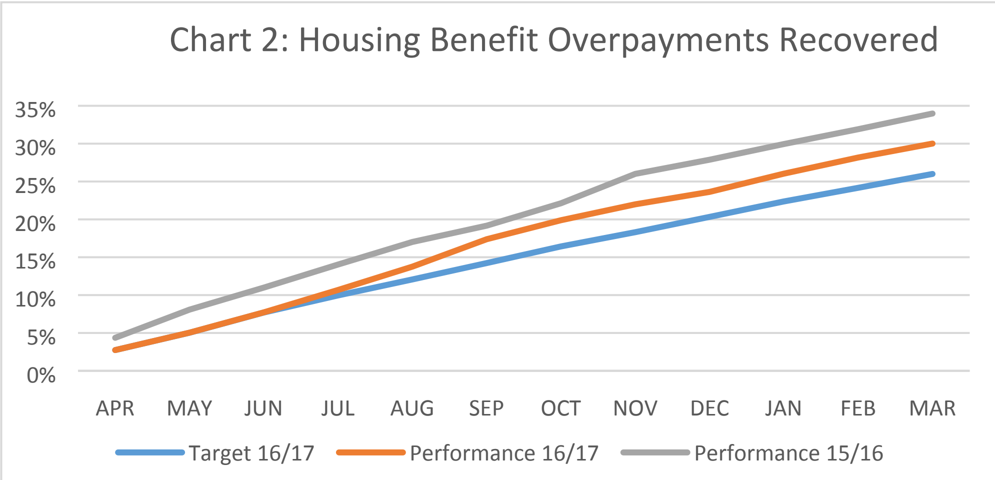
5.2. During 16-17 a total of £56.6m was raised, whilst a total of £52.2m was collected (across all years of debt). In addition an aged debt project was started by Serco in Dec 2016, looking at very historic debt which had 100% write-off provision against it. At the end of March 2017, a total of £44K had been collected with a further £68K on arrangement.



6. Housing Benefit Overpayments

6.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2016/17 and the 2015/16 figures.

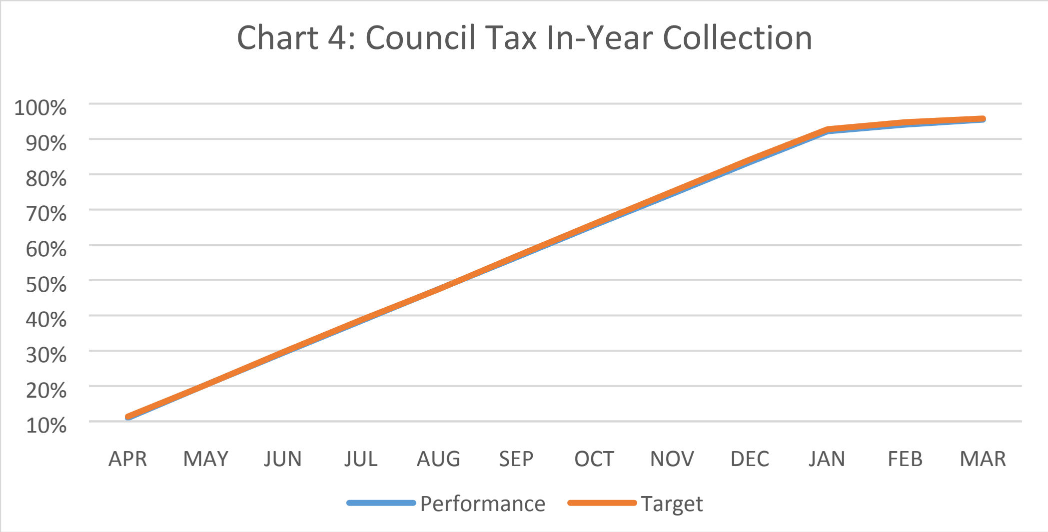
6.2. Housing benefit overpayment collection as at the 31 March 2017 was 30.01% which is above the target of 26.0% but 3.97% lower than the figure for March 2016 (33.98%). The level of new debt identified in year remained at the same levels as 2016/17 due to continued good performance within the benefits processing team, when compared to previous years. The value of the debt recovered has slightly decreased due to the overall age of the debt increasing over time, making it harder to recover. This slight decrease in collection combined with the increasing levels of debt carried forward means the percentage of debt collected does show a reduction, although this remains above target and expectations. Improvements have been made to the processes of the recovery of debt from DWP benefits, as well as increases in the number of attachments to earnings being applied. A fresh review of older debt is planned in 2017 with the aim of maximising the impact of these improvements.



7. Council Tax and Business Rates Collection

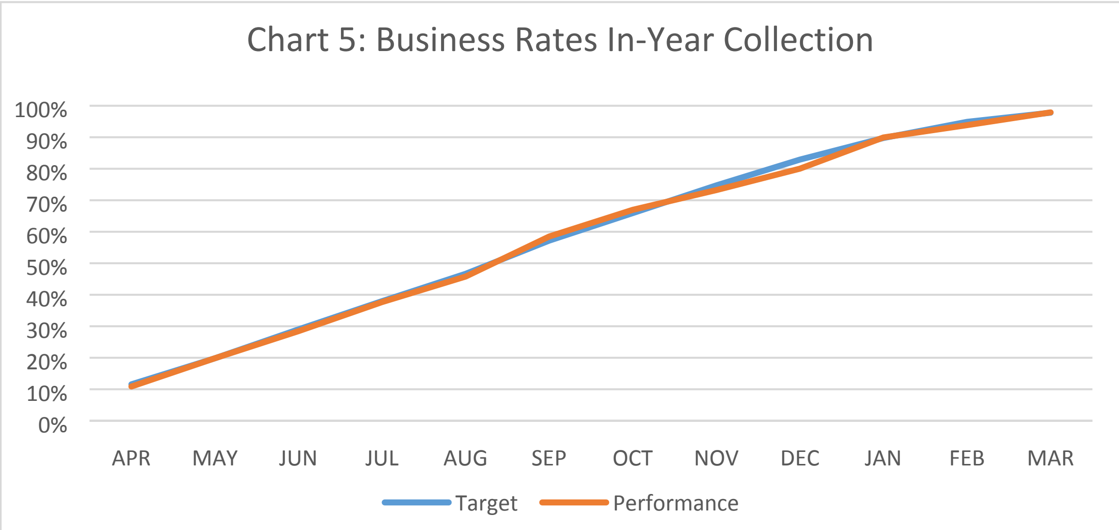
7.1. Charts 4 and 5 show the performance for the collection of Council Tax and Business Rates for the period to date. In year council tax collection at 31 March 2017 is 95.48%, which is 0.54% more than the amount collected by this stage in 2015/16.

7.2. The administration of the council's local council tax support scheme remains challenging and continues to impact overall council tax collected in the year. Additional resources were recruited into the team during 2016 contributing to the increased performance in this area. Improvements were also seen in the amount of Council Tax arrears collected. A tighter recovery cycle has been implemented during 2017 alongside a trial of a fourth enforcement agent.



7.3. The in-year collection of business rates as at 31 March 2017 was 97.90%, which is 0.1% above the target set and an increase of 1.39% compared with 2015/16.

7.4. Temporary additional resources were brought into the business rates team during 2016 and this, in addition to targeted work on the debt lists and the trial of an new Enforcement Agent, supported achievement of the collection target. Business rates collection remains challenging due to increasing use of avoidance tactics.



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