

<b>CABINET</b>	<b>AGENDA ITEM No. 4</b>
<b>15 OCTOBER 2018</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

## **BUDGET CONTROL REPORT AUGUST 2018**

RECOMMENDATIONS	
<b>FROM:</b> Corporate Director: Resources	<b>Deadline date:</b> N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The Revenue Budgetary Control position for 2018/19 at August 2018 includes a £6.482m overspend position on the revenue budget.</li> <li>2. The key variance analysis and explanations are contained in Appendix A.</li> <li>3. The estimated reserves position for 2018/19 is outlined in Appendix B.</li> <li>4. In year budget risks are highlighted in Appendix C.</li> <li>5. The Asset Investment and Treasury Budget Report is contained in Appendix D.</li> </ol>	

### **1. ORIGIN OF THE REPORT**

- 1.1. This report is submitted to Cabinet following discussion by the Corporate Management Team (CMT).

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1. This report provides Cabinet an update of the August 2018 Budgetary Control position.
- 2.2. This report is for Cabinet to consider under its Terms of Reference:
  - No. 3.2.1 'To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services' and
  - No. 3.2.5 'To review and recommend to Council changes to the Council's Constitution, protocols and procedure rules'.

### **3. TIMESCALE**

Is this a Major Policy Item/ Statutory Plan	<b>No</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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#### 4. AUGUST 2018 BUDGETARY CONTROL - REVENUE

- 4.1. The revenue budget for 2018/19, agreed at Full Council on 7 March 2018, was approved at £147.456m.

	£m
Approved Budget 2018/19	147.456
Use of reserves per MTFS	4.231
Revised Budget 2018/19	151.687
Drawdown of reserves during 2018/19	0.945
Revised Budget 2018/19	152.632

- 4.2. The 2018/19 year-end outturn position, is currently forecast to be £6.482m over spent. This is based on reported departmental information as at the end of August 2018.
- 4.3. This has increased by £0.500m (8%) in comparison to a £5.982m overspend position forecast at the end July 2018, which was reported to Cabinet on 24 September 2018.
- 4.4. CMT are putting plans in place to manage expenditure council wide and try to mitigate the budget pressures identified.
- 4.5. The biggest financial pressure the council is facing continues to come from children's social care. This pressure is not isolated to Peterborough and is being reported by local authorities across the country; the BBC, the Local Government Association (LGA) and other Local government advisors. A recent article published by the BBC highlighted that there are currently 72,600 children across England in care, in comparison to 64,000 in 2010 and after analysing children's social care spend noted that council spent £640m more than what they had budgeted to in 2016/17.
- 4.6. As outlined in the Permanency Service Cabinet report (23 July 2018), the Council is facing a pressure of £3.9m in the current financial year, with pressure of £3.2m 2019/20 and £2.7m in 2020/21 forecast. This reduction in forecast pressure is anticipated following the recruitment of additional in house foster carers each year to reduce reliance on independence fostering agency placements. These financial pressures will be factored into Tranche Two of the Medium Term Financial Strategy 2019/20-2021/22.
- 4.7. The financial negotiations with Amey have now concluded regarding the costs of extending the contract to 1 February 2019. The additional estimated costs to the 1 February 2019 is £0.958m, these are included within the forecast position outlined in this report.
- 4.8. The summary budgetary control position is outlined in the following table:

Directorate	Budget 2018/19	Cont. from reserves	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserves	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
<b>Chief Executives</b>	1,583	55	1,638	<b>1,582</b>	0	(56)	-3%	(24)	(32)
<b>Governance</b>	4,654	75	4,729	<b>4,964</b>	0	235	5%	254	(19)
<b>Growth &amp; Regeneration</b>	23,850	366	24,216	<b>25,677</b>	0	1,461	6%	1,005	456
<b>People &amp; Communities</b>	84,459	250	84,709	<b>89,035</b>	0	4,326	5%	4,063	263
<b>Public Health</b>	(126)	198	72	<b>72</b>	0	0	0%	0	0
<b>Resources</b>	37,268	0	37,268	<b>37,833</b>	0	565	2%	733	(168)
<b>Total Expenditure</b>	<b>151,687</b>	<b>945</b>	<b>152,632</b>	<b>159,163</b>	<b>0</b>	<b>6,531</b>	<b>4%</b>	<b>6,031</b>	<b>500</b>
<b>Financing</b>	(151,687)	(945)	(152,632)	<b>(152,681)</b>	0	(49)	0%	(49)	0
<b>Contribution to Capacity reserve</b>	0		0	<b>0</b>		0	0%	0	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,482</b>	<b>0</b>	<b>6,482</b>	<b>4%</b>	<b>5,982</b>	<b>500</b>

4.9. Further information is provided in the following appendices:

- Appendix A – Detailed revenue budgetary control position and explanation of key variances and risks
- Appendix B – Reserves position
- Appendix C – Budget risk register
- Appendix D - Asset Investment and Treasury Budget Report

## Appendix A – Detailed Revenue Budgetary Control position and explanation of key variances and risks

### Chief Executives

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executive	241	0	241	222	0	(19)	-8%	0	(19)
HR	1,342	55	1,397	1,360	0	(37)	-3%	(24)	(13)
<b>Total Chief Executives</b>	<b>1,583</b>	<b>55</b>	<b>1,638</b>	<b>1,582</b>	<b>0</b>	<b>(56)</b>	<b>-3%</b>	<b>(24)</b>	<b>(32)</b>

The Chief Executive's department is reporting a small staffing and supplies and services related underspend of £0.056m

### Governance

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Director of Governance	340	0	340	313	0	(27)	-8%	(28)	1
Legal Services	1,590	18	1,608	1,720	0	112	7%	128	(16)
Constitutional Services	2,053	0	2,053	2,046	0	(7)	0%	(3)	(4)
Performance & Information	191	57	248	249	0	1	0%	(5)	6
Coroners Service	480	0	480	636	0	156	33%	162	(6)
<b>Total Governance</b>	<b>4,654</b>	<b>75</b>	<b>4,729</b>	<b>4,964</b>	<b>0</b>	<b>235</b>	<b>5%</b>	<b>254</b>	<b>(19)</b>

Currently the Governance department is forecasting £0.235m overspend.

### Coroner Service

There is a forecast pressure of £0.156m within this area. The final 2017/18 costs were greater than expected and not fully recognised in that financial year. The forecast overspend in 2018/19 is due to backlog of referrals, and budget pressures from additional staff hired. The Council is awaiting further detail from Cambridgeshire County Council on overspend and will be reported in due course.

### Legal Services

There is a forecast overspend of £0.112m within the legal team largely due to staffing costs as a result of increased workloads relating to Child Protection, General Data Protection Regulation (GDPR) and a compensation payment.



## Growth & Regeneration

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movem ent
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Development and Construction	173	0	173	213	0	40	23%	52	(12)
Director, OP & JV	(67)	0	(67)	(42)	0	25	-37%	38	(13)
Peterborough Highway Services	9,147	0	9,147	9,192	0	45	0%	20	25
Sustainable Growth Strategy	1,465	194	1,659	1,569	0	(90)	-5%	(86)	(4)
Waste, Cleansing and Open Spaces	12,266	0	12,266	12,425	0	159	1%	(30)	189
Westcombe Engineering	91	0	91	91	0	0	0%	0	0
Corporate Property	1,537	152	1,689	2,125	0	436	26%	337	99
Resilience & Health & Safety	249	0	249	208	0	(41)	-16%	(41)	0
City Centre Management	318	0	318	549	0	231	73%	236	(5)
Marketing & Communications	253	0	253	348	0	95	38%	42	53
Parking Services	(2,405)	0	(2,405)	(1,765)	0	640	-27%	376	264
Regulatory Services	670	20	690	567	0	(123)	-18%	17	(140)
Service Director Environment & Economy	153	0	153	197	0	44	29%	44	0
<b>Total Growth and Regeneration</b>	<b>23,850</b>	<b>366</b>	<b>24,216</b>	<b>25,677</b>	<b>0</b>	<b>1,461</b>	<b>6%</b>	<b>1,005</b>	<b>456</b>

Currently the Growth and Regeneration department is forecasting £1.461m overspend.

### Peterborough Highway Services

Street lighting energy costs are budgeted to reduce as the Street Lighting LED Programme replaces the old lighting with more energy efficient units. However, the savings are taking longer to deliver than originally envisaged, and combined with energy price increases, this is leading to a forecast overspend of £0.148m. However, this is offset by various small savings which have been identified, including Concessionary fares £0.055m and Highways Development Team net income £0.089m. There is a cost of £0.041m in relation to Transport Planning matching Combined Authority funding.

### Waste, Cleansing and Open Spaces

Income from electricity sales at the Energy from Waste facility is currently higher than budgeted, leading to a favourable forecast of £0.420m. This is due to the performance of the plant and the escalating energy prices which offsets the pressure that the council is seeing on the electricity that it buys. Final earnings for 2017/18 income at the Energy from Waste plant have also now been confirmed and this was higher than expected by £0.177m

The new Household Recycling Centre is due to open early 2019, therefore the budgeted investment is not fully required in 2018/19 saving £0.120m. However, at the Materials Recycling Facility fees for

legal advice and support for resolving contract issues, together with claims for waste contamination and increased fees are expected to cost an additional £0.350m creating a pressure.

The financial negotiations with Amey have now concluded regarding the costs of extending the contract to 1 February 2019. The additional costs to the 1 February is £0.958m, resulting in a forecast overspend on the budget. The Council also expects to receive a pension rebate due to lower contribution rates from the Amey contract. This is due to lower contribution rates payable when comparing the contract and actuarial review which results in a £0.550m favourable position.

Further overspends relate to the closure of the WEE facility being delayed £0.020m, an income shortfall for charging for bins in new properties £0.066m and specialist pavement cleansing in the City Centre £0.032m.

### Corporate Property

Sand Martin House income is forecast to be lower than originally anticipated. This is due to the nature of the listed buildings and the works required, commercial unit income and office sub-let income having been delayed or reduced, resulting in at £0.337m forecast overspend. The forecast overspend has increased this month due to the posting of revenue costs associated with the feasibility and abortive works for capital projects £0.100m.

### City Centre Management

The level of income from Market stalls and the pedestrian area will be £0.151m lower than budgeted as, although this brings a net income to the council, the target for this is currently unachievable. A promotional discount to bring in new stall-holders has resulted in five new traders, and the generation of income will continue to be closely monitored throughout the year.

### Parking Services

At present the forecast income is £0.517m lower than the budget for off street car parking, including staff car parking. This forecast is based on a reduction in current parking volumes and the additional multi-storey car park capacity which is not yet operating commercially. There is also a forecast pressure relating to the costs from National Non-Domestic Rates (Business Rates), security, cleaning, and Ringo (debit/credit card charges), which totals £0.123m.

### People & Communities

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Move ment
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Adults	44,694	0	44,694	44,067	0	(627)	-1%	(650)	23
Commissioning & Commercial Operations	13,895	250	14,145	18,721	0	4,576	32%	4,577	(1)
Children's & Safeguarding	10,864	0	10,864	10,867	0	3	0%	3	0
Director	303	0	303	316	0	13	4%	9	4
Education	5,697	0	5,697	5,716	0	19	0%	56	(37)
Communities	8,744	0	8,744	9,086	0	342	4%	163	179

DSG	262	0	262	262	0	0	0%	(95)	95
<b>Total People and Communities</b>	<b>84,459</b>	<b>250</b>	<b>84,709</b>	<b>89,035</b>	<b>0</b>	<b>4,326</b>	<b>5%</b>	<b>4,063</b>	<b>263</b>

**Further Breakdown in to the key service areas:**

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
<b>Adults:</b>									
ISP	32,067	0	32,067	32,817	0	750	2%	750	0
ASC Teams	7,352	0	7,352	7,240	0	(112)	-2%	(102)	(10)
Block Contracts	6,352	0	6,352	6,260	0	(92)	-1%	(92)	0
Financing	(2,565)	0	(2,565)	(3,738)	0	(1,173)	46%	(1,201)	28
Home Service Delivery Model	1,488	0	1,488	1,488	0	0	0%	(5)	5
<b>Total Adults</b>	<b>44,694</b>	<b>0</b>	<b>44,694</b>	<b>44,067</b>	<b>0</b>	<b>(627)</b>	<b>-1%</b>	<b>(650)</b>	<b>23</b>
<b>Commissioning &amp; Commercial Operations:</b>									
Permanency Service	12,523	0	12,523	17,060	0	4,537	36%	4,537	0
Clare Lodge	(1,171)	250	(921)	(922)	0	(1)	0%	0	(1)
Commissioning & Commercial Operations - Other	2,543	0	2,543	2,583	0	40	2%	40	0
<b>Total Commissioning &amp; Commercial Operations</b>	<b>13,895</b>	<b>250</b>	<b>14,145</b>	<b>18,721</b>	<b>0</b>	<b>4,576</b>	<b>32%</b>	<b>4,577</b>	<b>(1)</b>
<b>Children's &amp; Safeguarding:</b>									
Children's Social Care	6,787	0	6,787	6,791	0	4	0%	4	0
Children's - Other	4,077	0	4,077	4,076	0	(1)	0%	(1)	0
<b>Total Children's &amp; Safeguarding</b>	<b>10,864</b>	<b>0</b>	<b>10,864</b>	<b>10,867</b>	<b>0</b>	<b>3</b>	<b>0%</b>	<b>3</b>	<b>0</b>
<b>Director:</b>									
Director	2,136	0	2,136	2,149	0	13	1%	9	4
Department Savings target	(1,833)	0	(1,833)	(1,833)	0	0	0%	0	0
<b>Total Director</b>	<b>303</b>	<b>0</b>	<b>303</b>	<b>316</b>	<b>0</b>	<b>13</b>	<b>4%</b>	<b>9</b>	<b>4</b>
<b>Education:</b>									
HTS & CSC Transport	4,002	0	4,002	4,016	0	14	0%	13	1
School Improvement Traded Service	(937)	0	(937)	(937)	0	0	0%	0	0
Education - Other	2,632	0	2,632	2,637	0	5	0%	43	(38)
<b>Total Education</b>	<b>5,697</b>	<b>0</b>	<b>5,697</b>	<b>5,716</b>	<b>0</b>	<b>19</b>	<b>0%</b>	<b>56</b>	<b>(37)</b>
<b>Communities:</b>									
Housing	2,392	0	2,392	2,604	0	212	9%	73	139
Cultural Services	2,371	0	2,371	2,585	0	214	9%	186	28
Targeted Youth Support Service (TYSS)	1,586	0	1,586	1,486	0	(100)	-6%	(100)	0



	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movemen t
Prevention Enforcement Service (PES)	553	0	553	501	0	(52)	-9%	(64)	12
Communities - Other	1,842	0	1,842	1,910	0	68	4%	68	0
<b>Total Communities</b>	<b>8,744</b>	<b>0</b>	<b>8,744</b>	<b>9,086</b>	<b>0</b>	<b>342</b>	<b>4%</b>	<b>163</b>	<b>179</b>
DSG	262	0	262	262		0	0%	(95)	95
<b>Total People and Communities</b>	<b>84,459</b>	<b>250</b>	<b>84,709</b>	<b>89,035</b>	<b>0</b>	<b>4,326</b>	<b>5%</b>	<b>4,063</b>	<b>263</b>

### Adults- Independent Sector Placements

A pressure of £0.750m is reported in relation to Adults Placement costs. This relates to residential nursing packages (£0.651m adverse to date) and Transforming Care (0.151k adverse to date). Additional Client and Health income is partially offsetting this pressure. This pressure is being mitigated with savings in other services within adults, see detail below.

### Adults- ASC Teams

Overall there is a £0.112m forecast underspend on all operational teams. Within this there is a pressure on 0-25 team and agency usage £0.133m which is currently being offset by vacancies and underspends on staffing, running costs and some additional income.

### Adults- Block Contracts

There is currently a favourable variance in respect of the recovery of an £0.080m overpayment to an Extra Care provider. An overall underspend of £0.012m is forecast due to one off Direct Payments to Carers. Carer support is predominantly covered in ISP with services such as carers sitting services and respite.

### Adults- Financing

Projects have been delayed to mitigate overspends in other People and Communities budgets. This action was implemented earlier in the year and has been increased to cover further emerging pressures.

### Adults- Home Services Delivery Model

There is a £0.019m underspend on vacant posts and £0.013m overspend on commissioned surveyor work, other overspends are £0.006m.

### Commissioning- Permanency Service (TACT)

The Council is forecasting to overspend by £4.537m within this area. This is the result of agreeing to pay TACT an additional £0.637m in relation to the financial year 2017/18 and £3.9m in relation to financial year 2018/19. An upwards trend in the number of children coming into care, and the mix of placement types used, is feeding into the forecast overspend position. Although TACT are using their specialist expertise to recruit foster parents and adoption placements, progress towards achieving a balanced placement mix is in transition meaning there are still a number of placements with high associated costs.

### Clare Lodge

A reserve contribution of £0.250m has been agreed which offsets the forecast overspend arising from the delayed opening of the new High Dependency Unit. A risk exists around Occupancy levels (income) and the use of Agency staff related costs.

### **Commissioning and Commercial Operations- Other**

A £0.044m forecast overspend is reported against Play Centres, which is the result of a delay in the Community Asset Transfers. This is partially offset by other small underspends are £0.004m.

### **Children's Social Care**

Staffing costs are forecast to underspend by £0.092m, Financial Assistance overspend £0.101m, and other underspends £0.006m. A risk exists around Financial Assistance and the use of Agency staff to cover substantive posts.

### **Director**

It is assumed that all Department Savings targets will be achieved or will be offset by pipeline savings. There is a pressure of £0.012m due to staff regrading.

### **Education- Home to School and Children's Social Care Transport**

An adverse variance of £0.014m is reported with regard to Passenger Transport Team staffing budget. An accurate forecast for the Home to School transport outturn is expected imminently now that all contracts for the new Academic Year are in place.

### **Education- Other**

An adverse variance of £0.064m is reported in relation to the underachievement of income on School Academy conversions. This income target was introduced as a result of charging schools to recover a proportion of the cost the local authority incurred to administer the conversion. However, as the pace of schools converting has reduced against previous estimates this target is unlikely to be achieved. A reduction in business rates was also built in to the budget as a result of the relief academies receive for holding charitable status. As outlined in the funding section, NNDR (business rates) are showing a favourable position. A favourable variance of £0.050m is reported in regard to School Attendance Fines along with other small variances of £0.009m.

### **Communities- Housing**

Housing is forecast to overspend by a total of £0.212m. Temporary Accommodation costs are forecast to overspend by £0.331m. This is offset by a projected underspend on staffing of £0.126m. Other budget headings are forecast to overspend by £0.007m.

### **Communities- Cultural Services**

Cultural Services is forecast to overspend by £0.214m. This represents the non-achievement of the £0.250m 2017/18 and 2018/19 MTFS savings, offset by other savings of £0.036m.

### **Communities- Targeted Youth Support Service (TYSS)**

The TYSS is forecast to underspend by £0.100m, this relates to holding staff vacancies pending new service implementation. This comprises a forecast underspend of £0.134m on employee costs, offset by other pressures of £0.034m.

### **Communities- Prevention Enforcement Service (PES)**

The PES is forecast to underspend by £0.052m. This comprises a £0.119m forecast underspend on staffing and an underspend of £0.087m against non-staffing budgets. There is also an under recovery of £0.154m in relation to income from Penalty Charge Notices, Fixed Penalty Notice & CCTV.

### **Communities – Other**

There is a forecast overspend of £0.068m. This comprises a £0.137m adverse variance against non-staffing budgets offset by a £0.069m underspend on staffing.

## Public Health

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movem ent
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Children 0-5 Health Visitors	3,718	198	3,916	3,916	0	0	0%	0	0
Children 5-19 Health Programmes	879	0	879	879	0	0	0%	0	0
Sexual Health	1,830	0	1,830	1,830	0	0	0%	0	0
Substance Misuse	2,299	0	2,299	2,299	0	0	0%	0	0
Smoking and Tobacco	317	0	317	317	0	0	0%	0	0
Miscellaneous Public Health Services	1,661	0	1,661	1,661	0	0	0%	0	0
Public Health Grant	(10,905)	0	(10,905)	(10,905)	0	0	0%	0	0
Children 5-19 Healthy Schools Programme	65	0	65	65	0	0	0%	0	0
Healthy Peterborough	10	0	10	10	0	0	0%	0	0
<b>Total Public Health</b>	<b>(126)</b>	<b>198</b>	<b>72</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0</b>

Public Health savings are on track to be delivered.

## Resources

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movem ent
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Director's Office	112	0	112	198	0	86	77%	(69)	155
Financial Services	3,284	0	3,284	3,329	0	45	1%	44	1
Programme Management Office	139	0	139	124	0	(15)	-11%	(15)	0
Capital Financing	18,321	0	18,321	16,485	0	(1,836)	-10%	(1,836)	0
Corporate Items	4,955	0	4,955	4,919	0	(36)	-1%	(36)	0
Peterborough Serco Strategic Partnership	5,765	0	5,765	7,870	0	2,105	37%	2,105	0
ICT	5,302	0	5,302	5,840	0	538	10%	568	(30)
Energy	780	0	780	486	0	(294)	-38%	0	(294)
Cemeteries, Cremation & Registrars	(1,390)	0	(1,390)	(1,418)	0	(28)	2%	(28)	0
<b>Total Resources</b>	<b>37,268</b>	<b>0</b>	<b>37,268</b>	<b>37,833</b>	<b>0</b>	<b>565</b>	<b>2%</b>	<b>733</b>	<b>(168)</b>

## **Capital Financing and Capital Receipts**

Overall the Capital Financing budget is forecasting an underspend of £1.8m as a result of the decision to apply additional capital receipts to offset the MRP in the 2018/19 financial year. The re-profiling of schemes, delays in the timing of capital expenditure and interest rates remaining lower than forecast in the MTFS for the beginning of the year, all contribute to the cost of new borrowing being forecast lower than originally budgeted. The Capital Financing forecast outturn has been based on raising new loans of £112m to fund capital expenditure, this is based on the capital programme as at the end of July. As outlined in Tranche 1, it is expected for this requirement to reduce in future months due to re-profiling of the capital programme to a more deliverable level of £100m, work continues on this re-profiling and an update to this position will be reported in Tranche 2.

### **Peterborough Serco Strategic Partnership (PSSP)**

The overspend forecast in this service is from a combination of three key areas. There is a £0.850m pressure due to the Annual Delivery Plan (ADP) and business transformation (strategic improvement core cost). All items on the ADP should be linked to funding streams as core funding was reduced to nil in last year's budget. This figure will reduce once these allocations are delivered. The following savings that were included in the 2018/19 MTFS, are currently not on track to be achieved.

- The £1m Serco variable spend saving. IT consumable and machine spend has been reduced from previous year's spend via a gatekeeping process. However, overall variable spend with Serco has not yet reduced, due to ongoing programmes of work. Whilst budgets are in place for these works, these are mainly one off, and it has not been possible to make the planned ongoing budget reduction of £1m. The pattern of spend will be kept under constant review and the forecast outturn updated should a reduction in expenditure be experienced in the remaining months which will be used to inform the MTFS setting process.
- The Serco Business support saving of £0.100m.

These pressures are being reviewed to assess the future years MTFS implications. There is also a £0.155m pressure forecast in relation to the PSSP contract inflation budget being different to the assumption applied in the MTFS.

### **ICT**

Savings that were expected to be generated through the implementation of a technology platform across Social Care (PeopleToo) is not now expected to be achieved as planned, creating a £0.137m pressure. The budgeted return on loans to partners to deliver this project has also not materialised as planned creating a £0.131m pressure through loss of interest receipt.

Savings targets in relation to Digital Roadmap project, including guaranteed resale income and also savings through decommissioning ICT Legacy systems and departmental efficiencies are not expected to be fully achieved, causing a £0.792m pressure.

There is a pressure against the core contract budget in 2018/19 due to one-off costs associated with new change controls being implemented £0.219m. However, a rebate received in year within the core contract budget, following a prior year change control notice reconciliation has offset the above pressures by £0.741m.

### **Energy**

The Council has received additional interest income from extending a loan arrangement with Empower Community Management LLP in respect of solar installations.

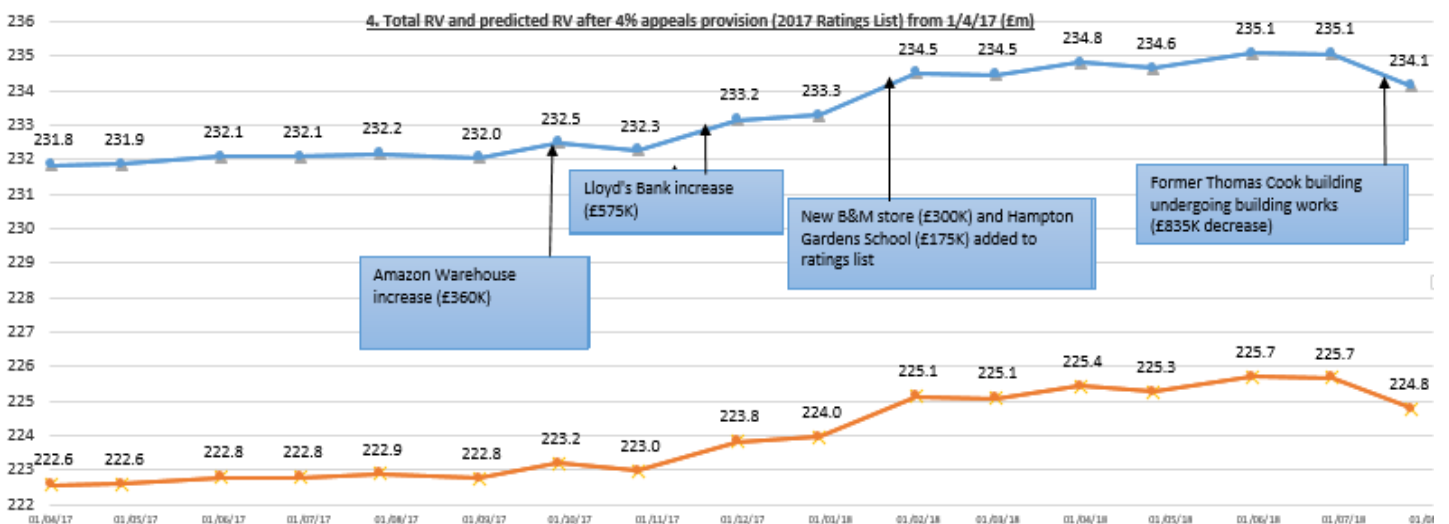


## Financing

The following table show how the Council's expenditure is funded via council tax, business rates, non-specific grants and use of reserves.

Budget Group	Budget 2018/19 £000	Cont. from reserves £000	Revised Budget 2018/19 £000	Forecast Spend 2018/19 £000	Cont. to reserves £000	Forecast Variance 2018/19 £000	Forecast Variance 2018/19 %	Previous Month Variance £000	Movement £000
Council Tax	(68,110)	0	(68,110)	(68,110)	0	0	0.00%	0	0
Council Tax - Adult Social Care precept	(5,328)	0	(5,328)	(5,328)	0	0	0.00%	0	0
NNDR Income	(45,465)	0	(45,465)	(45,514)	0	(49)	0.11%	0	(49)
NNDR Levy	216	0	216	216	0	0	0.00%	0	0
NNDR S31 grants	(3,128)	0	(3,128)	(3,128)	0	0	0.00%	0	0
NNDR Tarriff	2,370	0	2,370	2,370	0	0	0.00%	0	0
Revenue Support Grant	(15,056)	0	(15,056)	(15,056)	0	0	0.00%	0	0
Parish Precept	(586)	0	(586)	(586)	0	0	0.00%	0	0
New Homes Bonus	(5,152)	0	(5,152)	(5,152)	0	0	0.00%	0	0
Section 31 Grant	(5,742)	0	(5,742)	(5,742)	0	0	0.00%	0	0
Contribution from/to Grant Equalisation Reserve	(4,231)	0	(4,231)	(4,231)	0	0	0.00%	0	0
Contribution from/to Reserves	0	(945)	(945)	(945)	0	0	0.00%	0	0
Contribution to Capacity Reserve	0	0	0	0	0	0	0.00%	0	0
Collection Fund - Council Tax	(1,188)	0	(1,188)	(1,188)	0	0	0.00%	0	0
Collection Fund - NDR	(287)	0	(287)	(287)	0	0	0.00%	0	0
<b>Total Financing</b>	<b>(151,687)</b>	<b>(945)</b>	<b>(152,632)</b>	<b>(152,681)</b>	<b>0</b>	<b>(49)</b>	<b>0</b>	<b>0</b>	<b>(49)</b>

The following graph outlines the change in the Rateable Value of the properties and the key changes to the properties:







## Appendix B - Reserves

The Council's departmental reserves and the capacity building reserve are monitored throughout the year and feed into the budget setting process accordingly. The following table summarises the expected balance for all reserves for 2018/19 to 2021/22

Out of the total reserves balance only £8.8m is deemed available or uncommitted, due to restrictions placed on the remaining reserves.

Summary of Reserves	Balance Brought Forward 1.4.18 £000	Cont. from reserves £000	Cont. to reserves £000	Movement between reserves £000	Forecast Balance 31.03.19 £000	Forecast Balance 31.03.20 £000	Forecast Balance 31.03.21 £000
<b>General Fund Balance</b>	6,000	0	0	0	6,000	6,000	6,000
<b>Available Reserves</b>							
Capacity Building Reserve**	12,714	(15,185)	4,687	1,548	3,764	3,729	3,729
Grant Equalisation Reserve*	8,445	(4,231)	0	0	4,214	4,214	4,214
Development Equalisation Reserve	1,233	(1,233)	0	0	0	0	0
Departmental Reserves	5,197	(4,295)	0	0	902	902	902
<b>Subtotal</b>	<b>27,589</b>	<b>(24,944)</b>	<b>4,687</b>	<b>1,548</b>	<b>8,880</b>	<b>8,845</b>	<b>8,845</b>
<b>Ring-Fenced Reserves</b>							
Insurance Reserve***	4,936	0	0	(1,548)	3,388	3,388	3,388
Schools Capital Expenditure Reserve	1,208	0	0	0	1,208	1,208	1,208
Parish Council Burial Ground Reserve	51	0	0	0	51	51	51
Hackney Carriage Reserve	203	0	0	0	203	203	203
School Leases Reserve	243	(15)	0	0	228	178	178
Future Cities Reserve	240	(240)	0	0	0	0	0
Public Health Reserve	428	(198)	0	0	230	230	230
<b>Subtotal</b>	<b>7,310</b>	<b>(453)</b>	<b>0</b>	<b>(1,548)</b>	<b>5,309</b>	<b>5,259</b>	<b>5,259</b>
<b>Total Available, Ring-Fenced reserves &amp; General Fund Balance</b>	<b>40,899</b>	<b>(25,397)</b>	<b>4,687</b>	<b>0</b>	<b>20,189</b>	<b>20,104</b>	<b>20,104</b>

\* £4.2m drawn down per approved 2018/19 MTFS

\*\* Capacity Building Reserve

- May be used to finance transformational costs associated with delivery of savings plans outlined in Tranche 1 of the 2019/20 – 2021/22 MTFS
- £4.4m of Capital receipts will be transferred to Capacity reserve during 2018/19.
- The forecast overspend in 2018/19 of £6m will be required to be funded from the Capacity reserve.

\*\*\* it should be noted that there has been a transfer of reserves from the Insurance reserve totalling £1.548m, following the actuarial review of the balances. This also includes an estimate for additional risk the council may be exposed to as a result of the LATCo.

## Appendix C – Budget Risk Register

The following table highlights the risks which have been identified within the 2018/19 Budget

Dept	Risk	Description	Rag rating	£000	Preventative Management Action taken, or planned
Resources	PSSP Indexation	The indexation claim on PSSP contract is still under negotiation with Serco.	Red		Talks are still in progress and hope to have a better view of position and impact at end of next month
Resources	ADP resource plan	There are Business Transformation costs within the core PSSP contract that were assumed to be rechargeable as part the ADP resource plan. Some dispute over funding means this needs to be assessed and there is a risk of no funding built in to meet the current costs.	Red		Budget Manager working to gain an understanding the original position on what was in the core fee and what the ADP was designed to do, and then to compare that to what our costs are covering now, and ultimately where they should be funded from.
Resources	Saving - Serco Variable Spend reduction	No confirmed extraction for this saving	Red	1,000	IT consumable and machine spend has been reduced from previous year's spend via a gatekeeping process but appropriate budgets to allocate these savings against are still being identified
Resources	Saving - Business Transformation	No Notice of Change (NOC) in place for the achievement of this saving	Red	225	
Resources 20	Saving - Shared and Integrated Services Programme (exc Finance)	No confirmed extraction for this saving	Red	155	
Resources	Saving - Business Support	No NOC in place for achievement of this saving	Red	100	
G&R	Corporate Property	Income for letting space at the Town Hall and Fletton Quays is not yet secured	Red		tbc
G&R	Parking Income	Further reduction in income - Staff parking with the move to Sandmartin House, impact of wider agile working, off and on street parking fees	Amber	0	tbc
Gov	Cost of Coroner Service	2018/19 contract costs - lack of clarity on costs charged by Cambridgeshire County Council	Amber	0	tbc
P&C	Independent Sector Providers (ISP)	Additional pressures on Nursing Residential, Delayed Transfer of Care (DTCO), Sleep In payments following Mencap court case and Transforming Care service users could increase the ISP overspend	Red	0	tbc
P&C	Homelessness	Demand led area. Should demand increase or mix between accommodation types changes, forecasts could alter	Amber	0	tbc
P&C	TACT placements	Demand led area. If placement mix changes or demand increases, only needs one or two cases to impact significantly	Amber	0	tbc

P&C	Traveller sites	Clearing of traveller sites	Red	tbc
P&C	Clare Lodge	Risk around loss of Income, & the cost of Agency Staff if recruitment and retention strategies are not successful	Amber	

## Appendix D - Asset Investment and Treasury Budget Report as at August 2018

### Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at August 2018. It also provides an estimate of the borrowing requirement for 2018/19 to fund this plan.

### Asset Investment Plan 2018/19

The revised Asset Investment Plan budget as at August 2018 is £133.7m, which includes £18.0m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £158.7m. The movement between the MTFS position and the £181.3m as at April 2018 was a result of slippages mainly due to delays completing projects from 2017/18.

The actual investment expenditure as at August 2018 is £30.9m (58.6% of the revised budget to date). Since the end of August 2018, Project Managers have carried out a further review and are now forecasting an outturn of £117.6 therefore the Council's project managers are expecting to spend a further £76.7m before March 2019.

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	49	20	-
Growth & Regeneration	53,669	61,721	53,122	22,135	14,528
People & Communities	60,453	66,305	52,215	18,797	12,987
Resources	16,195	1,148	10,296	4,290	3,115
Invest to Save	28,350	52,065	18,007	7,503	252
<b>TOTAL</b>	<b>158,716</b>	<b>181,287</b>	<b>133,689</b>	<b>52,745</b>	<b>30,882</b>
Grants & Contributions	40,486	46,335	42,185	17,576	15,734
Capital Receipts – repayment of loans	1,000	1,000	24,500	417	1,000
Borrowing	117,230	133,952	67,004	34,752	14,148
<b>TOTAL</b>	<b>158,716</b>	<b>181,287</b>	<b>133,689</b>	<b>52,745</b>	<b>30,882</b>

### Borrowing and Funding the Asset Investment Plan

It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the Treasury Management Strategy approved as part of the MTFS. The Council borrows only to fund the Asset Investment Plan. The current plan assumes that 50.4% of the budgeted expenditure will be funded by borrowing.

The Council's total borrowing as at the end of August 2018 was £416.6m (see following table). The level of debt is measured against the Council's Authorised Limit for borrowing of £706.5m

which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £659.7m. These limits are set to enable borrowing in advance of need to take advantage of favourable loan rates in consideration of future years capital investment programme.

<b>Borrowings</b>	<b>Less than 1yr £000</b>	<b>1-2yrs £000</b>	<b>2-5yrs £000</b>	<b>5-10yrs £000</b>	<b>10+yrs £000</b>	<b>Total £000</b>	<b>Ave. Interest Rate %</b>
PWLB	0	500	11,128	15,715	312,244	339,587	3.6
Local Authority	17,000	22,500	20,000	0	0	59,500	1.6
Market Loans	0	0	0	0	17,500	17,500	4.5
LEP Loan	0	0	0	0	0	-	-
<b>Total Borrowing</b>	<b>17,000</b>	<b>38,000</b>	<b>16,128</b>	<b>15,715</b>	<b>329,744</b>	<b>416,587</b>	<b>3.4</b>
% of total Borrowing	4%	5%	8%	4%	79%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

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 remain relatively low e.g. the standard PWLB rate for 50yr loans including the certainty rate was 2.42% at end of August 2018. The historically low PWLB rates are a result of the investor fears and confidence creating an ebb and flow situation between favouring more risky assets i.e. equities, or the safe haven of bonds and have been fluctuating recently due to uncertainty over Brexit negotiations.

The following table shows the activity in Loans held by the Council for the year to date, with £13m of loans being repaid and £10m of new borrowing taken to fund the capital programme:

<b>Loans Portfolio £000</b>	
<b>April 2018 b/f</b>	<b>419,587</b>
repayment of loans to date	(13,000)
new loans in year	10,000
net increase/(decrease ) to date	<b>(3,000)</b>
<b>Loans portfolio as at August 2018</b>	<b>416,587</b>

Total interest payable on existing loans for the year (£416.6m) is expected to be £13.9m.

As at August 2018 the Council held £16.8m of S106 and Planning Obligation Implementation Scheme (POIS) funding available for funding Asset Investment projects. To date £7.9m has been earmarked for specific projects. The process for allocation requires project managers to successfully submit project plans meeting the criteria for which the contributions were intended. The S106 Officer is responsible for approving S106 allocations.

### **Investments**

The Council aims to achieve the optimum interest on investments commensurate with the proper levels of security and liquidity. In the current economic climate the Council considers it

appropriate to keep investments short term to cover cashflow fluctuations. This financial year investment returns have been from Barclays (the Council's banking provider), CCLA Money Market funds, the Debt Management Office and Local Authorities.

As at August 2018 the Council's external investments totalled £10.2m and have yielded interest to date of £0.057m, which reflects both relatively the low cash balances held to minimise the cost of borrowing and low interest rates being available in the economic climate

### Capital Receipts

Capital Receipts are used as part of a contribution to fund the Minimum Revenue Provision as approved in the MTFS. Close monitoring of the receipts from asset sales is maintained as any significant change will now have a direct impact on the revenue position.

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 2019. The MTFS includes a contribution of £2.9m Capital Receipts to fund the MRP, with the revised receipts figure including a further £6.7m rolled forward from uncompleted disposals in 2017/18.

Capital Receipts To Off Set Revenue MRP Charge RAG Status	MTFS Budget £000	Revised Budget £000	Received to Date £000	Not yet received £000
<b>Green</b>	-	-	-	-
<b>Amber*</b>	2,922	12,416	169	12,247
<b>Red</b>	-	-	-	-
<b>Total (not inc Investment Assets)</b>	<b>2,922</b>	<b>12,416</b>	<b>169</b>	<b>12,247</b>
Investment Assets	-	-	-	-
<b>Total Capital Receipts</b>	<b>2,922</b>	<b>12,416</b>	<b>169</b>	<b>12,247</b>

\*Revised budget includes an amount relating to Bayard Place