CABINET	AGENDA ITEM No. 5
25 February 2019	PUBLIC REPORT

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

MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2021/22 - TRANCHE THREE

R E C O M M E N D A T I O N S

FROM: Cabinet Member for Resources	**Deadline date: 15 February 2019**

It is recommended that Cabinet notes:

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

2. The grant figures published on 29 January 2019, within the Local Government Final Finance Settlement, are as previously indicated and outlined in section 4.4.

3. The future strategic direction for the Council outlined in section 5.11 of the report.

4. The feedback received on the budget proposals, received via the consultation detailed in section 9.3 of the report and Appendix O

It is recommended that Cabinet approves and recommends to Council:

5. The Tranche Three service proposals, outlined in Appendix H, this includes a 2.99 per cent council tax increase.

6. The Medium Term Financial Strategy 2019/20-2021/22-Tranche Three, as set out in the body of the report and the following appendices:
    - Appendix A – 2019/20-2021/22 MTFS Detailed Budget Position-Tranche Three
    - Appendix B – Budget Proposals- Tranche One, Two and Three.
    - Appendix C – Council Tax Information
    - Appendix D – Grant Register
    - Appendix E – Fees and Charges
    - Appendix F – Performance Data
    - Appendix G – Capital Programme Schemes 2019/20- 2023/24
    - Appendix H – Budget Consultation Document, including Tranche Three Budget Proposal detail
    - Appendix I – Savings RAG Rating
    - Appendix J – Equality Impact Assessments
    - Appendix K – Treasury Management Strategy
    - Appendix L – Capital Strategy
    - Appendix M – Asset Management Plan
    - Appendix N – Investment Acquisition Strategy
    - Appendix O – Budget Consultation Feedback
    - Appendix P – NNDR Retail relief discount 2019/20 and 2020/21

- Appendix Q – NNDR Local Discretionary Relief Scheme for 2019-20 and 2020-21

7. The Local Discretionary Rate Relief scheme for 2019-20 and 2020-21 as set out in section 5.8 of the report and Appendix Q.

8. To approve the Business rates retail discount scheme for 2019/20 and 2020/21 as set out in section 5.8 and Appendix P.

1. ORIGIN OF REPORT

1.1 This report comes to Cabinet as part of the Council's formal budget process as set out within the constitution and as per legislative requirements to set a balanced and sustainable budget for 2019/20-2021/22.

2. PURPOSE AND REASON FOR REPORT

2.1 **Purpose**

The report to Cabinet forms part of the council's formal Budget and Policy Framework. This requires Cabinet to initiate and propose service proposals and updated assumptions to set a balanced and sustainable budget for the financial years 2019/20 to 2021/22. There is a legal requirement to set a balanced budget for 2019/20. The purpose of this report is to:

- Recommend that Cabinet approve the Tranche Three service proposals;
- Recommend that Cabinet approve the budget assumptions to update the Medium Term Financial Strategy (MTFS), to ensure estimates reflect the most up to date information available;
- Outline the financial challenges facing the council in setting a sustainable and balanced budget for MTFS 2019/20-2021/22;
- Outline the strategic approach the Council is taking to close the budget gap over the three year budget planning horizon to deliver a sustainable budget;
- Outline potential avenues the Council is considering pursuing to ensure future budget sustainability;
- Outline the progress on the delivery of the shared services programme with Cambridgeshire County Council and other partners. The delivery of this programme will allow the council to work differently and more efficiently, which will unlock financial benefits to enable the council to continue to provide the services which are important to Peterborough residents.

Proposals will be agreed by Cabinet at this meeting, on 25 February 2019 and then will be recommended to Council on 6 March 2019 for approval.

2.2 **Executive Summary**

At Council held on 12 December 2018, Tranche Two of the 2019/20 MTFS was agreed, with deficits of £3.0m, £18.0m and £20.7m to be identified for 2019/20, 2020/21 and 2021/22 respectively. Tranche Three of the 2019/20 MTFS process has identified additional pressures and savings, reducing the budget deficit to a balanced position in 2019/20, with a deficit of £18.4m and £20.0m identified in 2020/21 and 2021/22. Table 1 summarises the current budget position over each Tranche.

Table 1: Overall 2019/20 MTFS Position by Tranche

	2019/20 £000	2020/21 £000	2021/22 £000
Budget Gap as reported in MTFS 2018/19	**12,712**	**19,317**	**16,926**

Service Pressures and Investment			
Tranche 1	1,692	4,562	5,463
Tranche 2	4,224	3,696	3,668
Tranche 3	5,173	5,592	5,641
Service Pressures and Investment sub-total:	**11,089**	**13,850**	**14,772**
Budget Position before Savings and Additional income	**23,801**	**33,167**	**31,698**
Savings and Additional Income			
Tranche 1	(4,177)	(3,841)	(61)
Tranche 2	(11,418)	(5,641)	(5,308)
Tranche 3	(5,122)	(5,276)	(6,273)
Savings and Additional Income sub-total:	**(20,717)**	**(14,758)**	**(11,642)**
Use Of Reserves	**(3,084)**		
Final Budget Gap	**0**	**18,409**	**20,056**
Incremental Budget Gap	**-**	**18,409**	**1,647**

Appendix B outlines an analysis of all budget changes included within Tranche One, Two and Three.

In addition to these deficits, detailed work is also under way to deliver the Shared Services Savings targets of £4.5m in 2019/20 and a further £4.5m in 2020/21. Further detail on this transformation programme is outlined in section 5.11.

The move to a truly sustainable budget will require a reduction of the "One off" savings, as by nature, these are not repeatable. Within this Tranche of the budget process the Council is proposing to use £3.1m of reserves to balance the budget in 2019/20, this adds to the significant reduction in the balances of reserves. Over the period 2017/18 to 2019/20 the Council is expecting its balances on reserves to reduce by almost 50%. Table 2 sets out the use of 'one off' savings included within the budget, and the in year unbudgeted use of one off measures, to a position in 2020/21, where the council is expecting to no longer rely on this funding option to support the budget.

Table 2: Non repeatable One Off Savings

	Previous Year	Current Year	Years relating to this Medium Term Financial Strategy		
Non Repeatable	**2017/18 £000**	**2018/19 £000**	**Year 1 2019/20 £000**	**Year 2 2020/21 £000**	**Year 3 2021/22 £000**
Capital Receipts	12,738	2,922	10,639	-	-
MRP Re-provision	-	3,700	-	-	-
Council Tax Surplus	173	1,188	201	-	-
Planned Use of Reserves	7,194	4,231	3,084	-	-
Total	**20,105**	**12,041**	**13,924**	**-**	**-**
In year Use of Reserves (as per December 2018 Budgetary Control Report)	-	2,532	-	-	-
In year increased Use of Capital Receipts	-	1,195	-	-	-

Total	**20,105**	**15,768**	**13,924**	**-**	**-**

As the council has used capital receipts from the sale of properties (assets) to support the budget for a number of years, the remaining value of assets is relatively low, especially with some of the higher value assets being sold in recent years. This now leaves the council with very little flexibility to use capital receipts in the future to support the budget, and also reduces the potential for the Council to generate property rental income.

The 2018/19 budgetary control position as at the end of December 2018, is forecasting an overspend of £2.5m, this has reduced from £6.5m reported in Tranche Two of the budget due to plans that have been put in place by senior management to manage and scrutinise expenditure throughout the Council, to mitigate the financial impact of the forecast overspend identified. This overspend is largely isolated in one area, children's services, which was outlined in detail when reported at the Cabinet meeting on 23 July 2018, highlighting the full extent of the demand pressures, although there are a number of other key areas of overspend to be aware of. These are as follows:

- Demand within children's services £4.5m;
- Demand within adults services £0.8m;
- Peterborough Serco Strategic Partnership -Transformation costs, Business Support and variable costs £2.0m;
- Amey contract extension £1.0m;
- Parking Services £0.5m;
- ICT £0.5m;
- Volumes within the Coroners service £0.2m.

These pressures are currently being mitigated in part by one off funding in the form of a returned business rates levy totalling £0.634m and the one-off use of capital receipts. This is a result of the Council exceeding the level of receipts included within the budget, which for the current year is £2.9m, as highlighted in Table 2. The December 2018 position is outlined in detail within the Budgetary Control Report to this Cabinet (25 February 2019) meeting.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	**YES**	If yes, date for Cabinet meeting	**25 FEBRUARY 2019**
Date for relevant Council meeting	**6 MARCH 2019**	Date for submission to Government Dept.	**N/A**

4. BACKGROUND

4.1 This report forms Tranche Three of the revised rolling budget process the Council previously agreed to implement, to aid the delivery of a three year Revenue Budget and Capital Programme from 2019/20 to 2021/22 for the Council.

4.2 **<u>The 2019/20 to 2021/22 Budget Setting Process</u>**

At Council held on 7 March 2018, the 2018/19 to 2020/21 MTFS was agreed. In addition, given the significant savings required for the Council to move to a fully sustainable budget over the MTFS three year time horizon, the Council also agreed to follow a rolling budget implementation process. Each tranche of the budget process will identify:

1) Savings and efficiencies that have been validated and are ready for approval;
2) Savings and efficiency strategies that are being worked on that require the Council to approve resources for detailed plans to be validated and enable timely implementation to be agreed as part of subsequent budget tranches later this financial year;
3) Future strategic direction and ideas.

This process has already seen two cycles of the process, with the proposals being agreed at Council held on 25 July 2018 (Tranche One) and 12 December 2018 (Tranche Two). The rolling budget process has followed similar governance processes to the previous year, with proposals being discussed at Cabinet Policy Forum and Budget Working Group before being published for consultation, and undergoing examination through Scrutiny meetings before final approval by Cabinet and Full Council.

As this is an election year, there is only the time to run three Tranches. A full four Tranche process will only take place in those years when there is not a "Thirds" Local Election.

The Table 3 sets out the Tranche Three budget timetable:

Table 3: Budget Timetable

Tranche	Cabinet	Joint Scrutiny	Cabinet	Council
Tranche Three	04/02/2019	12/02/2019	25/02/2019	06/03/2019

4.3 **Local Budget Context**

Basic funding assumptions are detailed in Section 5.1 of this report, these assumptions have been revised to include the following:

- Additional Growth in Business Rates (NNDR) income, due to new businesses within the city, particularly from the Peterborough Gateway at Roxhill, Great Haddon;
- Additional Council Tax increase of 1%, taking the total increase in all three years of the MTFS up to 2.99%;
- Additional Social care funding, totalling £2.150m each year.

The current assumptions are continuing from the previous MTFS updates, and still remain relevant:

- The 2019/20 financial year will be the final year of the present four year Settlement Period;
- Local Government funding will change significantly in 2020/21 and presently there is very limited information on how these changes will affect individual Councils;
- The Revenue Support Grant (RSG) will reduce to £10m in 2019/20

The Provisional Local Government Finance Settlement was announced on 13 December, confirming additional 1% Council Tax flexibility, New Homes Bonus funding allocations and £180m surplus on the levy account which will be redistributed to local authorities. Further details on the settlement are included within section 4.4.

The Council continues to face growing pressures and demands which include:

- Capital financing costs;
- The requirement for additional school places;
- Increases in Looked After Children numbers;
- Management of Homelessness;
- Adult Social Care demographics;
- Population growth, as Peterborough is a growing City;
- Demographic growth in different age groups that require Council services.

These pressures are outlined in more detail within the Budget Consultation document, with performance analysis and benchmarking, in relation to these key areas, being summarised in section 5.10 and Appendix F.

The December 2018 budgetary control report, which is also presented to Cabinet on the 25 February 2019, highlights the current forecast position on some of these pressures and demands in 2018/19.

Pressures and Savings Overview

The Council has ensured that growth pressures highlighted above have been included in the MTFS. Over the 2017 to 2022 period a total of £35m has been built into the budget, which results in higher levels of savings and efficiences being required to be delivered to balance the budget. Table 4 outlines the growth and Table 5 outlines the savings which have been factored in to the budget.

Table 4: Additional Budget Growth

Additional Budget Growth	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Opening Budget Gap in 2017/18	**15,284**	**24,342**	**31,166**	**33,804**	**34,281**
Corporate	1,063	2,536	3,983	6,638	7,308
Governance	319	483	693	698	698
Growth & Regeneration	751	858	2,952	2,561	2,712
People & Communities	8,422	9,590	13,266	14,975	16,459
Public Health	-	-	194	194	194
Resources	1,512	3,763	7,280	7,959	8,085
Total	**27,351**	**41,572**	**59,533**	**66,829**	**69,737**

Table 5: Budget Savings

Savings	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Chief Executive	(110)	(110)	(110)	(110)	(110)
Corporate	-	(1,045)	(4,775)	(9,275)	(9,275)
Governance	(50)	(76)	(98)	(90)	(90)
Growth & Regeneration	(1,214)	(3,254)	(6,183)	(6,018)	(6,438)
People & Communities	(949)	(1,056)	(2,698)	(3,135)	(3,122)
Public Health	-	(623)	(863)	(892)	(892)
Resources	(3,132)	(15,262)	(14,064)	(12,389)	(11,016)
Funding	(5,263)	(14,093)	(17,884)	(16,960)	(19,187)
Capital Receipts	(9,439)	(1,822)	(9,774)	449	449
Reserves	(7,194)	(4,231)	(3,084)	-	-
Total	**(27,351)**	**(41,572)**	**(59,533)**	**(48,420)**	**(49,681)**

Budget Gap 2019/20 MTFS	**0**	**0**	**0**	**18,409**	**20,056**

**all of these figures have been taken from the 2017/18, 2018/19 and 2019/20 MTFS reports to give you a give the last three years position. In terms of Capital receipts there were targets for future years built into the 2016/17 MTFS, this would explain why the figures vary in comparison to table 2. There is also a £449k pressure 2020/21 and 2021/22 related to rental income lost from the sale of investment assets.*

Council Priorities

The Cabinet remains firm in its priorities this year against the funding challenges it faces.These 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 to the wellbeing of the people concerned.

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

4.4 **National Budget Context**

Autumn Budget 2018

Chancellor of the Exchequer Philip Hammond delivered the Autumn Budget 2018 to the House of Commons on 29 October 2018 setting out the path for the Spending Review 2019 (SR19) and additional funding covering all government departments.

The main announcement for local government was:

- An additional £650m of social care funding, which includes extending the recently announced £240m of winter pressures funding in to 2019/20, and an additional £410m of funding for social care, from this Peterborough City Council will receive funding of £2.150m;
- £420m in 2018/19 to tackle pot holes and other minor road highways work. From this Peterborough received £1.535m of capital funding, which is to be used by 31 March 2019;
- £400m of in-year capital funding allocations to schools in 2018/19;
- An additional £84m of Children's Services funding over five years, but across only 20 councils. Peterborough is already one of the 5 councils on this scheme therefore there will be no additional financial benefit for the Council from this.

Philip Hammond confirmed there will be a full spending review next year, setting out its priorities and an indicative five year public spending path, re-emphasising that austerity is coming to an end. The previous spending reviews were at an average annual reduction of 3% in 2010 and 1.3% in 2015, however the SR19 will see annual growth of 1.2%, but notes that EU negotiations should enable them to have more cash.

All of the Departmental Expenditure Limits (DEL's) will be confirmed in the spring when the Spending Review is confirmed.

Provisional Local Government Finance Settlement 2019/20 including Business Rates Pooling

On 13 December 2018 James Brokenshire, the Minister for Housing, Communities and Local Government (MHCLG) gave an oral statement to the House of Commons, outlining the Provisional Local Government Finance Settlement. The key announcements were:

- 3% General Council Tax referendum limit for 2019/20 was confirmed;
- The New Homes Bonus National Baseline will remain at 0.4%;
- 15 new 75% Business Rates Pilots were announced for the following areas: Berkshire, Buckinghamshire, East Sussex, Hertfordshire, Lancashire, Leicester, Norfolk, Northamptonshire, North & West Yorkshire, West Sussex, Worcestershire, Solent Authorities North of Tyne, Somerset, and Staffordshire & Stoke. With the pilots in devolution areas and London remaining in place;

- £180m surplus on the Business Rates levy account in 2017/18 (for the first time) and this will be redistributed to local authorities based on need;
- The direct elimination of Negative Revenue Support Grant (RSG) in 2019/20 using foregone business rates at a cost of £152.9m, (this had no impact on for Peterborough City Council);
- A package of support to help councils become more efficient was announced. It will support continuous performance improvement and the use of smarter technology. There will be a £7.5m innovation fund, with the first allocations already announced.

Final Local Government Finance Settlement 2019/20

On 29 January 2019 the Final Local Government Finance Settlement 2019/20 was announced by written statement. There were no changes to the previously announced provisional settlement, with the one exception being the additional 2% Council Tax flexibility awarded to Northamptonshire Couny Council.

Fairer Funding Review Consultation

A consultation paper was issued on 13 December setting out the Government's latest proposals on the Fair Funding Review. This paper focuses on the 'allocation of needs and resources' within the formula. Overall the direction of travel outlined in the paper is towards a flatter distribution of 'needs', including options for the following:

- Its proposed that deprivation will no longer form part of the foundation formula, which will have a significant impact for the most deprived authorities;
- Some services, such as concessionary fares or home-to-school transport, which have previously been funded based on demand or usage, will be funded on a per-head basis;
- There are options for partial council tax equalisation (the 2013/14 funding formula only did 75% equalisation). Furthermore, there will be limits placed on the extent of equalisation;
- There are still some very large gaps, particularly in respect of the Adult's and Children's social care formulae. Between them these two formulae will distribute about half of the "needs" assessment. It is known that it will be based on multi-level, or small-area, statistical analysis, but there is currently no idea of the outcome of this research and it is unlikely to be known until the late Summer 2019;
- There are some specific proposals around area cost adjustments, which will look to use the Department of Transports travel time data instead of sparsity, which will be a positive move for rural authorities.

Overall the consultation indicates a good outcome for lower need, high taxbase authorities, due to the proposal to remove deprivation from the formula and to only take a partial council tax equalisation approach. Peterborough has seen increased needs and demand for services in areas such as social care housing. The council has also experienced growth in its Council Taxbase, due to the significant amount of new homes built within the city. This growth in the number of homes within the City increases the level of Council Tax Base, however due to the average property being a Band B and the Council having one of the lowest Council Tax Band D rates, it does mean the Council has a lower tax base in comparison to other authorities. Taking this in to consideration it would seem likely that Peterborough would receive a flatter redistribution, meaning little fluctuation in funding levels.

The Council will be providing a full response to this consultation in February and will carry out further analysis using the Fairer Funding models available by PIXEL and the LGA to assess the potential outcome for Peterborough.

The Local Government Association (LGA) View

Following the Local Government Finance Settlement 2019/20 publication the LGA are encouraged by the government showing signs of listening to the sectors concerns and increasing pressures by providing additional social care funding and additional Council Tax flexibility. However, they note that Councils are still facing a funding gap of over £3bn in 2019/20, and that additional funding is still required. They are continuing to raise concerns over the lack of clarity over funding levels from March 2020, when the four year settlement deal finishes and the new fairer funding system is put in place.

The LGA currently have a number of campaigns around creating financial sustainability for the future of local government. One of the campaigns 'Growing Places: building local public services for the future' is aiming to ensure residents and their families have access to the best possible opportunities to live a healthy, independent and prosperous life. They are rallying behind Local Government and emphasising how councils are at the heart of communities and are best placed to improve people's lives, protect residents and ensure that core service delivery continues. The campaign focuses on some of the key growing demand areas facing local government such as Children's and Adults social care and Homelessness, all areas where Peterborough has seen a significant rise in demand and therefore a financial pressure in recent years. They outline options to address the funding gap, redistribute funding and provide certainty and sustainability.

The LGA also have a '#CouncilsCan moving the conversation on' campaign, which starts the new thinking around building the case for long term, sustained investment in local government as well as laying out the positive outcomes this would deliver for the country, such as:

- Local government funding;
- Housing, planning and homelessness;
- Improving schools;
- Brexit;
- The future of non-metropolitan England;
- A sustainable adult social care and support system for the long term;

CIPFA Finance resilience Index and Financial Management Code of Practice

In July 2018, CIPFA developed a proposal to publish an index of resilience of councils, designed to support the local government sector as it faces continued financial challenge. CIPFA believes there is a need for appropriate and robust independent challenge and support of some councils on financial strategy and trajectories through this new resilience index which is intended to provide challenge where needed so that appropriate action can be taken at a local level. The index forms part of a broader strategy the Institute has for ensuring council finance leaders have the support needed to achieve a balanced budget.

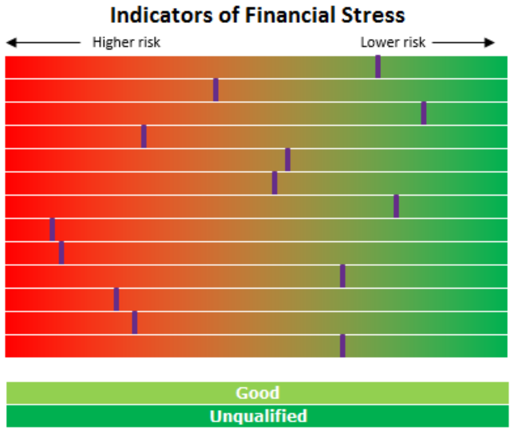
The consultation in summer outlined a proposed methodology, and illustrated how the results might be displayed in practice. The index tool will seek to rank authorities on their financial health by considering the following indicators:

- Level of reserves;
- Change in reserves;
- Ratio of government grants to net revenue expenditure;
- Proportion of net revenue expenditure accounted for by Children's social care, Adult's social care and financing costs;
- Ofsted rating for children's social care;
- Auditors Value For Money judgement.

CIPFA have announced a number of changes to the proposed index. The modifications have been made after CIPFA received 189 responses to the consultation from local authorities, representative groups, statutory bodies and auditors. The key changes include:

- the removal of the composite index that combined a number of factors into a single weighted measure;
- providing the report (tool) initially to local authorities and their auditors via their Section 151 officer in year one, with it being made publish in subsequent years. Therefore they will not be publishing the tool openly, as initially indicated;
- adaptations to some of the indicators – and these will remain under review and subject to feedback from users in the coming months.

The tool was made available to all Council Chief Finance Officers in December 2018, and following is a snapshot of what the tool has to show for Peterborough City Council, demonstrating strengths in areas and some weaknesses.



	Min	Peterborough	Max
Reserves Depletion Time	2.15	100.00	100.00
Level of Reserves	9.8%	31.4%	145.0%
Change in Reserves	-58.2%	39.8%	97.3%
Unallocated Reserves	0.9%	4.7%	29.4%
Earmarked Reserves	0.4%	26.7%	129.9%
Change in Unallocated Reserves	-74.6%	0.0%	73.7%
Change in Earmarked Reserves	-97.9%	50.2%	286.3%
Council Budget Flexibility	26.8%	80.3%	93.5%
Children's Social Care Ratio	2.9%	32.2%	38.4%
Adult Social Care Ratio	20.7%	37.3%	52.7%
Grants to Expenditure Ratio	0.0%	15.4%	37.8%
Council Tax Requirement / Net Revenue Expenditure	31.4%	52.9%	89.8%
Retained Income from Rate Retention / Net Expenditure	12.8%	33.2%	55.4%

Children's Social Care Judgement: Good
Auditors VfM Assessment: Unqualified

Source CIPFA Financial Resilience Toolkit (Peterborough)

The ‘council’s budget flexibility’ indicator displays the highest risk level for Peterborough. This indicator is the ratio of total spending on adults’ social care, children’s social care, and debt interest to net revenue expenditure. This indicator provides a measure of the degree of flexibility within a council’s budget. Spending on these items is less likely to be reduced compared to other categories. A high ratio suggests that the council has little flexibility to make further savings, potentially leading to risk.

One of the strategies the council is actively looking to put in place, which would bring this indicator down to a lower level is reviewing the Capital Programme, to reduce this to a core level. This would contriute to lowering the estimated cost of borrowing (debt interest and minimum revenue provision) the council incurs.

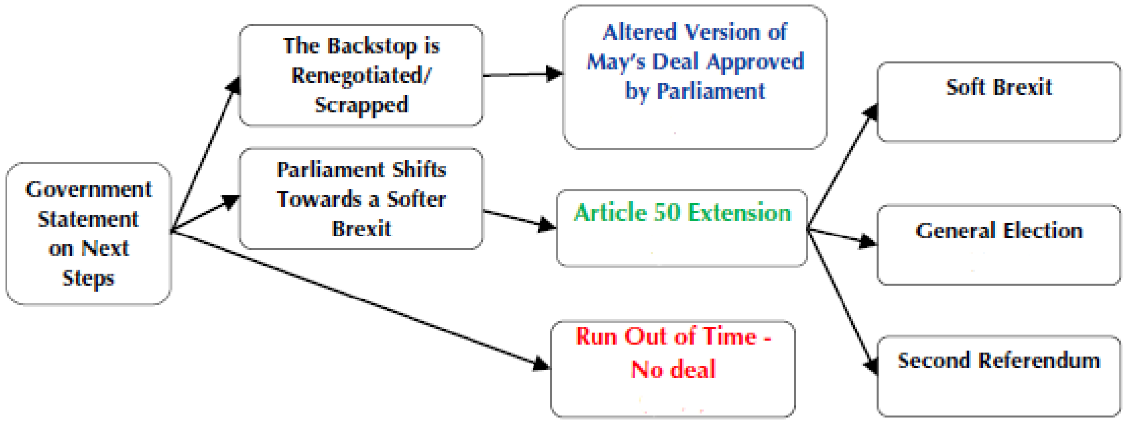
The Council will be using this tool to inform the future budget setting process, direct the council to the areas where the Council should look to build financial resilience, and also benchmark against other Councils to identify best practice within the sector. This could provide an opportunity to have open discussions with other Local Authorities, to share operating models and strategys to dealing with the shortfall in funding and increasing demand.

CIPFA are also in the process of developing a Code for Financial Management, which should provide local authorities guidance to follow throughout the budget setting process. This code is CIPFA’s professional response to the current position of local government finances and the nationally difficult process local authorities are going through when setting their budgets. Work will continue throughout 2019, with stakeholder group sessions and a consultation, with the code expected to be released in September 2019.

Brexit

As the turbulence in parliament continues with Theresa Mays Brexit Deal being defeated in the vote held on 15 January 2019, and then the prime minister defeating Labour's motion of no confidence the following day, the uncertainty around the future for the UK and the European Union (EU) continues.

The UK is due to leave the EU on 29 March 2019, and to change this date would require a change to the law in the UK. At present there seems to be a number of avenues this could take such as the deal eventually being agreed, an extension to article 50, where the leave date is extended, where a number of other options could become possible such as a general election or a second referendum or a no deal situation. The following diagram outlines these options:



Source: capital economics.

Taking the most likely situation in to account this would mean a continuation of the prolonged uncertainty on the economy, pushing any interest rate and gross domestic product (GDP %) increases further into the future.

A Brexit 'no deal' situation would mean a number of key changes for Councils such as:

- How EU funded programmes will operate
- Procurement
- State Aid
- Importing and Exporting (where the authority has a port, importing certain animal species, etc.)
- Labelling products (including food, chemicals, enforcement, tobacco products etc.)
- Personal data and consumer rights

A full list produced by the LGA can be found here.

5 BUDGET DETAIL

5.1 Revenue Funding Assumptions

The revenue funding outlined within this section only reflects the revenue funding the council received from government for general purposes or income generated from local taxation. It doesn't reflect the full level of income the council receives, these other income streams are included within departmental budgets and include income such as commercial property rental income, fees and charges and specific grants.

The following funding assumptions included in the 2019/20-2021/22 MTFS process:

Council Tax

- General Council Tax is assumed to increase at 2.99% per year for all three years of the MTFS, which is below the referendum limit (3%) for both 2018/19 and 2019/20. Although future years have not been confirmed yet it seems highly likely that this limit will remain in place.
- There is no longer additional funding relating to the Adult Social Care Precept in 2019/20 with the flexibility being fully utilised in 2018/19.
- The Council Tax base is increased to reflect the growth in the city and a number of variables, such as Council Tax Support, Council Tax exemptions and the banding of properties, of which Peterborough is largely weighted towards band A and B properties. The forecast increase in Council Tax base usually equates to an average of 1,000 new homes built each year.
- Further Council Tax information including a breakdown per band is outlined in Appendix C.

Business Rates (NNDR)

- Business rates is a major source of income for the council providing some £49m of income in 2019/20 to the general fund. The system continues to increase in complexity with further policy changes from the government being implemented in 2019/20 requiring compensation via additional s31 grants. The Council will remain at the existing 50% local government scheme for the coming year.
- The budget for 2019/20 reflects an increase of £1.5m compared to the previous MTFS which reflects a number of factors including the inclusion of anticipated growth from the Roxhill / Great Haddon development of £0.9m, an anticipated surplus of £0.5m brought forward from 2018/19, and a change in the governments calculation of compensation for lost income from the small business rate supplement of £0.1m.

Revenue Support Grant (RSG)

- RSG funding has been confirmed at £10.2m in 2019/20, as indicated in the four year settlement deal secured by the Council. In the absence of any confirmation of funding allocations beyond 2019/20 RSG has been incorporated in to the MTFS at a consistent level.
- RSG will be part of the 75% business rates retention and the fairer funding mechanism which will be introduced from 2020/21. At this stage MHCLG are consulting with local authorities and the level of funding to the council remains uncertain. As further information becomes available the funding assumptions within the MTFS can be revised to reflect the most realistic and likely outcome.

Other Funding

- New Homes Bonus grant allocations for 2019/20 have been confirmed, within the provisional settlement announcement and the amount has reduced in comparison to our initial forecast in 2019/20, but the forecast allocations in future years have improved.
- Additional Adult Social Care funding totalling £650m was confirmed in the Autumn Budget for 2019/20, for the Council this equated to a revenue grant of £2.150m. This funding is in addition

to the £6.5m of Improved Better Care Fund and Adult Social Care grant funding, which had been confirmed in previous years financial settlement.

- Recent trends demonstrate that adult social care funding, although announced as one off funding streams, appears to becoming more of a permanent feature within the Local Government Finance Settlement, as demonstrated by the following graph and Table 6. With a heavy emphasis on the NHS and social care demand the government seems more committed to providing the resources to support the crisis. Taking all of this in to account the Council has thought it prudent to assume that the £2.150m of funding will continue in to the future and have built this assumption in to the MTFS on an ongoing basis.

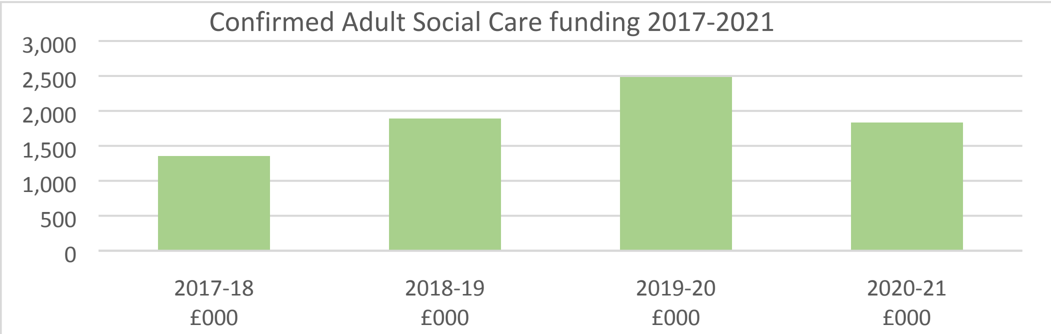
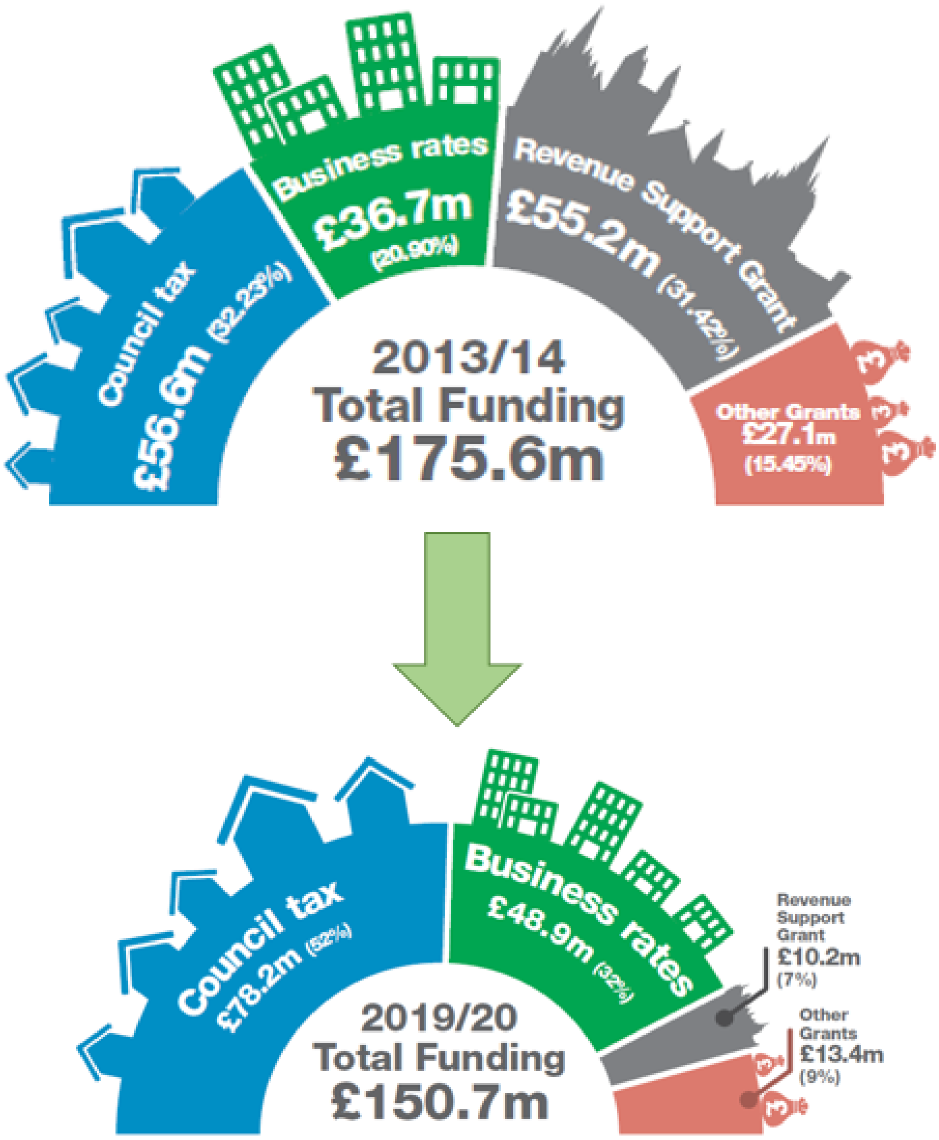


Table 6: National Adult Social care funding levels

Funding Stream	Announcement	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000
Improved Better Care Fund (Original Allocation)		105	825	1,500	1,500
Improved Better Care Fund (Budget 2017)	*Autumn Budget 2017*	1,010	674	337	337
Additional Adult Social Care Grant 2017-18	*LG Settlement, Feb 2017*	241	-	-	-
Additional Adult Social Care Grant 2018-19	*LG Settlement, Feb 2018*	-	150	-	-
Additional Adult Social Care Grant 2018-19	*Conservative Party Conference, Oct 2018*	-	240	240	-
Additional Adult Social Care Grant 2019-20	*Autumn Budget 2018*	-	-	410	-
ASC grant funding		**1,356**	**1,889**	**2,487**	**1,837**

The following diagram outlines the Councils total funding for the 2019/20 budget in comparison to the total funding from the 2013/14 budget. This demonstrates that RSG now equates to just under 7% of the Councils core funding, which reduced from 31% in 2013/14. By 2019/20 this grant will have reduced by 80% from £55m in 2013/14 to £10m in 2019/20.

There has been a significant shift in the Council’s core spending power, with Central Government reducing grants at such a rate, the council has had few options other than to increase Council tax over recent years (after freezing council tax in four out of the past nine years) to maintain a sustainable funding stream to fulfil the growing need for services. The diagram also demonstrates substantial economic growth with a significant rise in the level of Business Rates income generated.



5.2 **2019/20-2021/22 MTFS Tranche Two Summary**

Table 7 outlines the Tranche Two budget position, outlining the amounts the council will receive from the key funding streams, accounting for the assumptions aforementioned. It also highlights the departmental budgets and the Budget Gap for each of the three years, at the end of Tranche Two.

Table 7: 2019/20-2021/22 Tranche Two Budget Position Summary

	2019/20 £000	2020/21 £000	2021/22 £000
NNDR	(47,621)	(48,633)	(49,515)
Revenue Support Grant	(10,246)	(10,246)	(10,246)
Council Tax	(77,191)	(79,761)	(82,177)
New Homes Bonus	(4,890)	(4,018)	(4,073)
Improved Better Care Fund	(5,345)	(5,345)	(5,345)
Additional funding for Adult Social Care	(1,121)	-	-
TOTAL CORPORATE FUNDING	**(146,414)**	**(148,003)**	**(151,356)**
PLANNED EXPENDITURE			
Chief Executives	1,314	1,062	1,062
Governance	4,359	4,058	4,058
Growth & Regeneration	22,331	22,940	23,392
People & Communities	86,801	89,420	91,772
Public Health	93	64	64
Resources	16,987	18,177	19,662
NET SERVICE EXPENDITURE	**131,885**	**135,721**	**140,010**
CORPORATE EXPENDITURE	1,320	1,320	1,320
CAPITAL FINANCING COSTS	16,243	29,055	30,714
TOTAL PLANNED EXPENDITURE	**149,448**	**166,096**	**172,044**
REVISED DEFICIT/(SURPLUS)	**3,034**	**18,093**	**20,688**

5.3 **Tranche Three Budget Position 2019/20-2021/22**

Table 8 sets out the demand and savings proposals in Tranche Three of the 2019/20 budget process. The major items included within these proposals are:

- Additional 1% Council Tax increase, taking the total increase to 2.99%
- Increased cost of financing the Capital Programme
- Additional Business Rates Income
- Increased income from Energy generated by the Energy from Waste (EfW) facility
- Cost of running Peterborough Ltd, the Local Authority Trading Company (LATco)

Table 8: 2019/20- 2021/22 Tranche Three Budget Position Summary

	2019/20 £000	2020/21 £000	2021/22 £000
Budget Gap as reported in MTFS 2019/20 Tranche 2	**3,034**	**18,093**	**20,688**
MTFS 2019/20-2021/22 budget changes:			
Pay and Pensions	269	269	269
Inflation and cost changes	605	677	646
Demographic and volumetric service demand	875	875	875
Grant and legislative changes	-	753	753
Efficiencies	(180)	(180)	(180)
Capital financing Changes	1,322	1,673	1,673
Service proposals (savings and additional income)	1,425	1,018	1,153
Revised Budget Gap	**7,350**	**23,178**	**25,877**
Funding changes	(4,265)	(4,769)	(5,821)
One-off resources (including capital receipts)	-	-	-
Use of reserves	(3,084)	-	-
Final Budget Gap	**-**	**18,409**	**20,056**
Incremental Budget Gap	**-**	**18,409**	**1,647**

The following appendices outline further details on the budget position and the proposals:

- Appendix A- 2019/20-2021/22 Tranche Three MTFS Detailed Budget Position (a), the Net and Gross budget position (b), Subjective analysis of the budget position (c).
- Appendix H- The Budget Consultation Document
- Appendix J- Equality Impact Assessments (where applicable)

Table 9 details all of the proposals included within Tranche Three, and the financial implications for the three years covering 2019/20- 2021/22.

Table 9: 2019/20- 2021/22 Tranche Three budget proposals

Proposal	2019/20 £000	2020/21 £000	2021/22 £000
Capital financing Changes	**1,322**	**1,673**	**1,673**
Axiom/Longhurst interest income reduction due to loan redemption	140	140	140
Capital Programme- Additional Cost of financing	1,182	1,533	1,533
Demographic and volumetric service demand	**875**	**875**	**875**
Pollution Control	120	120	120
Trees- Insurance Risk	250	250	250
Legal Child Protection Team Pressure	100	100	100
Materials Recycling Facility	300	300	300
Coroner Volume related pressure	105	105	105
Efficiencies	**(180)**	**(180)**	**(180)**
Repairs and Maintenance cost reduction (result of Community Asset Transfers)	(180)	(180)	(180)
Grant and legislative changes	**-**	**753**	**753**
Tackling Troubled Families (TTF) Grant	-	753	753
Inflation and cost changes	**605**	**677**	**646**
ICT	605	677	646
Pay and Pensions	**269**	**269**	**269**
Pay Scales- National Living Wage (EIA in Appendix J)	114	114	114
Across Back Office Efficiencies	155	155	155
Service proposals (savings and additional income)	**1,425**	**1,018**	**1,153**
St George's Hydrotherapy Pool- Vivacity Transfer	58	58	58
Peterborough Ltd (LATCo)	1,087	805	940
POSH Rental income budget (removal post sale)	380	380	380
Peterborough Highways Services Commercial Income Pressure	400	275	275
Energy From Waste Income	(500)	(500)	(500)
Use of reserves	**(3,084)**	**-**	**-**
Use of the Capacity Reserve to balance the Budget	(3,084)	-	-
Funding changes	**(4,265)**	**(4,769)**	**(5,821)**
Business Rates Forecast	(1,321)	(852)	(738)
Social care funding announced in the Autumn Budget £650m	(2,150)	(2,150)	(2,150)
Council Tax additional 1% and Tax Base Forecast	(770)	(1,594)	(2,705)
Council Tax Collection Fund Surplus (one-off)	(201)	-	-
New Homes Bonus	177	(173)	(228)
Grand Total	**(3,033)**	**316**	**(632)**

5.4 **Demographic and volumetric service demand**

The following areas have been included within the MTFS as the volume or demand for these services has seen a significant increase which is no longer containable within the current budget envelope.

Pollution Control- £0.120m
The amount of work the Environmental Health Pollution Control team is expected to deliver has been increasingly rapidly for the last five years, while its staffing numbers have stayed the same. The team has now reached a point where it is unable to continue with current workload and is proposing to recruit two additional full time members of staff. The rapid increase in workload is mainly due to the city's population growth of the city, which is expected to accelerate further in future years. The team carries out a number of statutory duties which are legally required for the city council to deliver. This includes air quality monitoring, permits for industrial processes, maintenance of the contaminated land register and monitoring of developments to ensure against contaminated land. In addition, the team investigates statutory nuisances, including: odour, noise, fumes, smoke, effluvia, and light, living conditions which are prejudicial to health such as hoarding, and rat infestations. The team is low cost currently when compared to other authorities, accounting for £2 per head of population, compared to a national average of £7. The additional two posts would mean a budget pressure for the city council, but would ensure the team is able to continuing to meet its statutory (legal) obligations both now and in future years.

Trees- Insurance Risk- £0.250m
The city council is fortunate that it has a relatively young tree stock. However, several recent test court cases have resulted in changes to a council's expected duty of care in relation to tree failure, root damage and tree related subsidence. To ensure the council is able to meet this duty, the council's tree stock will need to be categorised, with trees that pose more of a risk inspected more regularly than the current three yearly period. In addition, the council needs to increase its insurance spend to ensure it is protected against future claims.

Legal Child Protection Team Pressure- £0.100m
The child protection team has six lawyers (including the senior lawyer) and four legal officers, all dedicated to carrying out the legal work for Children's Services. The budget which was transferred by Children's Services to Legal Services in 2014 has not increased since the transfer, but the amount of work both locally and nationally has increased in volume and complexity. The biggest demand on the budget is the cost of the court cases, which are likely to continue to increase in line with national trends. There is no way of actively reducing court cases without impacting on the Council's statutory duties to children and potentially placing children at unacceptable levels of risk.

Materials Recycling Facility- £0.300m
The Material Recycling Facility, (Haulage, Treatment and Sales) contract provides for collecting mixed recycling materials from Peterborough's transfer station at Nursery Lane to an out of town Materials Recovery Facility where it is sorted into its constituent materials for transfer to purchasers for use in new products. The collection and recycling of a number of materials from households is a statutory duty and therefore not able to be stopped. The marketplace in which this service operates has changed considerably since the commencement of the contract and its subsequent financial performance is less than expected. An ongoing budget requirement of £0.300m is needed to support its continued operation.

Coroner Volume related pressure- £0.105m
The number of referrals to the combined coroner's service in Cambridgeshire and Peterborough has risen by 16 per cent over the last four years. This has resulted in rising workloads. An additional two full time officers are required to support this. In addition, the Local Government Association and the Coroner Society have sought to try and agree a national pay structure for Coroner and Assistance Coroners. This has led to national guidance being published for local authorities to increase pay for some of its existing staff.

5.5 **Revised Cost Assumptions**

ICT Inflation- £0.605m

The council relies on its ICT systems to complete its support functions in public services. Like domestic systems, ICT becomes outdated quickly, and needs to be enhanced, upgraded or changed from time to time in order for the council to continue working effectively.

This budget pressure covers hosting and licensing of ICT systems. It comprises of the council's move to Microsoft 365 and also covers other specialist IT systems including the HR/Payroll system, the Public Protection system, the People's Network and additional IT support for users.

5.6 **Grants**

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

The MHCLG published the local government final finance settlement on 29 January 2019, confirming final grant allocations, which have been set out within the grants register.

RSG remains as forecast, this was confirmed as part of the multi-year settlement deal Peterborough secured from the Ministry of Housing, Communities and Local Government (MHCLG) last year. The 2019/20 financial year will be in the last year of this deal, leaving the future level of the grant income unknown.

5.7 **Cambridgeshire and Peterborough Combined Authority (CPCA)**

Budget 2019/20

The CPCA have a draft revenue budget of £23.1m. The Transport Levy totalling £12.369m can be broken down as £3.631m for Peterbourgh City Council and £8.738m for Cambridgeshire County Council. Transport and Adult Education will continue to be provided by Peterborough City Council on behalf of the CPCA.

The CPCA budget consultation (now closed) and draft budget documents are available here.

The CPCA invited comments on its Draft Budget 2019/20 and Medium Term Financial Plan (MTFP). The comments below were submitted collectively on behalf of Cambridgeshire County Council, Fenland District Council and Peterborough City Council:

The authorities note the ambitious plans of the CPCA as part of the Devolution Deal commitments and aspirations.

Within the overall ambitions and aspirations that are set out for the period to the next Mayoral election, it is clear that the value of the non-ring fenced and non-passported programmes / projects is greater than the available resources for both revenue and capital. The CPCA recognises this and suggests a prioritisation and this approach is supported. However, it is the view of the local authorities that along with prioritisation, projects are also sequenced and co-ordinated properly to avoid and eliminate unnecessary duplication and utilise the limited resources efficiently.

Any prioritisation method or process used must be objective, transparent, auditable and be able to stand up to scrutiny to have any validity and acceptance by those whose projects are subjected to it.

The draft Budget 2019/20 mentions that during the period of the MTFP 'other funding sources and methods will be sought' to fund the projects in the future where required. Whilst recognising that at this stage of developing the programme of projects many factors are yet to be developed, the local authorities urge the CPCA to share the provisional timetable as soon as this is available. Could the CPCA also share their assumptions on funding sources for the programme. Given the financial challenges facing local government it is imperative that any co-funding or contributions that are being considered for projects not yet approved are identified as soon as possible in order for those authorities to understand the financial consequences for their organisations.

With regards to the AEB budget, the CPCA papers state that this funding will be spent with service providers in the Adult Education sector but with an allowance retained for support costs. The view of the local authorities is that the amount so allowed for support costs whilst covering the costs must be proportional so that the bulk of the AEB grant is used for the purpose for which it is meant and given. This *comment is made from the observation of the significant increase in the cost of the CPCA particularly in relation to salaries from the first budget in 2018/19.*

Where projects have been approved and commissioned by the CPCA Board it is important and essential that funding agreements are issued and signed in a timely manner so that the organisation(s) undertaking the projects are fully aware of the terms and conditions of the funding for the projects to be able to incur expenditure on the projects with confidence and certainty.

University Centre Peterborough

The Council is working closely with the Cambridgeshire and Peterborough Combined Authority (CPCA) and University Centre Peterborough (UCP) to take forward development plans for a new University to be located on a site close to the city centre between the Embankment and Bishop's Road.

UCP is undertaking curriculum development work in conjunction with the Government's Office for Students with a view towards achieving full degree awarding powers. CPCA made an initial allocation of £9.74m to enable the first phase of the University to be planned and developed (this includes land, infrastructure and buildings) and separately awarded UPC £3.83m for work on curriculum development activity and the achievement of degree awarding powers. Prior to committing major capital investment CPCA has commissioned a gateway review of the outline business case for the project so that delivery options can be fully assessed and appraised; this will enable risks, costs, benefits and delivery options to be more fully understood.

Strategic heads of terms have been exchanged between the Council and CPCA committing both parties to work together to help deliver the project. A detailed title search has been undertaken on the land proposed for the University. The strategic heads have been further developed into a detailed memorandum of understanding whereby the Council would form a joint venture delivery vehicle with CPCA to develop the University Campus. Under the proposed agreement, the Council would release land into the Joint Venture Delivery Company and the Combined Authority would inject funding. This would be recouped over time through the leasing of buildings to the University and through commercial property deals e.g. for the construction of student residential accommodation.

Upon completion of the current project gateway review the terms of the proposed delivery JV will come forward to the Council for approval.

5.8 **Business rates retail discount for 2019/20 and 2020/21.**

The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21. The value of discount should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.

As this is a measure for 2019/20 and 2020/21 only, the Government is not changing the legislation around the reliefs available to properties. Instead the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). The Government expects local government to apply and grant relief to qualifying ratepayers from the start of the 2019/20 billing cycle.

Central government will reimburse billing authorities and those major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance.

An estimate of the likely total cost of providing the relief in 2019/20 (£3.224m) has been provided to MHCLG as part of the annual NNDR1 form process. This will allow central government to make on account payments to cover the local share during the course of the year.

Following the end of the financial outturn data on the actual total cost for providing the relief will be provided to MHCLG as part of the annual NNDR3 process at which point adjustments will be made for over or under payment.

The government have provided detailed guidance on the operation of the scheme including the types of properties eligible for the discount and those specifically ineligible as well as the method of calculating the relief and this is set out in the attached appendix. The relief will be subject to state aid rules under the deminimis regulations in order to be compliant with European Law which limits aid to €200,000 over a three year period.

The government are also paying Local authorities a new burdens grant to contribute towards the additional cost of processing these reliefs. The government have already advised Local authorities of a flat rate grant of £1,725 in respect of the software element but have yet to determine the administrative element.

The full scheme detail is outlined within Appendix P.

Local discretionary relief scheme (LDRS)- Business Rates

In the spring budget of 2017 the government set aside funds over a four year period to provide relief where an increase in bills has taken place due to the 2017 business rates revaluation. They also assumed that more support would be provided to lower value properties and for higher levels of increase. The government also asked each local authority to design their own schemes.

The LDRS therefore has a further two years of operation from 2019/20 and as can be seen from the table below the relief tapers from £0.054m in 2019/20 to £0.008m in 2020/21 which requires a new scheme for each year.

The scheme attached at Appendix Q covers both 2019/20 and 2020/21.

The scheme for 2019/20 is very similar to the schemes for the previous two years with the key change being the reduction in the level of relief to match the government funding.

For 2020/21 due to the low level of funding it is recommended that the scheme changes to a hardship fund subject to application for small business up to an Rateable Value (RV) of £20k. No application would be considered unless they had experienced minimum net increases equivalent to inflation between 2016/17 and 2020/21 (four years) plus 1%. The eligibility criteria set out in Appendix Q e.g. excluding certain properties would also apply. For the successful applicants the maximum relief would be to limit the increase to the inflation plus 1%. Recommendations for the award of such relief would be submitted to the Cabinet member for Resources for approval with a maximum cap of £0.008m for the total of all reliefs in the year.

Allocation of Relief to be granted	**2019/20**	**2020/21**
National Allocation in	£35.0m	£5.0m
Peterborough Allocation in	£0.054m	£0.008m

These values represent the total amount of relief to be awarded to the ratepayer and the government have committed to fund the Council’s share (49%) by way of a section 31 grant capped at the allocation level.

The scheme will be based around the national transitional relief scheme and covers small (RV up to £0.020m), and medium (RV £0.020m to £0.051m) for 2019/20 with only small being considered for hardship for 2020/21. This scheme provides relief at varying levels in order to reduce the impact of the increase in rates due to the 2017 revaluation. The local discretionary scheme will provide further relief for the qualifying properties in 2019/20 by reducing net increases between 2016/17 and 2019/20 (three years) to 7.5% (inflation) for small properties and 17.5% for medium properties. In 2020/21 only small properties will be considered on an individual application basis. Additional parameters applying to all properties are increases of up to £50 will not be awarded and the maximum award will be capped at £640 (£500 in 2020/21).

By structuring the reliefs in this way, they will be targeted towards smaller properties in line with the Government's intentions.

The estimated number and amount of relief in 2019/20 is set out below, for 2020/21 the maximum relief will be capped at £8k and cover small properties only.

Property Type	**RV Range**	**Number**	**Relief £000**
Small	Up to £20k	70	32
Medium	£20k to £51k	43	22
TOTAL		**113**	**54**

The cost of granting the relief will be funded by Central Government via a Section 31 grant, up to the maximum value allocated - the Government have confirmed that there can be no carry forward of any allocation.

Consultation with the Local Taxation section was undertaken to provide the relevant information for this report. Other relevant consultation with interested authorities has been undertaken to comply with conditions set by the Ministry of Housing Communities and Local Government (MHCLG).

5.9 **Fees and Charges**

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

The full listing of Fees and Charges are set out in Appendix E, the department and range of the increases are summarised in the Table 10.

Table 10 – Fee and Charge Increases by Department

Department	**Increase Range**
Governance	0%
Growth and Regeneration*	0 – 37.5%
People and Communities	0%
Resources	0 - 20%

**with the exception of one increase on a specific parking permint which increases from £25 to £56 for agencies working with the Council.*

5.10 **Performance Data**

It is important to compare how Peterborough City Council finds itself in comparison against its Unitary Council Peers, and further detail is contained in Appendix F.

Although 'Benchmarking per Head' is not always a good indicator (as costs can vary from region to region as can funding) the following tables sets out how the Council compares to peer authorities. It is important that the Council fully understands all performance data in order to properly influence decision making and make informed alliances with other Councils with similar issues. Similar indicators are used in Financial Resilience assessments carried out by the Chartered Institute of Public Finance Accountancy (CIPFA).

This performance data was published as part of the Tranche Two MTFS report, and has been updated since then to reflect the publication Local Government Revenue Account (Budget) data for 2018/19 and the Revenue Outturn (actual spend) data for 2017/18 which has been made available by MHCLG.

Table 11: Performance data based on unitary authorities

Diagnostic Benchmarking – Compared to Unitary Authorities	Cost	Rank (out of 56 authorities)	Average for UA	Reference to RO/ sheet
Total Service Expenditure 2017/18 per head	£1,478.31	45	£1,298.51	2
Net Expenditure Budget 2018/19 per head	£715.64	22	£740.28	2
Levels of reserves are below the average level of reserves, and above average decline in reserves	1 Apr 18 Reserves balance £34.0m	31 Mar 19 Reserves balance £29.8m	£0.5m average reduction in reserves over this period	3
Gearing/reliance on Council Tax (based on council tax requirement and net spend budget-2018/19)	53% reliant on Council Tax	12 lowest geared (below	The Average Council is 62%	4
Benchmarking per head (of relevant client group)	**PCC data (based on unit cost)**	**Rank (out of 56 authorities)**	**Average for UA**	**Reference to RO sheet**
Total education (per under 16 population)- **above average cost**	£3,288.89	39	£2,746.43	1
Highways and transport (per total population)- **below average cost**	£39.30	23	£41.31	5
Roads Structural maintenance- **below average cost.**	£2.38	21	£5.81	6
Total social care - **mid point across the unitary authorities and below average cost**	£455.60	28	£457.67	9
Children's - **above average cost**	£936.87	33	£906.93	7
Adults - **below average cost**	£315.47	13	£352.83	8
Public Health - **mid point across the unitary authorities and below average cost**	£59.22	28	£64.47	10
Cultural and Related - **below average cost**	£24.82	10	£38.38	11
Environmental and Regularity - **the lowest cost authority**	£54.12	1	£86.54	12
Waste - **the lowest cost authority**	£34.01	1	£63.20	13
Planning and development services - **above average cost and ranked 48 out of 56 authorities**	£29.12	48	£19.08	14
Central services - **higher than average cost, in the top quartile of unitary LA's for costs**	£46.39	39	£36.88	15

Table 12: Performance data compared to all upper tier authorities

Diagnostic Benchmarking – Compared to All Authorities	PCC data (based on unit cost per	Rank (out of 151 authorities)	Average for All Authorities	Reference to RO sheet
Total Service Expenditure 2017/18 per head	£1,478.31	110	£1,501.67	2
Net Expenditure Budget 2018/19 per head	£715.64	83	£843.00	2
Levels of reserves are below the average level of reserves, and above average decline in reserves	1 Apr 18 Reserves balance £34.0m	31 Mar 19 Reserves balance £29.8m	£3.9m average reduction in reserves over this period	3
Gearing/reliance on Council Tax (based on council tax requirement and net spend budget-2018/19)	53% reliant on Council Tax	55 lowest geared (below average)	The Average Council is 58%	4
Benchmarking per head (of relevant client group)	**PCC data (based on unit cost per**	**Rank (out of 151 authorities)**	**Average for All Authorities**	**Reference to RO sheet**
Total education - **above average cost**	£3,288.89	88	£3,125.07	1
Highways and transport - **above average cost**	£39.30	80	£28.71	5
Roads Structural maintenance - **below average cost**	£2.38	62	£7.74	6
Total social care - **above average cost**	£455.60	83	£454.11	9
Children's Social Care - **above average cost**	£916.67	94	£908.10	7
Adults - **below average cost**	£315.47	46	£347.61	8
Public Health - **below average cost**	£59.22	69	£67.88	10
Cultural and Related - **below average cost**	£24.82	46	£73.04	11
Environmental and Regularity - **below average cost**	£54.12	43	£83.09	12
Waste - **below average cost**	£34.01	30	£53.92	13
Planning and development services - **above average cost**	£29.12	132	£22.75	14
Central services - **below average cost**	£46.39	101	£50.01	15

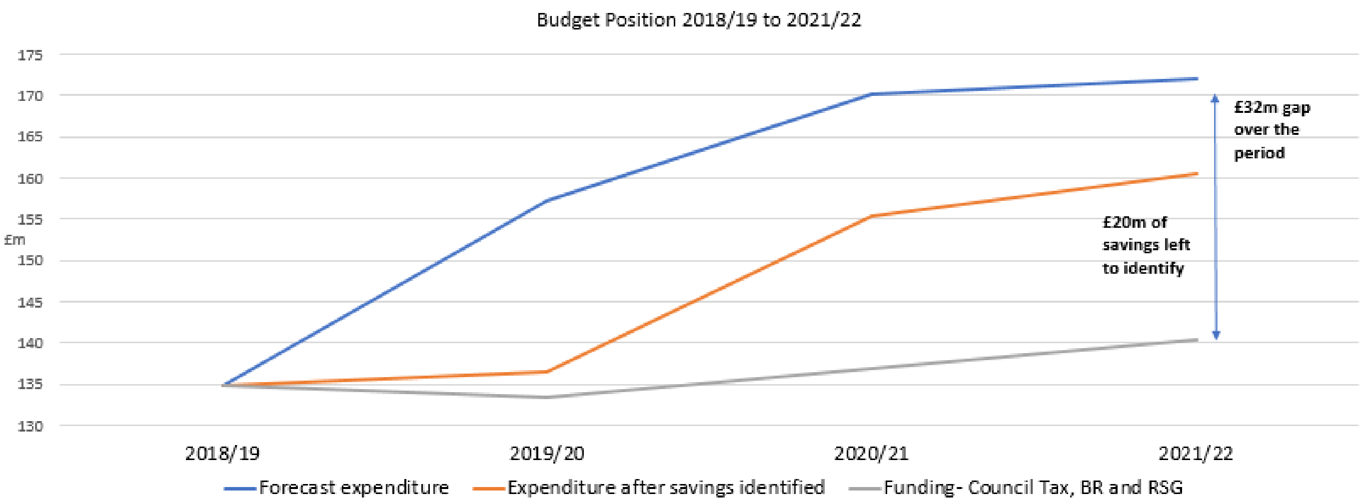
Upper Tier includes Unitaries (UA), Counties (C), Metropolitan Districts (MD) and London Boroughs (L)

It is worth noting that Northamptonshire County Council has shown that the incorrect use of performance data can be detrimental to a Council's lobbying ambitions.

5.11 Strategic Approach to closing the Budget Gap

The following graph highlights the significant financial challenge facing the Council, and the progress which is being made towards creating a sustainable budget. Overall the council has highlighted a budget gap of £32m in 2021/22. This budget gap is the result of the opening position as highlighted in the 2018/19-2020/21 MTFS (£16.9m) and the additional pressures highlighted within 2019/20, Tranche One (£5.5m), Tranche Two (£3.7m) and Tranche Three (£5.7m).

The graph demonstrates the jump in position from 2019/20 to 2020/21 onwards, this is due to the level of one off savings options being used within 2019/20 budget.



Strategic Approach

The Council still has significant deficits of £18m in 2020/21 and £20m in 2021/22. This is in addition to the fact that the 2019/20 budget has been balanced with the use of £3m of reserves. It is important that the Council utilises the additional time, which has been gained via the use of one-off non repeatable initiatives in the 2019/20 budget, to ensure that Tranche One of the 2020/21 budget includes robust plans for delivering savings to cover the majority of the £18m deficit in 2020/21. This should also include the options to look at delivering savings plans within 2019/20, to free reserve capacity to ensure the Council maintains an appropriate level of resilience. These plans will include a mixture of savings, efficiencies, demand management and commercial options.

Best Practice would suggest that the Council should supply its Members with a range of options which exceed any deficit amount (budget gap), in order for more informed savings and efficiency decisions to be made.

As part of the validation of the Council's progress on budget initiatives, the Local Government Association (LGA) were invited to conduct a peer review. For two days, on the 18 and 19 December, two LGA appointed reviewers visited the Council where a series of review sessions were held with Corporate Directors and officers. Overall, both LGA Reviewers were complimentary on the directions the Council are taking, but emphasised the need for an accelerated pace of delivery. The main points highlighted as part of the review are as follows:

- Thinking through what services the Council is delivering and why? Then considering what the risks would be if these were to be stopped or reduced;
- Agreement of the approach adopted by the Council, that prevention services are an important element of reducing other service costs;
- Clarity of Shared Services progress and culture differences between Peterborough City Council and Cambridgeshire County Council;
- When considering the move to a minimum core service model, the Council must compare against Councils in the lower quartile for spend across all Service areas, not just nearest neighbours;
- The Council should be moving towards becoming more digital;
- Benefiting more from the Growth that is experienced in Peterborough;
- Having a more joined up approach across our services (Planning and Housing as an example);
- Moving from a delivery to an 'Asset Based Social Work' basis in Adults Social Care;
- Review the possibilities of taking back Commissioning from the Commissioning and Clinical Group (CCG) – to achieve greater value for money and lower costs;
- Look at Cambridgeshire and Peterborough Foundation Trust (CPFT) costs;
- Different delivery models for Public Health to be reviewed;
- Review contract rates for care – to ensure the Council is getting value for money

Council Delivery

In order to move to a position where Members have a range of options which exceed the present deficit figure in order to make informed decision, a two track approach is being taken:

Additional Commercialisation.

The Council now has a commercial strategy which includes:

- Making a profit - from trading and investments;
- Maximising value for money from contractual relationships;
- Making robust decisions on a consistent basis with evidence and a sound business case;
- Thinking about the return on investment for every pound we spend;
- Considering the whole life cost of policy decisions, including market impact;

- Collaborating with the market and with partners to develop alternative models for greater return;
- Considering new and innovative ways of generating income; and
- Maximising use of revenue and assets.

Work is being prioritised under three themes:

Contract management, market shaping and procurement

- Short term focus on contract re-negotiations, joint commissioning and contract management.
- Entrepreneurial approach to procurement – working with the market to create different solutions.
- Improved contract negotiation and management with a professionally specified and negotiated contract every time.
- Extended joint commissioning arrangements across all services.
- Increase benefits realisation from payment terms and conditions

Contribution and Funding

- Develop a clear view of baseline position of all commercial activities.
- Ensure that income from fees and charges is optimised.
- Model options for alternative delivery – e.g. spin outs, joint ventures, and mutual - and ensure maximum return from existing initiatives.
- Develop an external income stream from sponsorship, business investors and philanthropists.
- Determine the profit and loss of current activities and define full cost recovery for all commercial services.
- Maximise return from all our assets.

Acquisition and Investments

All investment decisions should focus on achieving at least one of:

- Increase number and type revenue generation / invest to earn investments – for example investment in land and property development, rental property, renewables, schemes that grow Council's business rates income, or proposals to enable existing revenue streams to be maintained longer into the future.
- Invest to save - for example, proposals to introduce new technologies which reduce demand and spend on Council services.
- Invest for social value - for example, proposals that will bring collective benefit to a community

Work is under way on a number of commercial projects to evaluate both investment and savings levels that can be added to future MTFS proposals.

Additional Savings and Efficiencies

Departments are working on prospective savings, including idea's raised by the LGA to bridge the £20m budget gap, so that these can be assessed with the commercial options raised in the previous paragraphs, to produce a savings programme to be agreed for implementation. These options will also include items such as:

- Fuller integration with Health and other Partners;
- The Think Communities approach;
- Demand management;

Some of which are set out in more detail in later paragraphs.

This two track approach will move the Council to a position where Members have a range of options which exceed the present deficit figure in order to make informed decisions.

Fuller integration with Health and other Partners

Local Government is becoming increasingly "joined up", especially in the health area. The Council must, along with its partners, ensure that delivery options maximise efficiencies and savings potential whilst at the same time continuing to meet the needs and requirements of service users.

Think Communities Approach

Think Communities is a new approach to working that is being developed across the public sector in Peterborough and Cambridgeshire and has recently been approved by the Cambridgeshire Public Services Board (formed of the Chief Executives of councils, health, police and other partners). The aim of the strategy is to manage, prevent and delay demand across the public sector and deliver services for the future in an efficient and affordable way. The Council also needs to do more to improve some of the outcomes in our communities and for our residents.

Managing demand is a priority for all parts of the public sector, both locally and nationally. The way public services have been delivered over the past decades is no longer affordable and many would argue has not been effective or efficient to meet modern day challenges. Increasingly, many individuals and communities have multiple and complex needs, which requires a different approach if we are make a sustained difference. Some of the pressures that the public sector is facing include:

- An increased number of people accessing the health system with urgent or complex healthcare, which is increasing and leading towards unmanageable levels. This in part, also places huge burdens on social care services;
- The number of young people needing to be looked after and/or requiring referrals into children social care continues to increase;
- The volume and complexity of high harm and victim based crime is increasing, resulting in high demand for policing, and low harm crimes that affect the majority not always being addressed
- The number of homeless households and rough sleepers is increasing in most parts of Cambridgeshire and Peterborough, resulting in higher costs for housing services.

Whilst these are specific cases of rising demand, there are many more examples across the council and other partners.

The vision is based upon three main principles:

- **People:** Resilient communities across Cambridgeshire and Peterborough where people can feel safe, connected and able to help themselves and each other.
- **Places**: New and established communities that are integrated, possess a sense of place, and which support the resilience of their residents.
- **System:** A system wide approach in which partners listen, engage and align with communities and with each other, to deliver public service and support community-led activity.

If the Council and all involved are to achieve these ambitions, then a different relationship between the public sector and the public is required. Much of the time, the public sector works in a way that makes sense to the system and not always to the individual. This can result in people no longer taking control of their own situation or not coming together as a community to make their neighbourhood a better place.

Further detail on this programme is outlined within the Cabinet report, also coming to 4 Feburary 2019 meeting. As work on this continues an updated position will be reported within the MTFS 2020/21-2022/23 Tranch One report in summer, where it is expected some of the financial benefits to be achieved from this approach have been modelled.

Shared Services progress.

The £9.0m Shared Services savings, as set out in the 2018/19 MTFS had initial allocations which are illustrated within Table 13.

Table 13: Shared Services Allocation

Savings Initiative Areas	2019/20 £000	2020/21 £000
Serco PSSP Contract	1,850	1,850
Serco IT Contract	600	600
Back Office Finance, HR, Legal	1,200	1,200
P&C Initiatives	850	850
Total	**4,500**	**4,500**

Additional work is required to reach the overall target, however the initial work undertaken, which was reported within the MTFS 2019/20-2021/22 Tranche Two report sets out the following savings that will be delivered in 2019/20:

- £0.450m that can be delivered in ICT, mainly from the consolidation and rationalisation of Amazon Web Services;
- Circa £1.0m from Business Support over a range of initiatives;
- More work is required to be delivered on the Contact Centre, as the existing Salesforce contract ceases on the 30 September 2019;
- People and Communities initiatives are showing a £0.771m savings in 2019/20, with a further £0.798m savings in 2020/21.

In January 2019 the Council announced proposals to further share the management structure across Peterborough and Cambridgeshire. The plans focused on reorganising and extending roles within the Senior Management Team for the mutual benefit of both councils. The plans includes:

- Two existing Cambridgeshire County Council director's roles (Directors of Business Improvement & Development and Corporate & Customer Services) are being extended to cover Peterborough City Council.
- The Creation of a new Executive Director role which is being created to lead Place & Economy work across both councils, replacing a senior role in each council. Recruitment for the new Joint Executive Director has commenced.
- Creation of two new posts - a joint Service Director- Highways & Transport, and joint Service Director - Growth & Economy are also being created to cover both authorities, whose costs will be met by further joint working resulting in savings within the structure.

Taking in to consideration the savings which have been identified, approximately £2.3m, of the 2019/20 has been allocated.to a specific work stream. A further £2.2m of savings options are to be identified to fully achieve the £4.5m shared service saving in 2019/20. Work will continue on the development of full business cases and an updated position will be included within the MTFS 2020/21-2022/23 Tranche One report in summer 2019

5.12 **Capital Programme**

The Council's Capital Programme is viewed over a five year period to ensure correct stewardship of assets and efficient use of budgets. The council is proactive in attracting external funding for as many schemes as is possible. An officer-led Capital Review Group oversees the council's capital requirements. All related strategies are securitised prior to full council by Audit Committee:

- Appendix G – Capital Programme Schemes 2019/20- 2023/24
- Appendix K – Treasury Management Strategy
- Appendix L – Capital Strategy
- Appendix M – Asset Management Plan
- Appendix N – Investment Acquisition Strategy

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

As outlined in Tranches One and Two, the Council recognised that its capital programme had previously been aspirational in terms of the timing of the delivery of schemes compared with past experience. In Tranches One and Two the capital financing revenue budget had been set using the working assumption of a smoothed capital programme of £100m per year over the MTFS period. Tranche Three now includes an updated capital financing requirement which includes revised assumptions on the timing of delivery of capital schemes, the revised programme for the current financial year (2018/19), interest rate forecasts and repayment profiles for outstanding loans the council has made to third parties. Additional detail of these assumptions can be found in Appendices G and K.

Additional investment schemes that have been added to the previous MTFS and Tranche One capital programme for approval are summarised in Tables 14 and 15.:

Table 14: Summary of New Schemes in Tranche Three

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Growth & Regeneration	-	2,340	2,250	7,250	10,400	16,900
People & Communities		330	-	-	-	-
Resources	2,750	1,140	-	1,200	-	-
Total New Capital Schemes	**2,750**	**3,810**	**2,250**	**8,450**	**10,400**	**16,900**
Funded By:						
Grants & Third Party Contributions	-	180	-	3,500	3,500	8,900
Borrowing	2,750	3,630	2,250	4,950	6,900	8,000
Total Capital Financing	**2,750**	**3,810**	**2,250**	**8,450**	**10,400**	**16,900**

For some schemes listed in the below table further work is required on the development of detailed business cases, due diligence to be undertaken and then approval through the Council's governance process. These have been included within the revised Capital programme for 2019/20-2023/24.

Table 15: New Capital Schemes included within Tranche Three

Directorate	Schemes Included
Growth & Regeneration	**2019/20** • City Market Flooring **2021/20 & 2021/22** • University Access **2022/23 & 2023/24** • A1260 Nene Thorpe Bridge / Nene Parkway

	• A15 Paston Parkway APV Baker Footbridge • A1260 Nene Parkway Longthorpe Footbridge • Parkway Drainage Improvement Programme **2023/24** • A16 Norwood Duelling • Rail Station Western Access **Rolling Programme commencing 2019/20** • Extreme Weather Network Improvements • Match Funding to Secure External Bid Funding • Street Lighting Cables and Feeder Pillar Upgrade
People & Communities	**2019/20** • Phoenix and Gladstone Schools - Carillion Works • Barnack Primary School
Resources	**2018/19** • Loan to the Local Authority Trading Company (LATCo) • Purchase of Refuse Vehicles to be used by the LATCo • Stamp Duty for Fletton Quays as concluded to be a finance lease **2019/20** • Vivacity - Key Theatre Catering Provision • Vivacity - Children's Play Area • Vivacity - Central Library Refurbishment and Community Hub Development **2020/21** • Vivacity - Events and Conference Centre

Table 16 provides a summary of the capital programme for the over the MTFS period with an additional two years projection. This table includes those new schemes listed previously. The full list of schemes can be found in Appendix G- Capital Programme Schemes 2019/20- 2023/24.

Table 16: the Capital Programme 2019/20- 2023/24 Summary

Capital Programme	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Growth & Regeneration	37,157	29,187	37,754	33,099	30,958
People & Communities	33,931	20,114	21,743	22,357	6,563
Invest to Save	37,599	30,875	20,075	10,075	75
Resources	5,447	5,384	5,873	3,500	3,500
Total Capital Programme	**114,134**	**85,560**	**85,445**	**69,031**	**41,096**
Funded By:					
Grants & Third Party Contributions	26,826	29,834	28,124	32,520	16,851
Capital Receipts repayment of loans	23,150	15,000	-	-	-
Borrowing	64,158	40,726	57,321	36,511	24,245
Total Capital Financing	**114,134**	**85,560**	**85,445**	**69,031**	**41,096**

For new investment projects that are required in the future, and have not been included in the Asset Investment Strategy, work is required on the development of detailed business cases, to carry out due diligence and then approval through the Council's governance process before they are included. Such projects include; Car Park Strategy and Sports Strategy. If further projects are approved, further borrowing costs will need to be built in to the budget.

6. ROBUSTNESS STATEMENT

6.1 <u>Background</u>

Section 25 of The Local Government Act 2003 includes the following statutory duty in respect of the budget report to Council:

"*the Chief Financial Officer (CFO) of the authority must report to it on the following matters:*

a) the robustness of the estimates made for the purpose of the calculations; and
b) the adequacy of the proposed financial reserves."

The Council is required to take this report into account when making that decision.

Section 26 of the same Act, places an onus on the CFO to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.

This report has been prepared by the CFO to fulfil this duty and gives the required advice relating to the 2019/20 financial year including a consideration of the budget proposal as a whole and all the financial risks facing the Council. It identifies the Council's approach to budget risk management and assesses the particular risks associated with the 2019/20 budget to inform the advice on robustness.

6.2 **Overall Budget and Medium Term Financial Strategy 2019/20 – 2021/22**

In line with the Robustness Statement from the previous year, the Council continues to operate in difficult financial circumstances. It remains true that unless immediate decisions on how it can plan to reduce the costs of its operations markedly in the medium term, 2020/21 and 2021/22, expenditure is estimated to exceed income with limited recourse to reserves.

In the opinion of the CFO the 2019/20 estimates are robust and the proposed level of financial reserves are adequate.

Looking beyond 2019/20, however, in the absence of detailed savings plans being developed and implemented, there is significant concern over the sustainability of the budget position over the medium term.

While efficiency is always a preferred solution, the scale of the task facing the council means it can only be achieved if the council fundamentally faces three ways to close the gap, alongside mitigation and control of service demand pressures and expanding alternative income streams:

a) additional monies from central government, though the budget assumptions do not rely on such funding
b) new operating models of service delivery
c) reduction in services delivered

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

6.3 **Robustness of the 2019/20 budget estimates**

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

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

For 2019/20 a balanced financial position is possible but there are inherent risks and dependencies in delivery of the financial strategy. The position for 2020/21 onwards is dependent upon the development of deliverable saving plans being produced during 2019/20 affecting the base budget for 2020/21, and the council's rolling budget process enables these plans to be enacted in a timely fashion.

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

The Medium Term Financial Strategy (MTFS) highlights that the current financial position is untenable. Whilst a balanced budget for 2019/20 has been achieved, it has made use of £14m of non-repeatable savings, as summarised in table 17:

Table 17: non-repeatable savings

	Previous Year	Current Year	Years relating to this Medium Term Financial Strategy		
Non Repeatable Savings	**2017/18 £000**	**2018/19 £000**	**Year 1 2019/20 £000**	**Year 2 2020/21 £000**	**Year 3 2021/22 £000**
Capital Receipts	12,738	2,922	10,639 *	-	-
MRP Re-provision	-	3,700	-	-	-
Council Tax Surplus	173	1,188	201	-	-
Planned Use of Reserves	7,194	4,231	3,084	-	-
Total	**20,105**	**12,041**	**13,924**	**-**	**-**
In year Use of Reserves	-	2,532	-	-	-
In year increased Use of Capital Receipts	-	1,195	-	-	-
Total	**20,105**	**15,768**	**13,924**	**-**	**-**

** includes £4.319m already built into the previous MTFS for 2018/19*

The previous table shows that there has been a continued and extended use of non-repeatable savings to meet any budget gaps; where expenditure exceeds funding available. This has meant that a structural deficit in the council's finances has developed over previous MTFS's. In 2016/17 this strategy was implemented to allow the Council to adopt a strategic approach to tackling the 2018/19 budget gap over a two-year period Now that the application of non-repeatable savings has been exhausted the budget gap requires an enhanced focus on the implementation of significant service transformation and service reductions

The MTFS position has been subject to reviews with the Council's Corporate Management Team, other officers and Members, including Cabinet, Budget Working Group and Scrutiny Committees, and has been out to consultation with the public as part of its three tranche rolling budget process. To further enhance the robustness of the financial strategy the Local Government Association have also been invited to review the approach taken to service delivery design and wider opportunities available to the council that may not have been previously considered.

The Council's General Fund remains at a £6m minimum balance. There is an additional £9.4m of Change Programme Funds which will facilitate the investment in major transformational change to service delivery. The remaining amount of £5.2m in reserves is ring-fenced for specific purposes such as insurance and so is not available for use.

In summary, the 2019/20 budget is balanced, through use of £14m of non-repeatable savings, including £3.1m utilisation of reserves. In order to balance future years budgets, 2020/21 and 2021/22, there continues to be the need to implement significant service transformation and service reductions as soon as possible in order to fully develop a sustainable future budget position. The 2019/20 budget position has enabled the council to allocate some reserve amounts to be utilised to facilitate the development of transformational service delivery change. These plans need to be produced in the first half of 2019/20 for implementation to commence in 2020/21 at the latest.

If realistic transformational plans, for reducing the cost of service delivery required to deliver a balanced and sustainable budget for future years, are not developed and implemented during in 2019/20 the CFO will need to consider the production of a Section 114 report.

Section 114 of the Local Government Finance Act 1988 requires a report to all the authority's members to be made by the S151 officer, in consultation with the Council's Monitoring Officer and Head of Paid Service, if there is likely to be an unbalanced budget. In this event the Council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take to bring the budget into balance. The publishing of the report starts an immediate 'prohibition period'. This means that all persons that have delegated authority to enter commitments, have such powers suspended during the prohibition period.

6.4 **Adequacy of Reserves**

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

The council broadly categorised reserves as follows:

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

The Council's General Fund working balance stands at £6m and ring-fenced reserves at £5.2m. They include the actuarial assessed £3.4m insurance reserve, £1.2m of reserves held on behalf of schools for capital expenditure, Public Health that cannot be used on other activities.

General Fund Balance

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

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

When compared to other unitary authorities across the country for the 2018/19 financial year 14 per cent have the same percentage of General Fund Balance to net revenue expenditure (4 per cent), whilst 80 per cent have a greater percentage (between 5 per cent-28 per cent). Where the range varies from 1- 28 per cent, when Peterborough is compared and ranked to the other 56 Unitary Authorities it is ranked as having the 11th lowest level of General Fund Balance, in comparison to its net revenue expenditure.

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

a) the proportion of volatile budgets, particularly in demand led services in both Adult and Children's Social Care is forecast to be an increasing proportion of the overall budget;
b) no contingency has been built into the general fund;
c) and there is no mechanism for additional funds to contribute to general fund balances or reserves

This level is considered at a minimum on the basis that although the budget balances in 2019/20, future year's detailed plans are still to be formulated, as noted previously.

Change Programme Funds & Ring Fenced Reserves

It is crucial to bear in mind that the reserves are the only source of financing to which the council has access to fund risks and one-off pressures over a number of years. Reserves can only be spent once and the possibility of creating new reserves, in an era where budgets are tight and can become overspent,, is now very limited.

The balance shown for the Capacity Building Reserve includes an elements for redundancy costs, which are currently estimated to be up to £1m over the life of the MTFS, and for any other investment required by the council to enable transformational change in service delivery.

Table 18 details the remaining level of estimated Change Programme Funds and Ring-fenced Reserves.

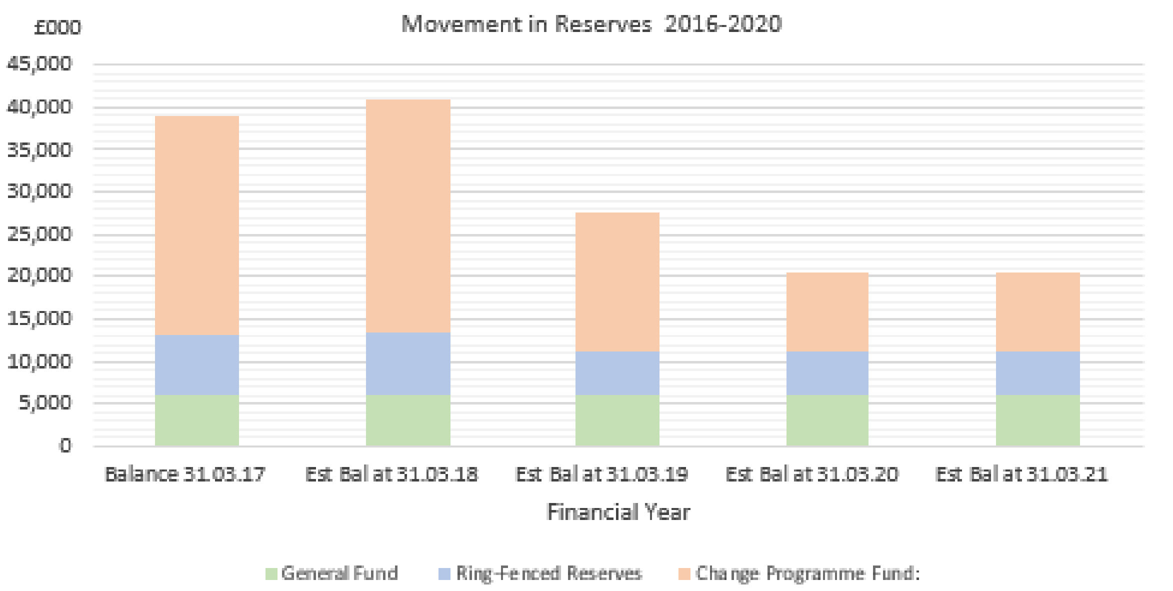


Table 18: Reserves position 2016/17- 2020/21

Summary of Reserves	2016/17 Balance 31.03.17 £000	2017/18 Est Bal at 31.03.18 £000	2018/19 Est Bal at 31.03.19 £000	2019/20 Est Bal at 31.03.20 £000	2020/21 Est Bal at 31.03.21 £000
General Fund	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**
Change Programme Funds:					
Capacity Building Reserve	4,994	12,714	11,313	7,388	7,388
Grant Equalisation Reserve	15,639	8,445	4,214	1,130	1,130
Development Equalisation Reserve	1,233	1,233	-	-	-
Departmental Reserve	3,855	5,197	902	902	902
Change Programme Funds:	**25,721**	**27,589**	**16,429**	**9,421**	**9,421**
Ring-Fenced Reserves:					
Insurance Reserve	4,425	4,937	3,448	3,448	3,448
Schools Capital Expenditure Reserve	1,287	1,208	1,176	1,176	1,176
Parish Council Burial Ground Reserve	53	51	51	51	51
Hackney Carriage Reserve	155	203	203	203	203
School Leases Reserve	336	243	121	79	-0
Future Cities Reserve	569	240	0	0	0
Public Health Reserve	428	428	230	230	230
Ring-Fenced Reserves	7,253	7,310	5,229	5,188	5,108
TOTAL Earmarked and General Fund Balance	**38,975**	**40,899**	**27,659**	**20,608**	**20,529**

7. RISKS

7.1 **Approach to Risk**

The Council assesses financial risk within its budget and MTFS as part of its annual budget setting process and regular Budgetary Control process. Council Officers have put actions in place to review and mitigate exposure to identified risks, these are outlined in Table 19.

The Risk Management Board is led by the Acting Corporate Director of Resources. The purpose of the Board is to challenge and support risk management across the Council and partner organisations. This is also considered regularly at Audit Committee. The last meeting of this group was held on 27 November 2018.

The Board ensures that risk management is aligned with the overall organisational approach and that the identification of key issues are managed, reported and escalated appropriately and in a timely manner. Officer awareness of risk and capacity to manage risk is maintained, with a regular monitoring and reporting process in place to provide assurance in relation to the Council's overall governance and control environment.

7.2 **Financial Risk Register**

The most current substantial risks have been identified and considered as part of the budget process. Reasonable mitigating actions have been made where possible. Table 19 details the budget risks that Cabinet and Council should consider when reviewing the Tranche Three budget proposals.

Table 19: Council Budget Risk Register

Risk Area	Detail	Action
Level of Reserves	As set out in the 2019/20 Robustness statement (Section 6.4), the Council has limited recourse in reserves and balances. From 2017/18-2019/20 these will have seen a reduction of over 50%. This presents a risk to the financial sustainability of the organisation over the medium term.	Robust financial control within 2019/20 will be exercised through regular budget monitoring, tracking of the delivery of approved savings plans which has already commenced for Tranches One and Two approved savings initiatives (outlined in Appendix I- Savings RAG rating) and the development, approval and implementation of further savings proposals over the period to 2022/23 via the rolling budget process. The use of available specified reserves will be closely managed and controlled to ensure targeted application to achieve the required reduction in the overall cost of operations over the period of the MTFS. Reserves and balances will be reviewed regularly to ensure that they remain adequate in light of the Council's overall financial position.
Level of one-off (non-repeatable) savings	The Council has relied upon non-repeatable budget savings and income items in order to balance the budget, in 2019/20 and previous years. This is not a sustainable approach.	Measures will be taken to reduce the Council's reliance upon one off measures to balance future budgets. The plan to eliminate one off budget savings and move to a sustainable budget over the medium term is set out at section 2.2 of this report.
Service Delivery-	The Council provides services in a number of areas where the need for support lies outside	Budgetary provision has been made for estimates of increased demand for adult and children's social care and homelessness.

Demand Led Services	the Council's direct control, for example in children's, adult social care and homelessness. Demographic growth and demand pressures present significant financial risk for the Council over the medium term.	The Council will continue to take measures to review and modify its service provision to respond to increasing demand for services, through more cost effective operating models and working with client groups and partners to manage demand for services. Demand for Children's Services is monitored through the Placement Model. The Council has implemented an innovative partnership with TACT for delivery of children's placements and foster care. Regular monitoring, forecasting and reporting of financial and service performance and anticipated pressures will be undertaken to ensure that corrective management action is taken to control expenditure within the approved budget. Savings plans are based on intervention and prevention, aiming to reduce need and service demand.
	The Council needs to increase the supply of both temporary housing and permanent affordable housing in order to meet the increased demand for housing within Peterborough.	The housing team was restructured in 2018 to allow for additional posts to deliver preventative support to families that require housing and are at risk of homelessness. This should help to reduce the financial pressure on the council's budget and provide a more appropriate setting for these families. The Council is actively pursuing a housing strategy, to ensure there is affordable housing available within the City. The Council has been buying properties to help reduce the immediate pressure within this area with the option of having a housing revenue account (HRA) being investigated. Regular reporting to the Corporate Management Team (CMT) will continue to take place throughout the course of the year as well as working groups with officers and members which have been established to help provide solutions.
Savings Delivery (current and new proposals)	The achievement of a balanced budget and sustainable MTFS is reliant upon the successful delivery of agreed savings plans and the identification, approval and delivery of new plans within each financial year over the period to 2021/22. The Council has limited financial	A number of ambitious savings plans have been agreed/are being proposed that will require robust implementation plans to be agreed, appropriately resourced and delivered by Service Directorates, the Resources Directorate and PCC partner organisations including CCC and SERCO.

	resources to invest in delivering the change. Therefore it is critical that savings are delivered in accordance with the agreed plan. The Council is aiming to implement a programme of transformation, to share and integrate a range of services with Cambridgeshire County Council (CCC). There is a significant risk that these ambitious transformation plans will not be delivered on time and/or will not realise the required level of savings due to: - lack of effective integration, simplification, streamlining and standardisation of business processes and IT systems - inadequate levels of capable capacity within PCC and its partners in the shared services agenda to deliver on time.	Section 5.6 of the Tranche One report sets out proposals for the level of financial investment in resources required to support the cost of implementation of previously agreed savings proposals, Tranche One, Two and Three savings proposals. Business critical IT systems and processes will need to be reviewed and re-engineered in both PCC and CCC in order to achieve convergence to work in a streamlined, simplified and standardised manner in the future across a number of service areas. This plan is likely to cover more than one financial year. Agreement and commitment of both partners to a common methodology and timeline will be required to deliver the change to its conclusion to enable successful delivery of planned cost efficiencies in both authorities. The progress in delivering a range of change projects and the tracking of service outcomes and savings delivery/ income generation will be reported via the Shared Services Board to CMT and Cabinet on a regular basis. In addition, regular meetings for management teams at both authorities will be held to discuss progress and resolve any emerging issues directly with the project leads. Savings Delivery will be monitored on a regular basis, Appendix I includes the savings RAG rating looking at the agreed Tranche One and Two initiatives, to ensure they are on track for 2019/20.
Income	Cost of provision of service outstrips returns or a reduced level of sales. Exit strategies associated with these ventures could prove to be costly. There is a financial risk attached to failure of commercial investment, either from default or exposure to wider economic changes.	Commercial proposals will require the production of a robust business case that will be subject to appropriate evaluation and due diligence by relevant professional disciplines (i.e. technical, legal and finance). The management of costs, risks and benefits including service outcomes and financial implications will be achieved through regular monitoring and reporting via the Shared Services Board to CMT and through to Cabinet. Delivery of planned income generation (and savings) will also be tracked through regular budget monitoring reports. Programme and project governance will require recovery plans to be prepared where

		projects are identified as varying adversely from plan.
Business Rates	Forecasts - the council will benefit from any growth in business rates but will also have to share the risk of volatility of collecting business rates, changes to business rates during the financial year and administration costs associated with collecting business rates. Appeals – The new government 'Check, challenge and appeal' system seems to have reduced the level of open appeals however there is a provision set aside for appeals by the council, and there is a risk that this may not be sufficient The claim by the NHS trust for mandatory relief if successful will have a major impact on income levels Business Rates 75% retention and Business Rates baseline reset, both to be introduced from 2020/21, at present it is not clear how this could impact on the Councils funding levels.	Officers are in discussion with Serco to agree increased targets for the collection of Business Rates to improve the financial position on the Collection Fund. The finance team will align forecasts using a detailed approach with planning and revenue and benefit colleagues to monitor business and dwelling growth as part of the budget setting process and at regular intervals during the financial year. On a monthly basis reports will be available to monitor business rates income. The Council sets aside a provision to take account of the risk from appeals, depending on whether it is a 2010 or 2017 valuation rate being appealed. The provision for 2010 assesses each appeal lodged with the Valuation Office. The 2018 provision will be calculated at 4% using MHCLG methodology. The recommended rate based on the national average is 4.7%. Due to the high levels of small businesses within Peterborough receiving Small Business rates relief, the lower rate used is justified. Officers have conducted analysis on this and will continue to monitor. Officers are monitoring all announcements, publications and consultations from MHCLG and from Local Government advisors. This will include networking and attending events to keep abreast of the latest information. Officers will feedback to all consultations, to ensure all concerns are communicated and considered. As information becomes available officers will model the financial impacts, and ensure the budget reflects the appropriate funding levels.
Fairer Funding Review (FFR)	The Fairer Funding Review presents a risk for the Council as it means there is significant uncertainty surrounding its future funding levels. The impact of this could be significant for the Council as it	Officers are monitoring all announcements, publications and consultations from MHCLG and from Local Government advisors. This will include networking and attending events to keep abrest of the latest information.

	could mean additional savings would need to be achieved on top of an already challenging £18m deficit in 2020/21. The balances for reserves are declining which reduces the Councils financial resilence against a further funding reduction. At present the MHCLG have issued number two of three consultations, with the funding allocations expected to be announced in Autumn 2019. This leaves the Council with short time frame to react to a dramatic change in funding levels.	Officers will feedback to all consultations, to ensure all concerns are communicated and considered. As information becomes available officers will model the financial impacts, and ensure the budget reflects the appropriate funding levels. This will include using the modelling tools which are available to us from LG Futures, PIXEL and the LGA.
Council Tax and Local Council Tax Support	Non-collection rates increase beyond the budget assumptions and / or increase in the levels of Local Council Tax Support (LCTS) eligibility, beyond budget assumptions. The LCTS is currently out to consultation with a number of changes proposed. These changes are yet to be approved by Council and the impact of these will be unclear until they are live on the system	Officers are in discussion with Serco to agree increased targets for collection of council tax to improve the position on the Collection Fund. Monthly updates will monitor the collection rates. The Council will revise future year forecasts on council tax income accordingly.
Partnership Working/ Contractual Commitments	The council now outsources or contracts out a large proportion of services, on a long term basis to third party organisations, such as Serco, Amey, Skanska and Vivacity. There is a risk that the council could be subject to increased costs from these contracts due to inflation or alternatively have little option to generate savings within the current budget due to the level accounted for via these contracts. The terms of the contracts may also restrict this.	The Council is reviewing all contracts, with a view to achieving improved value for money through strengthened contract management arrangements and negotiation of variation to services to be delivered. The Council will continue to work closely with its partner organisations to deliver the best services to its residents in the most effective and efficient manner.
Capital	**Capital Receipts** The agreed Minimum Revenue Provision (MRP) strategy allows the Council to offset its revenue contribution through the application of receipts from	Regular monitoring and reporting through budgetary control to Capital Review Group (CRG), CMT, Cabinet, of the latest forecasts for sale completion, estimated receipt level and market environment operating under.

	asset disposal to repay debt. This present a risk to the final outturn position if those receipts are not achieved. **Capital Programme** The proposed Capital Programme is partially reliant on third party contributions and grant allocations. These funding streams are not always guaranteed, such that they could be impacted by a downturn in development or reduced opportunity for central government funding. The council has been successful in obtaining funding via grants for development in the school infrastructure. There is a risk that the council may not receive grants in the future to fund new school buildings, despite increasing demand for school places. There is also a risk from asset management, in relation to insufficient resources to maintain adequately the councils existing and planned infrastructure.	The capital programme is closely monitored and reported by officers within the monthly budgetary control monitoring and reporting cycles. The council operates an officer led CRG, which meets regularly to review the progress of schemes contained in the capital programme and evaluate new proposals or opportunities available to the council. All capital investment proposals require a business case which assesses funding options and associated risks and mitigating actions. Developer contributions to be realised in line with approved policy. Grant bids to be worked up in line with previous successful approach. Impact on property repairs / highways infrastructure are monitored and coordinated to balance against any increases in legal claims / compensation issues.
New Accounting Standards	Amendments to existing, and introduction of new Accounting Standards may impact on the General Fund in year, and thus the amount required to be funded from Council Tax.	This is mitigated by staying abreast of technical accounting changes through use of experts, financial bodies, regular training and support of continued professional development of the Council's accountants.
Economic (Treasury) Risk	Inflation - increases above forecasts assumed within the budget. Interest rates - a change in interest rates could impact on borrowing costs which may in part be offset by increased investment interest receipts.	Monitor inflation position and forecasts, and review impact on budget through budget control monitoring and reporting process. Capital financing estimates developed using latest forecasts of interest rates for MTFS (which allow for a level of increase). Existing borrowing has been undertaken at fixed rates in order to minimize the exposure of this risk. A review and assessment will be undertaken to try to achieve the optimum time to enter into new borrowing in light of advice on future rate rises, taking into account 'cost to carry' in relation to any early borrowing.

		Review capital programme and debt portfolio if rates increase beyond forecast levels
Financial Resilience	There is a risk that the Councils financial resilience is insufficient to further withstand the combined pressures of reducing grant funding and the increased cost and demand pressures. Any weaknesses in the delivery of the strategy to strengthen financial resilience may exacerbate this risk. The consequence is an unsustainable and financially unviable organisation beyond the short term.	A number of metrics are being developed to measure financial resilience across local government (CIPFA Resilience Index). The strategy to strengthen financial resilience is underpinned by a set of financial planning and management arrangements, including significant changes in arrangements for commissioning services. However, a clear route to a sustainable medium term financial position has not yet been fully identified.
Brexit	Brexit carries a number of risks which would have a financial impact the on services the Council provides. This is likely to be the result of changes in the funding and regulatory frameworks including the following: • Procurement • Regulatory services • European Union (EU) funding • Loss of staff, where staff are from the EU There is also a wider risk to the economy and labour market which could place more demand on services. There has also been a payment system risk raised, due to a predicted flurry of payment activity in the event the UK leaving the EU as planned on 29 March 2019.	A high level impact assessment has been completed by officers within the Council, with contingency planning underway to ensure appropriate actions are in place. Officers from CCC and PCC are on a joint risk group assessing the impact from brexit, this has included officers attending MHCLG events and participating in teleconferences by the Home Office. This will remain an area under constant review by officers and CMT. A review is being undertaken of critical supply chains to avoid any potential payment issues in April 2019.
Local Authority Trading Companies (LATCo) and Council Partnerships	The Council is transferring the Amey contract and services in to the newly established LATCo (Peterborough Ltd). There is a risk around mobilisation and delivery within the current timescales.	Key mile stones and targets will be closely monitored by officers and CMT, with action being put in place to mitigate any delays where these are indicated.

	There is a financial risk relating to the LATCo being delivered within the current financial envelope. This risk is being driven by the following: • Requirement to deliver a high level of value for money while also meeting the current volume demands within this area. • Change in delivery model, which the Council and the Latco have no recent direct experience of managing.	The completions of option appraisals will ensure that the Council and the Latco have considered all available options and will ensure that value for money is obtained. These risks will be managed with proposals being subject to scrutiny before being agreed through the management board arrangements. Use of Professional advisors in this area will ensure the Council and LATCo have the relevant advice and guidance to make more informed decisions.

8 BUDGET VIREMENT LIMITS

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

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

8.3 The virement limits for 2019/20 are as follows:

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

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

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

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

3.13.2 The Chief Executive is authorised:
(d) to take any action, including the incurring of expenditure, where emergency action is required;

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

9. CONSULTATION

9.1 Cabinet have been working on the budget proposals and this has included meeting with the Cross-Party Budget Working Group to seek views on all budget proposals, including the opportunity to make alternative suggestions.

Tranche Three will be the final tranche of the 2019/20 budget process. The Tranche Three budget proposals were published on 25 January 2019 and will be recommended by Cabinet for approval by Council on 6 March 2019. The timeline for the final budget tranche is outlined in Table 20.

Table 20: 2019/20 Budget consultation timetable

	Tranche Three
Consultation start date	25/01/2019
Cabinet	04/02/2019
Budget Joint Scrutiny Committee	12/02/2019
Audit Committee (to approve revised Capital Programme and Prudential Indicators)	11/02/2019
Cabinet	25/02/2019
Consultation close date	04/03/2019
Council	06/03/2019

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

9.2 **Methods of consultation**

Hard copies of the budget consultation document (Appendix H) will be available in all libraries and Town Hall and Bayard Place receptions. The Council will also seek to raise awareness of the budget proposals via use of social media on Facebook and Twitter, and aim to make the presentation more visual and easier to understand via the use of information graphics.

The Council has published the budget consultation document on the website and on the internal intranet site 'insite' for residents and staff to view and provide responses via an online survey.

The stakeholder groups outlined in Table 21 have been contacted and offered a briefing on the budget position during the Tranche Three budget consultation period, to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and Council priorities:

Table 21: Stakeholder groups and events

Forum/Group	**Meeting Date**	**Presenter**
Connect Group (Churches Together)	22/02/2019	Adrian Chapman and Gillian Beasley
Disability Forum	18/02/2019	Fiona McMillan
Peterborough Community Assistance Scheme (PCAS)	Virtual consultation	Ian Phillips
Discussion with Trade Unions Joint Consultative Forum (JCF)	30/01/2019	Peter Carpenter and Mandy Pullen
Youth Council	26/02/2019	Emma Riding
Parish Council	13/02/2019	Peter Carpenter
Joint Scrutiny of Budget meeting	12/02/2019	Peter Carpenter
Schools Forum	Virtual consultation	Jon Lewis

Peterborough Living Well Partnership	30/01/2019	Caroline Townsend
Health Care Executive	12/02/2019	Liz Robin and Wendi Ogle-welbourn

9.3 Consultation Feedback

As aforementioned the consultation has been open since 25 January 2019, with feedback being gathered via on online survey, hard copy forms and stakeholder group meetings. The feedback received up to 14 February 2019, has been included within Appendix O.

Further feedback will be collated for consideration and an addendum reported to the Cabinet meeting on 26 February. Final feedback received between this date and the consultation close date on 4 March 2019, will be reported to Council on 6 March 2019.

10. ANTICIPATED OUTCOMES OR IMPACT

10.1 Following the release of Tranche Three of the 2019/20 budget proposals to address the financial gap, and outlining Peterborough's challenges and successes, Cabinet has been seeking the opinions of all residents, partner organisations, businesses and other interested parties to understand which council services matter most. The Council must set a balanced budget for 2019/20 within the financial resources it will have next year and the feedback received will help inform Cabinet in considering budget proposals.

Cabinet will review theeedback on the proposals and the MTFS at this meeting, before making a final recommendation to Council on 6 March 2019.

11. REASON FOR THE RECOMMENDATION

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

12. ALTERNATIVE OPTIONS CONSIDERED

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

13. IMPLICATIONS

Elected Members

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

13.2 Section 106 of the Local Government Finance Act 1992 applies whereby it is an offence for any Members with arrears of council tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned declare at the outset of the meeting they are in arrears and will not be voting on the decision for that reason.

Legal Implications

13.3 In terms of the Council’s executive arrangements, the adoption of the Council’s Budget is a role shared between the Cabinet and the Council, whereby the Cabinet (Leader) is responsible for formulating the budget proposals and full Council is responsible for then approving (or not) those proposals and setting the budget and council tax requirement.

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

13.5 When it comes to making its decision on 6 March 2019, the Council is under a legal duty to meet the full requirements of Section 31A of the Local Government Finance Act 1992 which includes the obligation to produce a balanced budget.

13.6 The principle of fairness applies to consultation on the budget proposals, both consultation required under s65 of the Local Government Finance Act 1992 and more generally as proposed here, which operates as a set of rules of law. These rules are that:

- Consultation must be at a time when proposals are still at a formative stage;
- The proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- Adequate time must be given for consideration and response; and

The product of consultation must be conscientiously taken into account in finalising any statutory proposals.

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

- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and

The demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare application for a future benefit.

13.8
- It should be noted that the consultation to be undertaken as a result of this report is on the Budget proposals, and consequently the Cabinet's general approach to the savings requirements, and not on the various decisions to take whatever actions that may be implicit in the proposals and later adoption of that budget, each of which may or may not require their own consultation process.

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

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

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

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

13.10 **Human Resources**

Redundancies
There are no proposals for staffing reductions in Tranche Three. In previous tranches and years, the Council has reduced its staffing and now has very streamlined teams. To reduce staffing further at this stage would have an impact on the council's ability to carry out the savings highlighted for 2019/20.

National Living Wage
As detailed in National Living Wage proposal, outlined within the Budget Consultatin Document (Appendix H), the council is legally bound to adhere to new pay scales for employees on the NJC pay scales that will be coming into effect on 1 April 2019.

Closer working with Cambridgeshire County Council
The Council is continuing to drive efficiencies and work closer with Cambridgeshire County Council to share, integrate and align back office services, where this makes sense.

13.11 **Equality Impact Assessments**

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

14 BACKGROUND DOCUMENTS

14.1 Tranche One Cabinet Report- Budget Book- Cabinet 16.07.2018
Tranche Two Cabinet Report- Budget Book- Cabinet 03.12.2018

15 APPENDICES

15.1

- Appendix A – 2019/20-2021/22 MTFS Detailed Budget Position-Tranche Three
- Appendix B – Budget Proposals- Tranche One, Two and Three.
- Appendix C – Council Tax Information
- Appendix D – Grant Register
- Appendix E – Fees and Charges
- Appendix F – Performance Data
- Appendix G – Capital Programme Schemes 2019/20- 2023/24
- Appendix H – Budget Consultation Document, including Tranche Three Budget Proposal detail
- Appendix I – Savings RAG Rating
- Appendix J – Equality Impact Assessments
- Appendix K – Treasury Management Strategy
- Appendix L – Capital Strategy
- Appendix M – Asset Management Plan
- Appendix N – Investment Acquisition Strategy
- Appendix O – Budget Consultation Feedback
- Appendix P – NNDR Retail relief discount 2019/20 and 2020/21
- Appendix Q – NNDR Local Discretionary Relief Scheme for 2019-20 and 2020-21

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Appendix A- (a) 2019/20-2021/22 MTFS Detailed Position

	2019/20	2020/21	2021/22
	£000	**£000**	**£000**
NNDR	(48,944)	(49,485)	(50,253)
Revenue Support Grant	(10,246)	(10,246)	(10,246)
Council Tax	(78,248)	(81,441)	(84,968)
New Homes Bonus	(4,713)	(4,191)	(4,301)
Improved Better Care Fund	(5,345)	(5,345)	(5,345)
Additional funding for Adult Social Care	(3,271)	(2,150)	(2,150)
TOTAL CORPORATE FUNDING	**(150,767)**	**(152,858)**	**(157,264)**
PLANNED EXPENDITURE			
Chief Executives			
Chief Executive	243	244	244
Human Resources	1,097	863	882
Total Chief Executives	**1,340**	**1,107**	**1,126**
Governance			
Director of Governance	331	332	333
Constitutional Services	2,100	2,127	2,154
Legal Services	1,436	1,163	1,196
Performance & Information	202	206	210
Coroners Service	590	595	595
Total Governance	**4,659**	**4,422**	**4,487**
Growth & Regeneration			
Director, OP & JV	128	9	15
Development and Construction	158	189	220
Sustainable Growth Strategy	1,395	1,487	1,503
Peterborough Highway Services*	4,262	4,758	5,037
Waste, Cleansing and Open Spaces	13,658	13,841	14,501
Westcombe Engineering	115	126	138
Corporate Property	2,033	2,130	2,246
Resilience & Health & Safety	235	240	245
City Centre Management	269	150	155
Marketing & Communications	272	281	289
Parking Services	(2,089)	(2,067)	(2,046)
Regulatory Services	855	877	899
Service Director Environment & Economy	149	151	154
Total Growth & Regeneration	**21,440**	**22,171**	**23,357**
People & Communities			
Director	1,285	507	580
Communities	6,544	6,776	6,944
Adults	45,869	49,835	52,290
Children's & Safeguarding	10,840	11,857	12,101
Education	5,832	5,899	5,959
Commissioning & Commercial Operations	17,333	16,932	17,033
DSG	-	-	-
Total People & Communities	**87,702**	**91,806**	**94,906**
Public Health			
Children 0-5 Health Visitors	3,663	3,658	3,658
Children 5-19 Health Programmes	944	944	944
Sexual Health	1,938	1,938	1,938
Substance Misuse	2,269	2,227	2,227
Smoking and Tobacco	318	318	318
Miscellaneous Public Health Services	1,551	1,569	1,569

	2019/20	2020/21	2021/22
	£000	**£000**	**£000**
Public Health Grant	(10,620)	(10,620)	(10,620)
Total Public Health	**62**	**33**	**33**
Resources			
Director's Office	272	276	280
Financial Services	2,730	2,131	2,169
Programme Management Office	173	175	177
Corporate Items	3,151	5,555	5,617
Peterborough Serco Strategic Partnership	4,218	2,641	2,441
ICT	6,395	6,112	6,260
Energy	480	480	480
Cemeteries, Cremation & Registrars	(1,393)	(1,439)	(1,484)
Total Resources	**16,027**	**15,931**	**15,941**
NET SERVICE EXPENDITURE	**131,230**	**135,470**	**139,851**
Corporate Expenditure*	5,049	5,061	5,073
Capital Financing Costs	17,573	30,737	32,396
Use of Reserves	(3,084)	-	-
TOTAL PLANNED EXPENDITURE	**150,767**	**171,267**	**177,320**
REVISED DEFICIT/(SURPLUS)	**-**	**18,409**	**20,056**

**The Corporate Expenditure item includes a transport levy to the CPCA of £3.631m, which is returned to Peterborough City Council for the council to provide these services within the Peterborough Highways Service line*

Appendix A- (b) 2019/20 MTFS Detailed Position outlining the Gross, Income and Net Budget position

	2019/20			2020/21			2021/22		
	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000
NNDR	2,730	(51,674)	(48,944)	2,791	(52,276)	(49,485)	2,836	(53,089)	(50,253)
Revenue Support Grant	-	(10,246)	(10,246)	-	(10,246)	(10,246)	-	(10,246)	(10,246)
Council Tax	-	(78,248)	(78,248)	-	(81,441)	(81,441)	-	(84,968)	(84,968)
New Homes Bonus	-	(4,713)	(4,713)	-	(4,191)	(4,191)	-	(4,301)	(4,301)
Improved Better Care Fund	-	(5,345)	(5,345)	-	(5,345)	(5,345)	-	(5,345)	(5,345)
Additional funding for Adult Social Care	-	(3,271)	(3,271)	-	(2,150)	(2,150)	-	(2,150)	(2,150)
TOTAL CORPORATE FUNDING	**2,730**	**(153,498)**	**(150,767)**	**2,791**	**(155,649)**	**(152,858)**	**2,836**	**(160,100)**	**(157,264)**
PLANNED EXPENDITURE									
Chief Executives									
Chief Executive	353	(110)	243	354	(110)	244	354	(110)	244
Human Resources	1,446	(349)	1,097	1,212	(349)	863	1,231	(349)	882
Total Chief Executives	**1,799**	**(459)**	**1,340**	**1,566**	**(459)**	**1,107**	**1,585**	**(459)**	**1,126**
Governance									
Director of Governance	331	-	331	332	-	332	333	-	333
Constitutional Services	2,105	(5)	2,100	2,132	(5)	2,127	2,159	(5)	2,154
Legal Services	2,083	(647)	1,436	1,809	(647)	1,163	1,842	(647)	1,196
Performance & Information	202	-	202	206	-	206	210	-	210
Coroners Service	590	-	590	595	-	595	595	-	595
Total Governance	**5,311**	**(652)**	**4,659**	**5,074**	**(652)**	**4,422**	**5,139**	**(652)**	**4,487**
Growth & Regeneration									
Director, OP & JV	224	(96)	128	105	(96)	9	112	(96)	15
Development and Construction	2,098	(1,940)	158	2,129	(1,940)	189	2,161	(1,940)	220
Sustainable Growth Strategy	1,751	(356)	1,395	1,843	(356)	1,487	1,860	(356)	1,503
Peterborough Highway Services	9,385	(5,123)	4,262	9,660	(4,902)	4,758	9,943	(4,906)	5,037
Waste, Cleansing and Open Spaces	18,949	(5,291)	13,658	19,124	(5,284)	13,841	19,791	(5,291)	14,501
Westcombe Engineering	1,520	(1,405)	115	1,532	(1,405)	126	1,544	(1,405)	138
Corporate Property	5,786	(3,753)	2,033	5,882	(3,753)	2,130	5,999	(3,753)	2,246
Resilience & Health & Safety	300	(65)	235	305	(65)	240	310	(65)	245
City Centre Management	1,004	(735)	269	988	(838)	150	995	(840)	155

	2019/20			2020/21			2021/22		
	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000
Marketing & Communications	436	(164)	272	445	(164)	281	454	(164)	289
Parking Services	1,610	(3,699)	(2,089)	1,612	(3,679)	(2,067)	1,613	(3,659)	(2,046)
Regulatory Services	2,880	(2,024)	855	2,907	(2,030)	877	2,935	(2,036)	899
Service Director Environment & Economy	149	-	149	151	-	151	154	-	154
Total Growth & Regeneration	**46,093**	**(24,653)**	**21,440**	**46,684**	**(24,512)**	**22,171**	**47,869**	**(24,512)**	**23,357**
People & Communities									
Director	1,614	(329)	1,285	836	(329)	507	909	(329)	580
Communities	15,540	(8,995)	6,544	15,676	(8,900)	6,776	15,855	(8,910)	6,944
Adults	70,270	(24,401)	45,869	74,237	(24,401)	49,835	76,691	(24,401)	52,290
Children's & Safeguarding	15,093	(4,253)	10,840	16,110	(4,253)	11,857	16,354	(4,253)	12,101
Education	16,289	(10,457)	5,832	16,336	(10,437)	5,899	16,396	(10,437)	5,959
Commissioning & Commercial Operations	24,527	(7,194)	17,333	24,126	(7,194)	16,932	24,227	(7,194)	17,033
DSG	103,726	(103,726)	(0)	103,726	(103,726)	(0)	103,726	(103,726)	(0)
Total People & Communities	**247,059**	**(159,357)**	**87,702**	**251,048**	**(159,242)**	**91,806**	**254,157**	**(159,252)**	**94,906**
Public Health									
Children 0-5 Health Visitors	3,663	-	3,663	3,658	-	3,658	3,658	-	3,658
Children 5-19 Health Programmes	944	-	944	944	-	944	944	-	944
Sexual Health	1,938	-	1,938	1,938	-	1,938	1,938	-	1,938
Substance Misuse	2,364	(95)	2,269	2,322	(95)	2,227	2,322	(95)	2,227
Smoking and Tobacco	318	-	318	318	-	318	318	-	318
Miscellaneous Public Health Services	1,852	(301)	1,551	1,870	(301)	1,569	1,870	(301)	1,569
Public Health Grant	-	(10,620)	(10,620)	-	(10,620)	(10,620)	-	(10,620)	(10,620)
Total Public Health	**11,078**	**(11,016)**	**62**	**11,049**	**(11,016)**	**33**	**11,049**	**(11,016)**	**33**
Resources									
Director's Office	272	-	272	276	-	276	280	-	280
Financial Services	3,315	(585)	2,730	2,716	(585)	2,131	2,754	(585)	2,169
Programme Management Office	173	-	173	175	-	175	177	-	177
Corporate Items	3,201	(50)	3,151	5,605	(50)	5,555	5,667	(50)	5,617
Peterborough Serco Strategic Partnership	67,875	(63,657)	4,218	66,297	(63,657)	2,641	66,098	(63,657)	2,441
ICT	6,807	(412)	6,395	6,524	(412)	6,112	6,672	(412)	6,260
Energy	1,177	(696)	480	1,177	(697)	480	1,177	(697)	480

	2019/20			2020/21			2021/22		
	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000	Gross Exp. Budget £000	Income Budget £000	Net Exp. Budget £000
Cemeteries, Cremation & Registrars	1,511	(2,904)	(1,393)	1,525	(2,964)	(1,439)	1,540	(3,023)	(1,484)
Total Resources	**84,332**	**(68,305)**	**16,027**	**84,296**	**(68,365)**	**15,931**	**84,365**	**(68,424)**	**15,941**
NET SERVICE EXPENDITURE	**395,671**	**(264,441)**	**131,230**	**399,716**	**(264,246)**	**135,470**	**404,166**	**(264,314)**	**139,851**
Corporate Expenditure	5,049	-	5,049	5,061	-	5,061	5,073	-	5,073
Capital Financing Costs	29,532	(11,959)	17,573	42,695	(11,959)	30,737	44,355	(11,959)	32,396
Use of Reserves	(3,084)	-	(3,084)	-	-	-	-	-	-
TOTAL PLANNED EXPENDITURE	**427,167**	**(276,399)**	**150,767**	**447,472**	**(276,205)**	**171,267**	**453,593**	**(276,274)**	**177,319**
REVISED DEFICIT/(SURPLUS)	**429,897**	**(429,897)**	**-**	**450,263**	**(431,854)**	**18,409**	**456,429**	**(436,373)**	**20,056**

Appendix A- (c) 2019/20 MTFS Detailed Position outlining the subjective budget breakdown

Subjective Budget Analysis 2019/20	Employees	Agency Staff	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Income	Capital Financing	Net Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executives										
Chief Executive	293	3	1	2	53	-	-	(110)	-	243
Human Resources	1,340	-	1	9	82	14	-	(349)	-	1,097
Total Chief Executives	**1,633**	**3**	**2**	**11**	**136**	**14**	**-**	**(459)**	**-**	**1,340**
Governance										
Director of Governance	207	-	-	6	119	-	-	-	-	331
Constitutional Services	652	19	12	23	1,399	-	-	(5)	-	2,100
Legal Services	1,863	4	-	9	207	-	-	(647)	-	1,436
Performance & Information	201	-	-	0	0	-	-	-	-	202
Coroners Service	-	-	-	-	590	-	-	-	-	590
Total Governance	**2,923**	**23**	**12**	**38**	**2,315**	**-**	**-**	**(652)**	**-**	**4,659**
Growth & Regeneration										
Director, OP & JV	377	2	5	31	(331)	140	-	(96)	-	128
Development and Construction	1,802	-	1	15	280	-	-	(1,940)	-	158
Sustainable Growth Strategy	956	-	-	10	786	-	-	(356)	-	1,395
Peterborough Highway Services	1,413	-	942	25	6,991	14	-	(5,123)	-	4,262
Waste, Cleansing and Open Spaces	285	-	2,383	56	7,770	8,455	-	(5,291)	-	13,658
Westcombe Engineering	648	-	68	-	805	-	-	(1,405)	-	115
Corporate Property	91	15	4,075	-	387	1,217	-	(3,753)	-	2,033
Resilience & Health & Safety	276	-	-	3	21	-	-	(65)	-	235
City Centre Management	393	-	225	0	386	-	-	(735)	-	269
Marketing & Communications	395	-	-	1	40	-	-	(164)	-	272
Parking Services	89	-	1,333	6	182	-	-	(3,699)	-	(2,089)
Regulatory Services	2,472	-	1	36	370	-	-	(2,024)	-	855
Service Director Environment & Economy	146	-	-	1	3	-	-	-	-	149
Total Growth & Regeneration	**9,344**	**17**	**9,032**	**185**	**17,689**	**9,826**	**-**	**(24,653)**	**-**	**21,440**
People & Communities										
Director	1,418	-	4	12	(96)	276	-	(329)	-	1,285
Communities	6,621	18	1,622	105	3,679	3,495	-	(8,995)	-	6,544
Adults	8,560	277	3	319	43,475	6,695	10,941	(24,401)	-	45,869
Children's & Safeguarding	9,709	714	145	213	2,339	1,656	318	(4,253)	-	10,840

Subjective Budget Analysis 2019/20	Employees	Agency Staff	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Income	Capital Financing	Net Budget
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Education	3,358	38	547	3,696	8,714	(64)	-	(10,457)	-	5,832
Commissioning & Commercial Operations	6,361	409	508	46	2,474	14,729	-	(7,194)	-	17,333
DSG	2,487	-	5	29	95,762	(73)	5,517	(103,726)	-	-
Total People & Communities	**38,515**	**1,455**	**2,834**	**4,419**	**156,345**	**26,715**	**16,776**	**(159,357)**	**-**	**87,702**
Public Health										
Children 0-5 Health Visitors	-	-	-	-	3,663	-	-	-	-	3,663
Children 5-19 Health Programmes	-	-	-	-	120	824	-	-	-	944
Sexual Health	-	-	-	-	76	1,862	-	-	-	1,938
Substance Misuse	-	-	-	-	-	2,364	-	(95)	-	2,269
Smoking and Tobacco	-	-	-	-	147	171	-	-	-	318
Miscellaneous Public Health Services	497	-	-	7	397	950	-	(301)	-	1,551
Public Health Grant	-	-	-	-	-	-	-	(10,620)	-	(10,620)
Total Public Health	**497**	**-**	**-**	**7**	**4,403**	**6,170**	**-**	**(11,016)**	**-**	**62**
Resources										
Director's Office	262	-	-	3	7	-	-	-	-	272
Financial Services	2,280	6	1,100	9	(130)	50	-	(585)	-	2,730
Programme Management Office	171	-	-	1	1	-	-	-	-	173
Corporate Items	359	-	-	-	1,692	1,150	-	(50)	-	3,151
Peterborough Serco Strategic Partnership	-	-	-	-	(1,595)	10,432	59,038	(63,657)	-	4,218
ICT	170	-	-	1	4,468	2,168	-	(412)	-	6,395
Energy	-	-	23	-	(86)	(1)	-	(697)	1,241	480
Cemeteries, Cremation & Registrars	948	-	314	12	237	-	-	(2,904)	-	(1,393)
Total Resources	**4,190**	**6**	**1,437**	**26**	**4,593**	**13,799**	**59,038**	**(68,305)**	**1,241**	**16,027**
Corporate Expenditure	-	-	634	-	112	4,303	-	-	-	5,049
Capital Financing Costs	-	-	-	-	50	-	-	(11,959)	29,481	17,573
Use of Reserves	-	-	-	-	(3,084)	-	-	-	-	(3,084)
TOTAL	**57,102**	**1,505**	**13,951**	**4,685**	**182,560**	**60,827**	**75,814**	**(276,399)**	**30,723**	**150,767**

Subjective Budget Analysis 2020/21	Employees	Agency Staff	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Income	Capital Financing	Net Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executives										
Chief Executive	294	3	1	2	53	-	-	(110)	-	244
Human Resources	1,358	-	1	9	(170)	14	-	(349)	-	863
Total Chief Executives	**1,652**	**3**	**2**	**11**	**(116)**	**14**	**-**	**(459)**	**-**	**1,107**
Governance										
Director of Governance	208	-	-	6	119	-	-	-	-	332
Constitutional Services	679	19	12	23	1,399	-	-	(5)	-	2,127
Legal Services	1,895	4	-	9	(99)	-	-	(647)	-	1,163
Performance & Information	206	-	-	0	0	-	-	-	-	206
Coroners Service	-	-	-	-	595	-	-	-	-	595
Total Governance	**2,987**	**23**	**12**	**38**	**2,014**	**-**	**-**	**(652)**	**-**	**4,422**
Growth & Regeneration										
Director, OP & JV	383	2	5	31	(456)	140	-	(96)	-	9
Development and Construction	1,834	-	1	15	280	-	-	(1,940)	-	189
Sustainable Growth Strategy	973	-	-	10	861	-	-	(356)	-	1,487
Peterborough Highway Services	1,437	-	942	25	7,242	14	-	(4,902)	-	4,758
Waste, Cleansing and Open Spaces	290	-	2,383	56	7,940	8,455	-	(5,284)	-	13,841
Westcombe Engineering	659	-	68	-	805	-	-	(1,405)	-	126
Corporate Property	93	15	4,075	-	482	1,217	-	(3,753)	-	2,130
Resilience & Health & Safety	281	-	-	3	21	-	-	(65)	-	240
City Centre Management	400	-	225	0	363	-	-	(838)	-	150
Marketing & Communications	404	-	-	1	40	-	-	(164)	-	281
Parking Services	91	-	1,333	6	182	-	-	(3,679)	-	(2,067)
Regulatory Services	2,500	-	1	36	370	-	-	(2,030)	-	877
Service Director Environment & Economy	148	-	-	1	3	-	-	-	-	151
Total Growth & Regeneration	**9,492**	**17**	**9,032**	**185**	**18,132**	**9,826**	**-**	**(24,512)**	**-**	**22,171**
People & Communities										
Director	1,467	-	4	12	(923)	276	-	(329)	-	507
Communities	6,657	18	1,622	105	3,826	3,449	-	(8,900)	-	6,776
Adults	8,749	277	3	319	46,899	6,695	11,295	(24,401)	-	49,835
Children's & Safeguarding	9,889	714	145	213	3,092	1,656	402	(4,253)	-	11,857
Education	3,416	38	547	3,696	8,703	(64)	-	(10,437)	-	5,899
Commissioning & Commercial Operations	6,460	409	508	46	1,974	14,729	-	(7,194)	-	16,932
DSG	2,487	-	5	29	95,762	(73)	5,517	(103,726)	-	-

Subjective Budget Analysis 2020/21	Employees	Agency Staff	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Income	Capital Financing	Net Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total People & Communities	**39,126**	**1,455**	**2,834**	**4,419**	**159,332**	**26,669**	**17,214**	**(159,242)**	**-**	**91,806**
Public Health										
Children 0-5 Health Visitors	-	-	-	-	3,658	-	-	-	-	3,658
Children 5-19 Health Programmes	-	-	-	-	120	824	-	-	-	944
Sexual Health	-	-	-	-	76	1,862	-	-	-	1,938
Substance Misuse	-	-	-	-	(42)	2,364	-	(95)	-	2,227
Smoking and Tobacco	-	-	-	-	147	171	-	-	-	318
Miscellaneous Public Health Services	497	8	-	7	407	950	-	(301)	-	1,569
Public Health Grant	-	-	-	-	-	-	-	(10,620)	-	(10,620)
Total Public Health	**497**	**8**	**-**	**7**	**4,366**	**6,170**	**-**	**(11,016)**	**-**	**33**
Resources										
Director's Office	266	-	-	3	7	-	-	-	-	276
Financial Services	2,317	6	1,098	9	(764)	50	-	(585)	-	2,131
Programme Management Office	173	-	-	1	1	-	-	-	-	175
Corporate Items	2,695	-	-	-	1,756	1,153	-	(50)	-	5,555
Peterborough Serco Strategic Partnership	-	-	-	-	(3,504)	10,764	59,038	(63,657)	-	2,641
ICT	177	-	-	1	4,010	2,336	-	(412)	-	6,112
Energy	-	-	23	-	(104)	17	-	(697)	1,241	480
Cemeteries, Cremation & Registrars	962	-	314	12	237	-	-	(2,964)	-	(1,439)
Total Resources	**6,590**	**6**	**1,435**	**26**	**1,639**	**14,320**	**59,038**	**(68,365)**	**1,241**	**15,931**
Corporate Expenditure	-	-	646	-	112	4,303	-	-	-	5,061
Capital Financing Costs	-	-	-	-	50	-	-	(11,959)	42,645	30,737
TOTAL	**60,344**	**1,513**	**13,961**	**4,685**	**185,529**	**61,302**	**76,252**	**(276,205)**	**43,886**	**171,267**

Subjective Budget Analysis 2021/22	Employees	Agency Staff	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Income	Capital Financing	Net Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executives										
Chief Executive	295	3	1	2	53	-	-	(110)	-	244
Human Resources	1,377	-	1	9	(170)	14	-	(349)	-	882
Total Chief Executives	**1,671**	**3**	**2**	**11**	**(116)**	**14**	**-**	**(459)**	**-**	**1,126**
Governance										
Director of Governance	208	-	-	6	119	-	-	-	-	333
Constitutional Services	706	19	12	23	1,399	-	-	(5)	-	2,154
Legal Services	1,928	4	-	9	(99)	-	-	(647)	-	1,196
Performance & Information	210	-	-	0	0	-	-	-	-	210
Coroners Service	-	-	-	-	595	-	-	-	-	595
Total Governance	**3,053**	**23**	**12**	**38**	**2,014**	**-**	**-**	**(652)**	**-**	**4,487**
Growth & Regeneration										
Director, OP & JV	389	2	5	31	(456)	140	-	(96)	-	15
Development and Construction	1,865	-	1	15	280	-	-	(1,940)	-	220
Sustainable Growth Strategy	990	-	-	10	861	-	-	(356)	-	1,503
Peterborough Highway Services	1,462	-	942	25	7,500	14	-	(4,906)	-	5,037
Waste, Cleansing and Open Spaces	294	-	2,383	56	8,603	8,455	-	(5,291)	-	14,501
Westcombe Engineering	671	-	68	-	805	-	-	(1,405)	-	138
Corporate Property	95	15	4,075	-	597	1,217	-	(3,753)	-	2,246
Resilience & Health & Safety	286	-	-	3	21	-	-	(65)	-	245
City Centre Management	407	-	225	0	363	-	-	(840)	-	155
Marketing & Communications	412	-	-	1	40	-	-	(164)	-	289
Parking Services	92	-	1,333	6	182	-	-	(3,659)	-	(2,046)
Regulatory Services	2,528	-	1	36	370	-	-	(2,036)	-	899
Service Director Environment & Economy	151	-	-	1	3	-	-	-	-	154
Total Growth & Regeneration	**9,642**	**17**	**9,032**	**185**	**19,167**	**9,826**	**-**	**(24,512)**	**-**	**23,357**
People & Communities										
Director	1,517	-	4	12	(900)	276	-	(329)	-	580
Communities	6,775	18	1,622	105	3,883	3,452	-	(8,910)	-	6,944
Adults	8,941	277	3	319	49,161	6,695	11,295	(24,401)	-	52,290
Children's & Safeguarding	10,073	714	145	213	3,092	1,656	462	(4,253)	-	12,101
Education	3,476	38	547	3,696	8,703	(64)	-	(10,437)	-	5,958
Commissioning & Commercial Operations	6,561	409	508	46	1,974	14,729	-	(7,194)	-	17,033
DSG	2,487	-	5	29	95,762	(73)	5,517	(103,726)	-	-

Subjective Budget Analysis 2021/22	Employees	Agency Staff	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Income	Capital Financing	Net Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total People & Communities	**39,830**	**1,455**	**2,834**	**4,419**	**161,674**	**26,672**	**17,274**	**(159,252)**	**-**	**94,906**
Public Health										
Children 0-5 Health Visitors	-	-	-	-	3,658	-	-	-	-	3,658
Children 5-19 Health Programmes	-	-	-	-	120	824	-	-	-	944
Sexual Health	-	-	-	-	76	1,862	-	-	-	1,938
Substance Misuse	-	-	-	-	(42)	2,364	-	(95)	-	2,227
Smoking and Tobacco	-	-	-	-	147	171	-	-	-	318
Miscellaneous Public Health Services	497	8	-	7	407	950	-	(301)	-	1,569
Public Health Grant	-	-	-	-	-	-	-	(10,620)	-	(10,620)
Total Public Health	**497**	**8**	**-**	**7**	**4,366**	**6,170**	**-**	**(11,016)**	**-**	**33**
Resources										
Director's Office	270	-	-	3	7	-	-	-	-	280
Financial Services	2,354	6	1,098	9	(764)	50	-	(585)	-	2,169
Programme Management Office	176	-	-	1	1	-	-	-	-	177
Corporate Items	3,120	-	-	-	1,352	1,195	-	(50)	-	5,617
Peterborough Serco Strategic Partnership	-	-	-	-	(3,504)	10,564	59,038	(63,657)	-	2,441
ICT	183	-	-	1	3,980	2,508	-	(412)	-	6,260
Energy	-	-	23	-	(104)	17	-	(697)	1,241	480
Cemeteries, Cremation & Registrars	977	-	314	12	237	-	-	(3,023)	-	(1,484)
Total Resources	**7,080**	**6**	**1,435**	**26**	**1,204**	**14,334**	**59,038**	**(68,424)**	**1,241**	**15,941**
Corporate Expenditure	-	-	658	-	112	4,303	-	-	-	5,073
Capital Financing Costs	-	-	-	-	50	-	-	(11,959)	44,304	32,396
TOTAL	**61,774**	**1,513**	**13,973**	**4,685**	**188,472**	**61,318**	**76,312**	**(276,273)**	**45,545**	**177,320**

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Appendix B – Budget Proposals- Tranche One, Two and Three.

Summary of the position:

The following table summarises the position from all Three Tranches of the Medium Term Financial Strategy 2019/20-2021/22

	2019/20 £000	2020/21 £000	2021/22 £000
Budget Gap as reported in MTFS 2018/19	**12,712**	**19,317**	**16,926**
MTFS 2019/20-2021/22 budget changes:			
Pay and Pensions	229	2,629	3,049
Inflation and cost changes	1,339	1,018	590
Demographic and volumetric service demand	4,092	3,715	5,198
Grant and legislative changes	0	753	753
Efficiencies	(461)	(461)	(461)
Capital financing Changes	(187)	420	4,210
Service proposals (savings and additional income)	(2,705)	(3,343)	(3,516)
Revised Budget Gap	**15,019**	**24,048**	**26,747**
Funding changes	(5,435)	(5,639)	(6,691)
One-off resources (including capital receipts)	(6,500)	0	0
Use of reserves	(3,084)	0	0
Final Budget Gap	**0**	**18,409**	**20,056**
Incremental Budget Gap	**0**	**18,409**	**1,647**

Tranche One Proposals

	2019/20 £000	2020/21 £000	2021/22 £000
Funding	**(680)**	**(380)**	**(380)**
New Homes Bonus- Capacity Grid	(300)	-	-
Council Tax and Business Rates- Income collection rates	(380)	(380)	(380)
Growth & Regeneration	**(619)**	**(619)**	**(619)**
Transport Planning	(75)	(75)	(75)
Planning- Additional Income and Efficiencies	(100)	(100)	(100)
Growth & Regeneration- Staffing and Commercial Opportunities	(224)	(224)	(224)
Highways Maintenance	(220)	(220)	(220)
People & Communities	**194**	**444**	**915**
Community Safety	(225)	(235)	(245)
Housing and Homelessness Prevention	(1,079)	(1,289)	(1,289)
Adult Social Care Demand	1,498	1,968	2,449
Public Health	**164**	**164**	**164**
Icash Peterborough	194	194	194
Public Health joint commissioning unit. - staffing saving	(30)	(30)	(30)
Resources	**(1,544)**	**1,112**	**5,322**
Capital Financing Changes- Tranche 1	(1,509)	(1,253)	2,537
Pay Award- Additional 1% from 2020/21 Onwards	-	400	820
Pension inflation	-	2,000	2,000
Postage- Removal of First Class Postage	(35)	(35)	(35)
Total	**(2,485)**	**721**	**5,402**

Tranche Two Proposals

	2019/20 £000	2020/21 £000	2021/22 £000
Growth & Regeneration	**(1,398)**	**(1,148)**	**(1,448)**
Bridge Maintenance	(250)	0	(300)
Gully Maintenance	(50)	(50)	(50)
Street Lighting Maintenance	(365)	(365)	(365)
Relocate visitor information centre to Town Hall	(42)	(42)	(42)
Patching Maintenance (corresponding capital change)	(300)	(300)	(300)
Peterborough Highways Services (PHS)- Staffing	(160)	(160)	(160)
Housing & Strategic Planning- Increased income target	(50)	(50)	(50)
Environment Capital- Remove vacant post	(31)	(31)	(31)
Subsidised Transport	(150)	(150)	(150)
Governance	**(62)**	**(62)**	**(62)**
Christmas Shut down	(40)	(40)	(40)
HR- Supplies and Services and Salary cost saving	(22)	(22)	(22)
People & Communities	**840**	**(268)**	**734**
Hospital - virtual panel	(100)	(100)	(100)
Self-Funders	(100)	(150)	(150)
Block purchasing - Nursing Beds	(150)	(150)	(150)
National Living Wage	-	(300)	(300)
Virtual School	(25)	(25)	(25)
Term time only working	(5)	(5)	(5)
Schools Infrastructure Team	(21)	(21)	(21)
Housing Needs	(223)	(32)	(32)
PES / Community Safety Operating Model	(350)	(350)	(350)
Development of Care Suites across Peterborough	(100)	(200)	(200)
Sensory Equipment- budget reduction	(30)	(30)	(30)
Schools Attendance- Fines Income	(10)	(10)	(10)
Home to School Transport- Catchment Areas	(29)	(50)	(50)
Targeted Youth Support Service- increased activity	(25)	(25)	(25)
Community Capacity- Gladstone Park Transfer	(37)	(37)	(37)
Community Capacity- Community Asset Transfer (CAT) Programme	(52)	(52)	(52)
St George's Hydrotherapy Pool- Vivacity Transfer	(58)	(58)	(58)
Children's Social Care Pressure	3,200	2,700	2,700
Supported Living- Review Provider Rate	(50)	(50)	(50)
Monitoring of Homecare Contracts (Framework Provider review)	(250)	(250)	(250)
Adult Social Care Demand Pressure	(179)	(507)	495
PCAS- contract negotiation	(30)	(30)	(30)
Deliver improved performance by the Adult Social Care Team	(200)	(200)	(200)
Direct Payments- Off Framework Provider Review	(35)	(35)	(35)
Best use of resources within a personal budget to meet needs	(100)	(100)	(100)
Charging for post reablement support	(10)	(10)	(10)
Reduction in funding a CCG / PCC post	(25)	(25)	(25)
Older People Day Services	(30)	(30)	(30)
Anti-Social Behaviour Team	(36)	(36)	(36)
P&C Review of Senior Management Capacity	(100)	(100)	(100)
PH	**(190)**	**(190)**	**(190)**
Integrated Offender Management Administration	(30)	(30)	(30)

	2019/20 £000	2020/21 £000	2021/22 £000
Mitigation of the iCASH Pressure	(66)	(66)	(66)
Road Safety Projects- integrated across PCC and CCC	(20)	(20)	(20)
Public Health Staffing	(74)	(74)	(74)
Res	**(6,384)**	**(277)**	**(674)**
Inflation- removal of general inflation	(368)	(733)	(1,102)
Capital Receipts	(6,500)	-	-
Increased Council Tax Collection	(490)	(490)	(490)
Resources- Inflation Removal	(50)	(50)	(50)
ICT (Change of Strategic Direction)	1,024	996	968
Grand Total	**(7,194)**	**(1,945)**	**(1,640)**

Tranche Three Proposals

	2019/20 £000	2020/21 £000	2021/22 £000
Funding	**(4,265)**	**(4,769)**	**(5,821)**
Business Rates Forecast	(1,321)	(852)	(738)
Social care funding announced in the Autumn Budget £650m	(2,150)	(2,150)	(2,150)
Council Tax additional 1% and Tax Base Forecast	(770)	(1,594)	(2,705)
Council Tax Collection Fund Surplus (one-off)	(201)	-	-
New Homes Bonus	177	(173)	(228)
Growth & Regeneration	**1,557**	**1,150**	**1,285**
Pollution Control	120	120	120
Peterborough Ltd (Latco)	1,087	805	940
Trees- Insurance Risk	250	250	250
POSH Rental income budget (removal post sale)	380	380	380
Repairs and Maintenance cost reduction (result of CAT's)	(180)	(180)	(180)
Peterborough Highways Services Commercial Income Pressure	400	275	275
Energy From Waste Income	(500)	(500)	(500)
Governance	**205**	**205**	**205**
Legal Child Protection Team Pressure	100	100	100
Coroner Volume related pressure	105	105	105
People & Communities	**58**	**811**	**811**
St George's Hydrotherapy Pool- Vivacity Transfer	58	58	58
Tackling Troubled Families (TTF) Grant	-	753	753
Resources	**(588)**	**2,919**	**2,888**
National Living Wage	114	114	114
Axiom/Longhurst- reduction in interest income due to loan redemption	140	140	140
Capital Programme- Additional cost of financing	1,182	1,533	1,533
Materials Recycling Facility	300	300	300
ICT	605	677	646
Use of the Capacity Reserve to balance the Budget	(3,084)	-	-
Across Back Office Efficiencies	155	155	155
Grand Total	**(3,033)**	**316**	**(632)**

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Appendix C – Council Tax Information

Summary	2017/18	2018/19	2019/20	2020/21	2021/22
Council Tax increase	1.99%	2.99%	2.99%	2.99%	2.99%
ASC precept increase	3.00%	3.00%	0.00%	0.00%	0.00%
Council Tax Band D	£1,196.38	£1,268.39	£1,344.37	£1,384.57	£1,425.97
Council Tax Band D - ASC precept	£35.19	£36.95	£-	£-	£-
Total Band D	**£1,231.57**	**£1,305.34**	**£1,344.37**	**£1,384.57**	**£1,425.97**
Council Tax Base	54,879.0	56,259.3	57,555.25	58,335.25	59,115.25

Council Tax band D information	2017/18	2018/19	2019/20	2020/21	2021/22
Basic Council Tax	£1,150.48	£1,173.82	£1,210.64	£1,249.67	£1,289.87
Increase	£23.34	£36.82	£39.03	£40.20	£41.40
	£1,173.82	**£1,210.64**	**£1,249.67**	**£1,289.87**	**£1,331.27**
ASC precept 2016/17	£22.56	£22.56	£22.56	£22.56	£22.56
ASC precept 2017/18	£35.19	£35.19	£35.19	£35.19	£35.19
ASC precept 2018/19	£0.00	£36.95	£36.95	£36.95	£36.95
ASC precept 2019/20	£0.00	£0.00	£0.00	£0.00	£0.00
Total Band D	**£1,231.57**	**£1,305.34**	**£1,344.37**	**£1,384.57**	**£1,425.97**

8th lowest

Peterborough has the 8th lowest council tax
out of 56 Unitary Authorities

How will the increase affect **my council tax bill?**

Please be aware that this increase doesn't include the contribution you pay for fire and police services

Band	2018/19	2019/20	Annual Increase	Weekly Increase
A	£870.22	£896.25	£26.03	£0.50
B	£1,015.27	£1,045.62	£30.35	£0.58
C	£1,160.30	£1,195.00	£34.70	£0.67
D	£1,305.34	£1,344.37	£39.03	£0.75
E	£1,595.41	£1,643.12	£47.71	£0.92
F	£1,885.49	£1,941.87	£56.38	£1.08
G	£2,175.56	£2,240.62	£65.06	£1.25
H	£2,610.68	£2,688.74	£78.06	£1.50

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Appendix D – Grant Register

Department	Fund Provider	Grant Name	Grant Amount 2019/20 £000	Brief Description of what the grant is being used for
Chief Executive	DfE	Greater Cambridgeshire Social Work Teacher Partnership	(562)	key drivers for the Social Work Teaching Partnership programme are to enhance partnership arrangements between Higher Education Institutions (HEIs) and employers; attract more able students; embed the knowledge and skills into academic curricula and Continuing Professional Development (CPD) for existing workers; and overall raise the quality of social work practice.
CHIEF EXECUTIVE TOTAL			**(562)**	
Growth & Regeneration	MHCLG	Neighbourhood Planning Grant (NPG)	Unknown	
Growth & Regeneration	MHCLG	New Burdens Custom & Self Build	(15)	Prepare and maintain a register of people who want to acquire serviced plots of land in their area for self-build and custom housebuilding [part funding a post and related expenditure].
Growth & Regeneration	MHCLG	New Burdens Brownfield Register	Unknown	Prepare and maintain a register of previously developed land suitable for housing (Brownfield land register)
Growth & Regeneration	DfT	Bus Service Operator's Grant	Unknown	Supporting Bus Services & provision of infrastructure supporting such services.
Growth & Regeneration	DfT	Bikeability	(58)	Programme to increase the provision of cycle training for children attending compulsory education in England in accordance with the National Standards.
Growth & Regeneration	MHCLG	Lead Local Flood Authority	(10)	Support the Flood and Drainage department.
Growth & Regeneration	CPCA	CPCA Sustainable Travel	Unknown	Recharge of Sustainable Transport costs to CPCA who have the Transport Powers
Growth & Regeneration	CPCA	CPCA ATC's	Unknown	Recharge of Transport Planning costs to CPCA who have the Transport Powers
Growth & Regeneration	CPCA	CPCA Support	Unknown	Recharge of Transport Planning costs to CPCA who have the Transport Powers
Growth & Regeneration	CPCA	CPCA Schemes & Studies	Unknown	Recharge of Transport Planning costs to CPCA who have the Transport Powers
Growth & Regeneration	CPCA	CPCA Staff Recharges	(80)	Recharge of Transport Planning Staff to CPCA who have the Transport Powers
Growth & Regeneration	MHCLG	Planning Delivery Fund	Unknown	Prepare a joint M&W Local Plan
GROWTH & REGENERATION TOTAL			**(163)**	
People & Communities	Cambridgeshire Police & Crime Commissioner	Crime & Disorder grant for PCC PES	(44)	Contributes to Community Safety Services
People & Communities		PFI	(4,731)	
People & Communities	MHCLG	Flexible Homelessness Support Grant	(882)	To support self-contained accommodation for homelessness as a replacement for previous scheme
People & Communities	MHCLG	Rough Sleeping Initiative	(346)	

Department	Fund Provider	Grant Name	Grant Amount 2019/20 £000	Brief Description of what the grant is being used for
People & Communities	MHCLG	Homelessness Reductions Act - New Burdens funding	(130)	
People & Communities	HO	Tackling Troubled Families Grant	(236)	Various programmes within Peterborough, a detailed monitoring sheet is available
People & Communities	DoH	Social Care Support Grant	(2,150)	Social Care Support Grant - for adults and childrens social care to ensure that adult social care pressures do not create additional demand on the NHS. However councils can use this grant to fund social care services for older people, people with disabilities and children.
People & Communities	DfE	Extension of the Role of Virtual School Heads to Certain Previously Looked after Children Implementation Grant	Will be notified Feb 19	The purpose of this grant is to provide support to local authorities in England, to help them meet their duty to appoint a Virtual School Head for previously looked-after children and make information and advice available to the following parties for the purposes of promoting the education of eligible previously looked-after children:
People & Communities	EFA	Dedicated Schools Grant	(97,388)	Funding is split in four blocks. Schools block which is allocated to schools through the Peterborough's schools funding formula. Early years block which funds free nursery education for 3 and 4 year olds and qualifying 2 year olds, a small percentage is retained for support services. The high needs block provides support for children aged 0-25 with special educational needs either through direct resources or support services. The Central Schools Services Block funds school support services.
People & Communities	EFA	Primary PE and Sport Premium	(557)	The PE and sport premium was introduced to improve the provision of physical education and school sport in primary schools across England. The funding is allocated directly to primary schools and is ring-fenced. This means it may only be spent on improving the provision of PE and sport in schools.
People & Communities	EFA	Sixth Form Funding from the Education Funding Agency (EFA)	(1,849)	Funding for sixth-form colleges and special schools to provide study programmes for young people aged 16-19. Funding is allocated through and national funding formula and passported to schools...
People & Communities	EFA	Pupil Premium Grant	(4,489)	The pupil premium is additional funding for publicly funded schools in England. It's designed to help disadvantaged pupils of all abilities perform better, and close the gap between them and their peers.
People & Communities	DfE	Universal Infants Free School Meals	(1,195)	Funding for schools to provide a free schools meal to infant aged (Reception, year 1 and year 2) pupils.
People & Communities	EFA	Teachers Pay grant	(426)	Funding to support schools with the recommended September 2018 pay award for teachers.
People & Communities	MHCLG	Brexit Preperations	(105)	Funding to help councils carry out their preparations for exit from the EU and do appropriate contingency planning Funding Written statement

Department	Fund Provider	Grant Name	Grant Amount 2019/20 £000	Brief Description of what the grant is being used for
PEOPLE & COMMUNITIES TOTAL			**(114,528)**	
Public Health	DoH	Public Health grant	(10,620)	Grant funds the spend attributable to Public Health
PUBLIC HEALTH TOTAL			**(10,620)**	
Resources	DWP	Discretionary Housing Payments (DHPs)	Unknown	Discretionary Housing Payments.
Resources	DWP	Mandatory Rent Allowances: subsidy	Unknown	Housing Benefit Claims
Resources	DWP	Housing Benefit Subsidy Admin Grant	Unknown	Housing Benefit Admin
Resources	MHCLG	Localised Council Tax Support Admin Subsidy grant	(231)	Council Tax Support Administration
Financing	MHCLG	New Homes Bonus	(4,713)	New Homes Bonus is a grant paid by MHCLG to incentivise new house building, including additional insentives for affordable housing and bringing empty homes back in to use. This is calculated using house numbers included within the annual CTB1 (Council tax) return submitted by Councils.
Financing	MHCLG	Revenue Support Grant	(10,246)	Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the local government finance settlement
Financing	MHCLG	S31 Business rate grants: **see below**	0	The Council received section 31 grant funding, in relation to Business Rates where the Government has announced changes to the scheme, which differ to the original legislation set. These payments are seen as a compensation payment to Councils where the change would reduce their income generation potential. For example when MHCLG have announced an increase in the Small Business Rates Relief this would help local small businesses by providing relief fot them, but create a pressure for the Council. The government pay this difference to ensure the council maintains its income level and also ensures businesses are supported.
Financing	MHCLG	S31 Business Rate Capping	(1,459)	
Financing	MHCLG	S31 Small Business Rates relief	(2,186)	
Financing	MHCLG	S31 Small Business Rates supplement	(187)	
Financing	MHCLG	S31 Local DRR scheme	(27)	
Financing	MHCLG	S31 Rural rate relief	(7)	
Financing	MHCLG	S31 Rate bill cap for small bus (£600 cap)	(8)	
Financing	MHCLG	Additional Improved Better Care Fund	(1,121)	Improved Better Care Fund - to alleviate the pressure that Local Authorities face in the provision of Adult Social Care
Financing	MHCLG	Improved Better Care Fund	(5,345)	
RESOURCES TOTAL			**(25,531)**	
ALL REVENUE GRANTS TOTAL			**(128,159)**	

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Appendix E – Fees and Charges

Directorate	Service Area	2018/19 Budget	2019/20 Proposed Inflation	Total Budget 2019/20	Average increase
		£	£	£	%
Governance	Mayoralty/Civic	5,230	0	5,230	0.0%
Governance	Land Charges	222,831	0	222,831	0.0%
Governance	Children and Families	0	0	0	0.0%
Growth & Regeneration	Archaeology Services	550	0	550	0.0%
Growth & Regeneration	Asset management	44,750	3,750	48,500	8.4%
Growth & Regeneration	Parking - Queensgate Bus Station	130,000	0	130,000	0.0%
Growth & Regeneration	Planning - Building Control	408,899	0	408,899	0.0%
Growth & Regeneration	Planning Services	17,401	0	17,401	0.0%
Growth & Regeneration	Street Work	249,476	0	249,476	0.0%
Growth & Regeneration	Transport and Development	566,095	0	566,095	0.0%
Growth & Regeneration	Business Regulations - Hackney Carriages	292,612	5,388	298,000	1.8%
Growth & Regeneration	Business Regulations - Licensing	217,501	1,985	219,486	0.9%
Growth & Regeneration	Business Regulations - Other	167,329	1,519	168,848	0.9%
Growth & Regeneration	City Centre Operations	203,886	2,900	206,786	1.4%
Growth & Regeneration	Destination Centre	25,371	0	25,371	0.0%
Growth & Regeneration	Parking Services	3,327,349	1,355	3,328,704	0.0%
Growth & Regeneration	Trading Standards	429,022	248	429,270	0.1%
People & Communities	St Georges Hydrotherapy Pool	0	0	0	0.0%
People & Communities	Parking Services - PCN	600,000	0	600,000	0.0%
People & Communities	Housing & Healthy Living - Housing	427,960	0	427,960	0.0%
People & Communities	Housing & Healthy Living - Communities	0	0	0	0.0%
People & Communities	Road Safety	0	0	0	0.0%
People & Communities	Children Homes	6,379,811	0	6,379,811	0.0%
People & Communities	Children and Families	50,000	0	50,000	0.0%
People & Communities	Learning & Skills	0	0	0	0.0%
People & Communities	Children Services Transport	0	0	0	0.0%
People & Communities	Homecare	0	0	0	0.0%
People & Communities	Meals	0	0	0	0.0%
People & Communities	Residential	0	0	0	0.0%
People & Communities	Nursing	0	0	0	0.0%
People & Communities	Day Services	0	0	0	0.0%
People & Communities	Respite	0	0	0	0.0%
People & Communities	Unit Recharges	0	0	0	0.0%
Resources	Communications	0	0	0	0.0%
Resources	Peterborough Cemeteries - Interment Fees & rights of burial	372,127	8,723	380,850	2.3%
Resources	Peterborough Crematorium - Cremation Fees - Main Fee inc Env surcharge	1,600,136	42,650	1,642,786	2.7%
Resources	Peterborough Crematorium - Memorial Sales	158,993	4,767	163,760	3.0%
Resources	Registration Services	448,458	18,297	466,755	4.1%
TOTAL		**16,345,787**	**91,582**	16,437,369	**0.6%**

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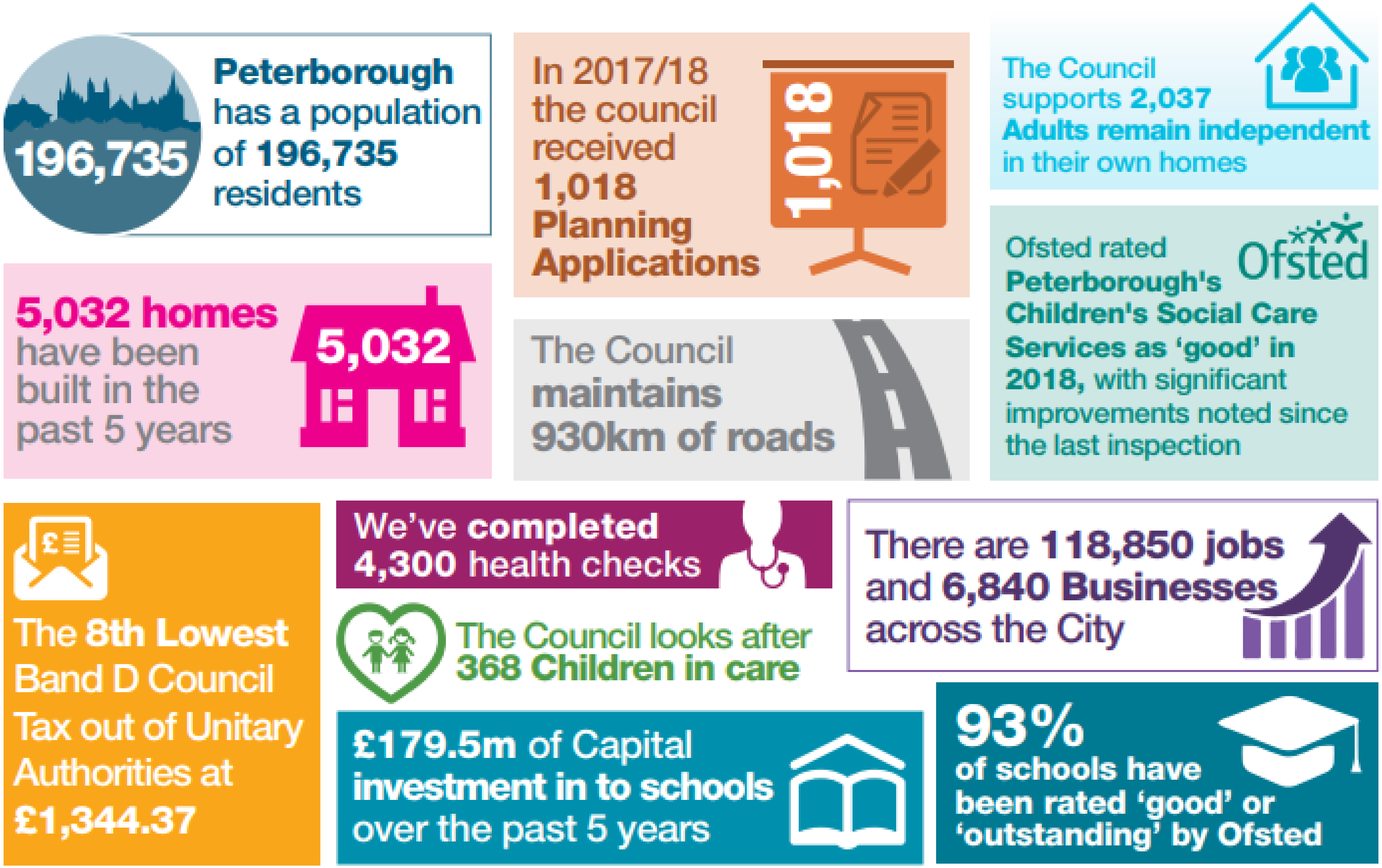
Appendix F – Performance Data



Appendix F – Performance Data	**PCC data £**	**Rank (out of 56 Unitary Authorities)**	**Average for Unitary Authorities**	**Rank (out of 158 Local authorities)**	**Average for National Local Authorities**
Total Service Expenditure 2017/18 per head	£1,478.31	45	£1,298.51	110	£1,501.67
Net Expenditure Budget 2018/19 per head	£715.64	22	£740.28	83	£843.00
Levels of reserves are below the average level of reserves, and above average decline in reserves	1 Apr 18 Reserves balance £34.0m	31 Mar 19 Reserves balance £29.8m	£0.5m average reduction in reserves over this period	31 Mar 19 Reserves balance £29.8m	£3.9m average reduction in reserves over this period
Gearing/reliance on Council Tax (based on council tax requirement and net spend budget- 2017/18)	53% reliant on Council Tax	12 lowest geared (below average)	The Average Council is 62% geared	55 lowest geared (below average)	The Average Council is 58% geared
Benchmarking per head (of relevant client group) **Bold narrative based on UA analysis**	**PCC data £ (based on unit cost)**	**Rank (out of 56 Unitary Authorities)**	**Average for Unitary Authorities**	**Rank (out of 158 Local authorities)**	**Average for National Local Authorities**
Total education (per under 16 population)- **above average cost**	£3,288.89	39	£2,746.43	88	£3,125.07
Highways and transport (per total population)- **below average cost**	£39.30	23	£41.31	80	£28.71
Roads Structural maintenance- **below average cost.**	£2.38	21	£5.81	62	£7.74
Total social care **- mid point across the unitary authorities and below average cost**	£455.60	28	£457.67	83	£454.11
Children's **- above average cost**	£936.87	33	£906.93	94	£908.10
Adults **- below average cost**	£315.47	13	£352.83	46	£347.61
Public Health **- mid point across the unitary authorities and below average cost**	£59.22	28	£64.47	69	£67.88
Cultural and Related **- below average cost**	£24.82	10	£38.38	46	£73.04
Environmental and Regularity **- the lowest cost authority**	£54.12	1	£86.54	43	£83.09
Waste **- the lowest cost authority**	£34.01	1	£63.20	30	£53.92
Planning and development services **- above average cost and ranked 48 out of 56 authorities**	£29.12	48	£19.08	132	£22.75
Central services **- higher than average cost, in the top quartile of unitary LA's for costs**	£46.39	39	£36.88	101	£50.01

Further Statistics for Peterborough City Council		

Further Statistics for Peterborough City Council		
Population 2016	196,735	As per the Office of National Statistics data
Population 2011 (census)	183,681	As per the Office of National Statistics data
Child population 0-16 (2016)	44,366	As per the Office of National Statistics data
Adult Population 16-64 (2016)	123,937	As per the Office of National Statistics data
Older Population +64 (2016)	28,432	As per the Office of National Statistics data
Dwellings/Households in the City (chargeable to Tax assuming there is a householder in there)	83,148	As per CTB1 form submitted to MHCLG in October 2018
Jobs in the City	118,850	As per Opportunity Peterborough (number of jobs in 2017 from ONS Business Register and Employment Survey 2018)
Businesses	6,840	As per Opportunity Peterborough Report (ONS UK Business Counts 2018)
Council Tax band D	£1,344.37	As proposed for 2019/20, to be agreed at Council on 6th March 2019
Council tax rank out of all unitary authorities	8th Lowest out of 56 Unitary Authorities	Based on 2018/19 Council Tax figures, from the gov.uk. (Source below)
New homes built in the past 5 years (2013/14-2017/18)	5,032	As per gov.uk data (Source below)
New homes built in the past year 2017/18	706	As per gov.uk data (Source below)
93% of schools judged as good or outstanding	93%	As per Council held data.
£114m of investment planned for 2019/20 throughout the city (Capital Programme)	£114m	As per the MTFS 2019/20- Tranche Three
£179.5m of Capital investment in to schools over the past 5 years	£179.5m	Over the last 5 years the local authority has invested £179.5m of capital funding to build new schools, expand schools and to improve the condition of school buildings. Of the £179.5m invested in schools £6.8m has come from Section 106 funding, £85m from government grants with the balance of £87.7m being met from council resources. The council's investment in schools is funded by long term borrowing which comes at a cost.
1,018 Planning Applications received with 96% of these receiving a decision	1,018	**Planning Applications** 95% of major planning applications decided in 13 weeks or alternative timescale agreed with applicant - 57 out of 60 applications 97% of minor applications decided in 8 weeks or alternative timescale agreed with applicant - 307 out of 318 applications 96% of other applications decided in 8 weeks or alternative timescale agreed with applicant - 617 out of 640 applications Planning Compliance 511 service requests asking for an investigation into potentially unauthorised development 501 cases investigated and closed Building Control

Further Statistics for Peterborough City Council		
		78% of full plans applications checked and responded to in 10 days 71% market share
kilo-meters of road we maintain	930km	
Peterborough City Council area	344Sq.Km/34,337 .82hectares	
Children in care	368	Figure as at Jan 2019, during 2018 the figure peaked to 383,During 2017/18 we had 2,613 referrals into CSC and 2,948 single assessments completed
Homelessness- Number of households accommodated	327	The number of homeless presentations to the council has risen from 1,118 in 2014/15 to 1,504 in 2017/18. Despite this unprecedented rise in demand, the numbers of households in temporary accommodation has reduced from 385 to 327 and our reliance on costly Travelodge accommodation has reduced to zero. We are also supporting households at risk of becoming homeless, to keep them in their own homes.
Adults Social Care- Supporting adults in their own home	2,037	These figures were as at Aug 2018 (Aug 2017 2,012 ,Aug 2016- 1,978, Aug 2015- 1,970)
Adults Social Care- Supporting Adults in nursing or residential care home	488	These figures were as at Aug 2018 (Aug 2017 414, Aug 2016- 402, Aug 2015- 395)
Schools Places- secondary, a decrease of 274 pupils	15,203	As at October 2018 data
Schools Places- primary, an increase of 717 pupils	21,637	As at October 2018 data
Schools Places- special an increase of 9 pupils	648	As at October 2018 data
Licences Issues since the start of the selective Licencing scheme (Scheme started in December 2016)	6,223	There is also, 648 Licences to be issued, 391 awaiting a visit and 82 at or in consultation.
Average amount of new selective License Applications received each month	60	

Data Sources

RO 2017-18 (Revenue outturn service expenditure summary (RSX) 2017-18)
https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2017-to-2018-individual-local-authority-data-outturn
RA 2018/19
https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2018-to-2019-budget-individual-local-authority-data
New Homes (table 122)
https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing
Council Tax data
https://www.gov.uk/government/statistical-data-sets/live-tables-on-council-tax
Population
https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland
Opportunity Peterborough Report 2017 (2018 report expected to be published early 2019)
https://www.opportunitypeterborough.co.uk/app/uploads/2018/01/Peterborough-Economic-Intelligence-Report-December-2017.pdf

Appendix G –Capital Programme Schemes 2019/20- 2023/24

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2019/20 Funding		2020/21 Funding		2021/22 Funding		2022/23 Funding		2023/24 Funding	
	Budget	Budget	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Maintenance On Schools	1,200	1,200	1,200	1,200	1,200	-	1,200	-	1,200	-	1,200	-	1,200	-	1,200
Staffing Costs (0.5% Of Capital)	170	180	190	200	210	170	-	180	-	190	-	200	-	210	-
Mobiles Purchase/Lease	500	500	500	500	500	500	-	500	-	500	-	500	-	500	-
Heltwate School	5,000	-	-	-	-	5,000	-	-	-	-	-	-	-	-	-
Barnack Primary School	180	-	-	-	-	-	180	-	-	-	-	-	-	-	-
Schools Direct Spend	458	458	458	458	458	-	458	-	458	-	458	-	458	-	458
Jack Hunt Expansion	1,553	-	-	-	-	1,100	453	-	-	-	-	-	-	-	-
PFI Condition Works	200	200	200	200	200	200	-	200	-	200	-	200	-	200	-
Future Primary MTFS	100	100	100	100	100	100	-	100	-	100	-	100	-	100	-
Carillion Works (Phoenix and Gladstone)	150	-	-	-	-	150	-	-	-	-	-	-	-	-	-
Paston Reserve Secondary	100	6,860	13,000	5,839	-	100	-	5,283	1,577	1,900	11,100	-	5,839	-	-
Paston Reserve Primary	100	6,326	1,770	-	-	86	14	-	6,326	-	1,770	-	-	-	-
Hampton Lakes Primary No 1 of 2	6,000	-	-	-	-	198	5,803	-	-	-	-	-	-	-	-
Woodston Phase 2	2,400	-	-	-	-	2,400	-	-	-	-	-	-	-	-	-
Ken Stimpson Expansion	8,179	-	-	-	-	1,876	6,303	-	-	-	-	-	-	-	-
Marshfields Expansion	2,869	-	-	-	-	2,869	-	-	-	-	-	-	-	-	-
John Clare Expansion	70	-	-	-	-	17	53	-	-	-	-	-	-	-	-
Great Haddon	-	500	500	10,000	-	-	-	-	500	-	500	-	10,000	-	-
Aids And Adaptations	380	420	455	490	525	380	-	420	-	455	-	490	-	525	-
Assistive Technology	150	150	150	150	150	150	-	150	-	150	-	150	-	150	-
Acquisition of Whitworth Mill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Day Opportunities	95	-	-	-	-	95	-	-	-	-	-	-	-	-	-
Disabled Facilities Grant	2,190	2,200	2,200	2,200	2,200	767	1,423	700	1,500	700	1,500	700	1,500	700	1,500
Repair Assistance	30	10	10	10	10	30	-	10	-	10	-	10	-	10	-
Repair Assistance (Care And Repair)	1,450	1,010	1,010	1,010	1,010	1,450	-	1,010	-	1,010	-	1,010	-	1,010	-
System Changes	406	-	-	-	-	406	-	-	-	-	-	-	-	-	-
Total for People & Communities	**33,931**	**20,114**	**21,743**	**22,357**	**6,563**	**18,044**	**15,887**	**8,553**	**11,561**	**5,215**	**16,528**	**3,360**	**18,997**	**3,405**	**3,158**
City Fibre Project	200	-	-	-	-	200	-	-	-	-	-	-	-	-	-
Telephony Service	1,000	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-
Housing Acquisition	-	10,000	-	-	-	-	-	-	10,000	-	-	-	-	-	-
Better Care Fund Property	799	800	-	-	-	799	-	800	-	-	-	-	-	-	-
Hotel Loan	14,200	-	-	-	-	14,200	-	-	-	-	-	-	-	-	-
Homeless 50	1,400	75	75	75	75	1,400	-	75	-	75	-	75	-	75	-
MTFS - Property Acquisition	20,000	20,000	20,000	10,000	-	20,000	-	20,000	-	20,000	-	10,000	-	-	-
Total for Invest To Save	**37,599**	**30,875**	**20,075**	**10,075**	**75**	**37,599**	**-**	**20,875**	**10,000**	**20,075**	**-**	**10,075**	**-**	**75**	**-**
Corp Grant Match Funding Bid	1,000	1,000	-	-	-	1,000	-	1,000	-	-	-	-	-	-	-
Cremator Relining	-	35	73	-	-	-	-	35	-	73	-	-	-	-	-
Capital School Reserve	800	800	800	-	-	800	-	800	-	800	-	-	-	-	-
ICT Projects	3,600	3,500	5,000	3,500	3,500	3,600	-	3,500	-	5,000	-	3,500	-	3,500	-
MTFS - Mausoleum Building Costs	47	49	-	-	-	47	-	49	-	-	-	-	-	-	-
Total for Resources	**5,447**	**5,384**	**5,873**	**3,500**	**3,500**	**5,447**	**-**	**5,384**	**-**	**5,873**	**-**	**3,500**	**-**	**3,500**	**-**
Strategic Property Portfolio	3,469	1,690	1,424	1,500	1,500	3,469	-	1,690	-	1,424	-	1,500	-	1,500	-
Wheelie Bins	160	160	160	160	160	160	-	160	-	160	-	160	-	160	-
Off Street Car Parks - Structural Works And Resurfacing	100	100	100	100	100	100	-	100	-	100	-	100	-	100	-
Leisure Trust Property	700	350	350	350	350	700	-	350	-	350	-	350	-	350	-

Project	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2019/20 Funding Corp. Res. £000	2019/20 Funding 3rd Party Inc. £000	2020/21 Funding Corp. Res. £000	2020/21 Funding 3rd Party Inc. £000	2021/22 Funding Corp. Res. £000	2021/22 Funding 3rd Party Inc. £000	2022/23 Funding Corp. Res. £000	2022/23 Funding 3rd Party Inc. £000	2023/24 Funding Corp. Res. £000	2023/24 Funding 3rd Party Inc. £000
Cost Of Disposals	250	250	500	-	-	250	-	250	-	500	-	-	-	-	-
Play Areas Improvement Programme	185	185	185	185	185	185	-	185	-	185	-	185	-	185	-
Werrington Car Park	-	-	-177	-	-	-	-	-	-	-	-177	-	-	-	-
Lawson Avenue	32	-	-	-	-	-	32	-	-	-	-	-	-	-	-
North Westgate Development	3,000	5,000	5,000	-	-	3,000	-	5,000	-	5,000	-	-	-	-	-
South Town Hall Works	-	34	376	166	155	-	-	34	-	376	-	166	-	155	-
North Town Hall Works	2,534	-	-	-	-	2,534	-	-	-	-	-	-	-	-	-
Central Town Hall Works	200	-	-	-	-	200	-	-	-	-	-	-	-	-	-
Key Theatre Catering Provision	290	-	-	-	-	290	-	-	-	-	-	-	-	-	-
Childrens Play Area	500	-	-	-	-	500	-	-	-	-	-	-	-	-	-
Central Library Refurbishment and Community Hub Development	350	-	-	-	-	350	-	-	-	-	-	-	-	-	-
Events and Conference Centre	-	-	1,200	-	-	-	-	-	-	1,200	-	-	-	-	-
MTFS - Operation Can Do	-	2,000	4,568	-	-	-	-	2,000	-	4,568	-	-	-	-	-
MTFS Footway Slab Replacement Programme	230	230	230	230	230	230	-	230	-	230	-	230	-	230	-
Corporate Growth Area - Capital Pot Funding	500	500	500	500	500	500	-	500	-	500	-	500	-	500	-
Affordable Housing	-	-	700	-	-	-	-	-	-	700	-	-	-	-	-
Roads And Bridges	330	330	330	330	330	330	-	330	-	330	-	330	-	330	-
Highways	3,921	3,921	3,921	3,921	3,921	555	3,366	555	3,366	555	3,366	555	3,366	555	3,366
Surface Treatments	630	630	630	630	630	630	-	630	-	630	-	630	-	630	-
Nene Bridge Bearings	1,000	1,850	-	-	-	1,000	-	1,850	-	-	-	-	-	-	-
Crescent Bridge Refurbishment	109	-	-	-	500	35	74	-	-	-	-	-	-	500	-
Integrated Transport Programme	1,407	1,407	1,407	1,407	1,407	-	1,407	-	1,407	-	1,407	-	1,407	-	1,407
Continuation of Public Realm - MTFS	56	-	2,200	2,000	2,000	56	-	-	-	2,200	-	2,000	-	2,000	-
Intelligent Transport Systems Infrastructure	250	-	-	250	250	250	-	-	-	-	-	250	-	250	-
Refurbishment of Traffic Signal Sites Nearing End of Life	100	100	100	120	120	100	-	100	-	100	-	120	-	120	-
Strategic Network Review	150	-	-	150	-	150	-	-	-	-	-	150	-	-	-
Eastern Industries Access Phase 1 - Parnwell Way	-	5,000	-	-	-	-	-	1,500	3,500	-	-	-	-	-	-
A1260 Nene Parkway Junction 15 improvements	-	-	-	7,500	-	-	-	-	-	-	-	2,250	5,250	-	-
A16 Norwood Duelling	-	-	-	-	5,000	-	-	-	-	-	-	-	-	1,500	3,500
University Access	-	-	5,000	5,000	-	-	-	-	-	1,500	3,500	1,500	3,500	-	-
Rail Station Western Access	-	-	-	-	3,000	-	-	-	-	-	-	-	-	1,000	2,000
A1260 Nene Thorpe Bridge / Nene Parkway	-	-	-	2,500	2,500	-	-	-	-	-	-	2,500	-	2,500	-
A15 Paston Parkway APV Baker Footbridge	-	-	-	150	750	-	-	-	-	-	-	150	-	750	-
A1260 Nene Parkway Longthorpe Footbridge	-	-	-	250	2,500	-	-	-	-	-	-	250	-	-	2,500
Extreme Weather Network Improvements	750	750	750	750	750	750	-	750	-	750	-	750	-	750	-
Match Funding to Secure External Bid Funding	1,000	1,000	1,000	1,000	1,000	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-
Parkway Drainage Improvement Programme	-	-	-	250	900	-	-	-	-	-	-	250	-	-	900
Street Lighting Cables and Feeder Pillar Upgrade	500	500	500	500	500	500	-	500	-	500	-	500	-	500	-
A47/AA15 Lincoln Road Junction 18 Improvements	4,350	-	-	-	-	1,250	3,100	-	-	-	-	-	-	-	-
Highways Capitalisation	250	250	250	250	250	250	-	250	-	250	-	250	-	250	-
A1139 Frank Perkins Parkway (River Nene Bridge to JCT8)	250	-	-	-	-	250	-	-	-	-	-	-	-	-	-
Street Lighting LED Project	606	-	-	-	-	606	-	-	-	-	-	-	-	-	-
Lolham Bridge No3 Refurbishment	31	-	-	-	-	31	-	-	-	-	-	-	-	-	-
Werrington Brook	20	-	-	-	20	-	20	-	-	-	-	-	-	-	20
A605 Oundle Road improvement scheme (between Lynch Wood and Alwalton) NPIF	1,212	-	-	-	-	717	495	-	-	-	-	-	-	-	-
Parkways Five Year Maintenance programme	1,650	1,500	1,500	1,500	-	1,650	-	1,500	-	1,500	-	1,500	-	-	-
A605 Whittlesey Access Phase 2 – Stanground Access	4,450	-	-	-	-	2,100	2,350	-	-	-	-	-	-	-	-

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2019/20 Funding		2020/21 Funding		2021/22 Funding		2022/23 Funding		2023/24 Funding	
	Budget	Budget	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
A1260 Nene Parkway Improvement Jn 32 to Jn 3 (Fletton Parkway)	60	-	5,000	-	-	-	60	-	-	1,500	3,500	-	-	-	-
MTFS - Street Signage	50	50	50	50	50	50	-	50	-	50	-	50	-	50	-
Westwood Footbridge Pier Top Concrete Refurb	35	-	-	-	-	-	35	-	-	-	-	-	-	-	-
MTFS - Safety Fencing Network	1,400	1,400	-	1,400	1,400	1,400	-	1,400	-	-	-	1,400	-	1,400	-
MTFS - City Market Flooring	90	-	-	-	-	90	-	-	-	-	-	-	-	-	-
Total for Growth & Regeneration	**37,157**	**29,187**	**37,754**	**33,099**	**30,958**	**26,218**	**10,939**	**20,914**	**8,273**	**26,158**	**11,596**	**19,576**	**13,523**	**17,265**	**13,693**
Total Asset Investment Programme	**114,134**	**85,560**	**85,445**	**69,031**	**41,096**	**87,308**	**26,826**	**55,726**	**29,834**	**57,321**	**28,124**	**36,511**	**32,520**	**24,245**	**16,851**

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Medium Term Financial Strategy 2019/20 Tranche Three Budget Consultation Document

January 2019

INTRODUCTION

This document sets out the third set of budget proposals to be considered by cabinet to ensure Peterborough City Council can set a balanced budget for 2019/20.

Since 2010 the Council has made significant savings, however as demand increases in vital services such as adult social care and children's services and Central Government continues to reduce funding across Local Government, the financial challenges to this Council continue.

The Council is required to take measures, set out in this document, to create a balanced budget which is required by law.

National challenges, which place pressure on the Council's budget include:

- **Adult Social Care -** An aging population with more adults requiring local authority help in providing care services, including care homes and nursing homes. Rise in needing very specialised care, such as those with dementia. Rise in young people with complex physical and mental health needs becoming adults. Future population growth is expected to be highest among our older population. By 2036 there is expected to be a 166 per cent growth in those 85+.

- **Children's Social Care** - Nationally there has been an increase in the number of children going into care. This has forced 88 per cent of councils in England and Wales to overspend in this area. For this reason, Peterborough has seen its spend in Children's Social Care increase two years running.

The above national pressures have been acknowledged by Central Government this financial year, resulting in a £2.15million Social Care Funding grant. This will go some way to alleviate the pressure, but does not count for all additional spend.

Despite these pressures, the Council:

- is ensuring older people in hospital have the support they need to get them home as soon as possible.

- is continuing to invest in its Family Safeguarding approach to improve the lives of our most vulnerable children and young people. This approach means the number of children in care (per head of population) is 12.5 per cent lower than our statistical neighbours.

- has ensured that the ever increasing demand for school places has been met. Since 2013, we have built 10 new schools and carried out over 20 school expansions. Since 2007, we have spent over £300m of capital on creating additional school places.

- has led a new approach to school improvement which recognises the responsibility of our schools to drive their own improvement and ensures the Council is able to support and, in some cases, robustly challenge poor performance.

- has led the successful re-development of Fletton Quays which is modernising the city's skyline further boosting the city's economy, strengthening the city's tourism offering and extending the city centre to the south, creating hundreds of new jobs and housing.

- is leading on the redevelopment opportunities at North Westgate and embarking on a city centre development framework to secure our future as a larger city destination, supporting future tourism growth and increasing opportunities for local residents.

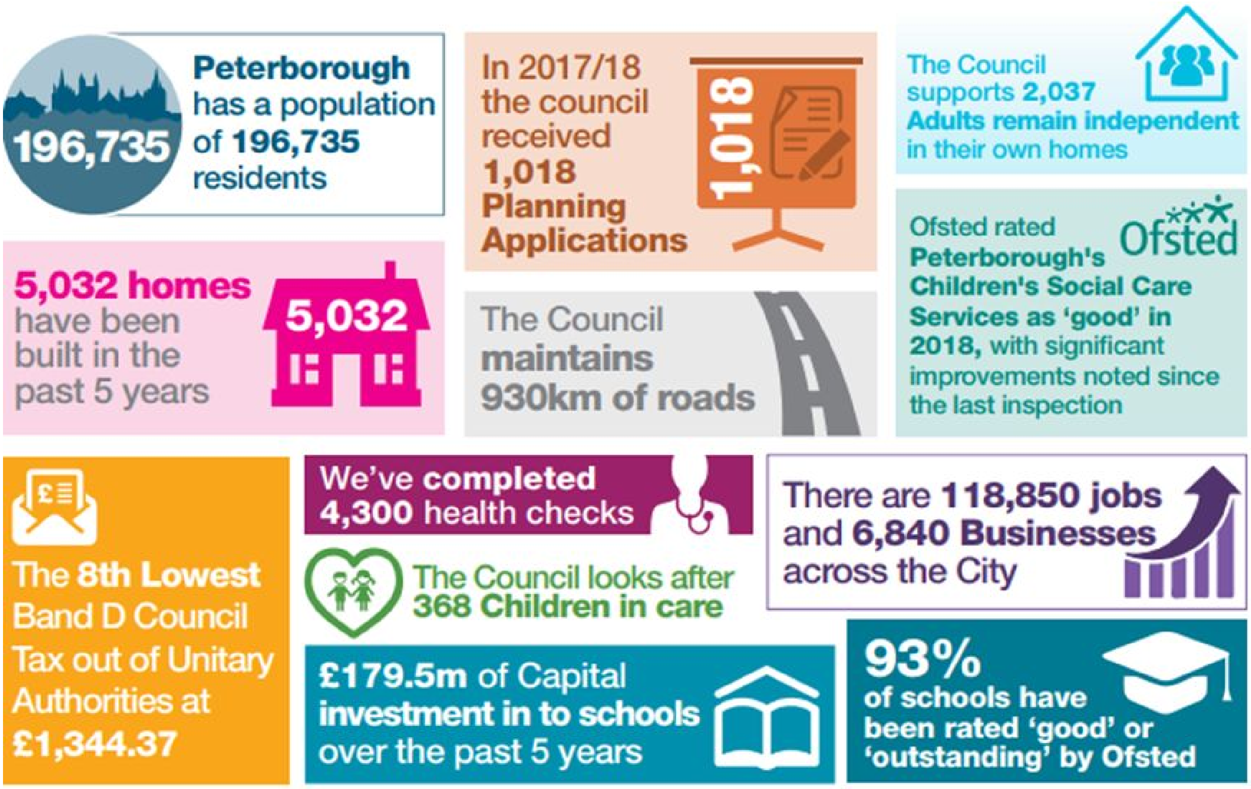
- is tackling the issue of homelessness by securing housing locally to meet the projected long term need for housing in the City. The number of homeless presentations to the council has risen from 1,118 in 2014/15 to 1,504 in 2017/18. Despite this unprecedented rise in demand, the numbers of households in temporary accommodation has reduced from 385 to 327 and our reliance on costly Travelodge accommodation has reduced to zero. We are also supporting households at risk of becoming homeless, to keep them in their own homes.

- Since the start of the Healthy Peterborough Lifestyle service, which is delivered by the Solutions 4 Health 3836 people have set personal health goals with over 1718 achieving their goals. In addition 844 people have stopped smoking.

- has seen success with our prevention and enforcement service, with over 11,300 fixed penalties issued for littering, anti-social behaviour and fly-tipping since June 2017. Through the work of the PES team, our city centre has visibly improved for all to enjoy.

- has delivered a balanced budget in 2018/19 by doing things more efficiently and joining up services with others to reduce spend on management and other non-direct delivery services.

- has secured £9.7 million from the Combined Authority to invest in a University for Peterborough. This is significant for our city and will meet the needs of our young people and businesses. Our plans are to develop a campus on the embankment.



THE BUDGET PROCESS

This year the council is following a rolling budget process throughout the year, which has three tranches:

- Tranche One - June 2018 - Complete
- Tranche Two - October 2018 - Complete
- Tranche Three - (as set out in this document)

The rolling budget process allows the council to spread the workload of identifying and implementing savings and efficiencies across the year, driving out savings earlier and keeping a continued concentration on its finances to ensure any shortfalls are quickly identified and addressed.

Each tranche will identify:

1. Savings and efficiencies that have been validated and are ready for approval by councillors
2. Savings and efficiency proposals that are being developed
3. Pressures within the councils budget where investment is required due to increased service demand.

Some budget proposals, which will save the council money in the future, may require investment in the first instance to be realised and implemented. ‘Invest to save’.

PRIORITIES

The Cabinet remains firm in its priorities this year against the funding challenges it faces.These 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 to the wellbeing of the people concerned.
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city.
- Safeguarding vulnerable children and adults.
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.
- Supporting Peterborough's culture and leisure offer.
- Keeping our communities safe, cohesive and healthy.
- Achieving the best health and wellbeing for the city.

COUNCIL TAX

It is proposed that the city council will increase council tax by 2.99 per cent in 2019/20 which means:

How will the increase affect **my council tax bill?**

Please be aware that this increase doesn't include the contribution you pay for fire and police services

Band	2018/19	2019/20	Annual Increase	Weekly Increase
A	£870.22	£896.25	£26.03	£0.50
B	£1,015.27	£1,045.62	£30.35	£0.58
C	£1,160.30	£1,195.00	£34.70	£0.67
D	£1,305.34	£1,344.37	£39.03	£0.75
E	£1,595.41	£1,643.12	£47.71	£0.92
F	£1,885.49	£1,941.87	£56.38	£1.08
G	£2,175.56	£2,240.62	£65.06	£1.25
H	£2,610.68	£2,688.74	£78.06	£1.50

This proposed 2.99 per cent increase would mean that overall the **Band D council tax charge would rise from £1,305.34 to £1,344.37 per year - an increase of £0.75** per week. The average property in Peterborough is in **Band B, meaning council tax would rise from £1,015.27 to £1,045.62 per year - an increase of £0.58 per week.** The council tax bill that households in Peterborough receive also includes elements from police, fire and in some cases parish councils. The actual increase that households face will depend on decisions taken by these bodies.

The Government continues to set limits on the maximum increase in council tax, known as a referendum limit. As before, if any council proposes an increase higher than 3 per cent (excluding the Adult Social Care Precept), they are required to put the matter to local taxpayers through a referendum. The final council tax charge will be agreed by Council on 6 March 2019.

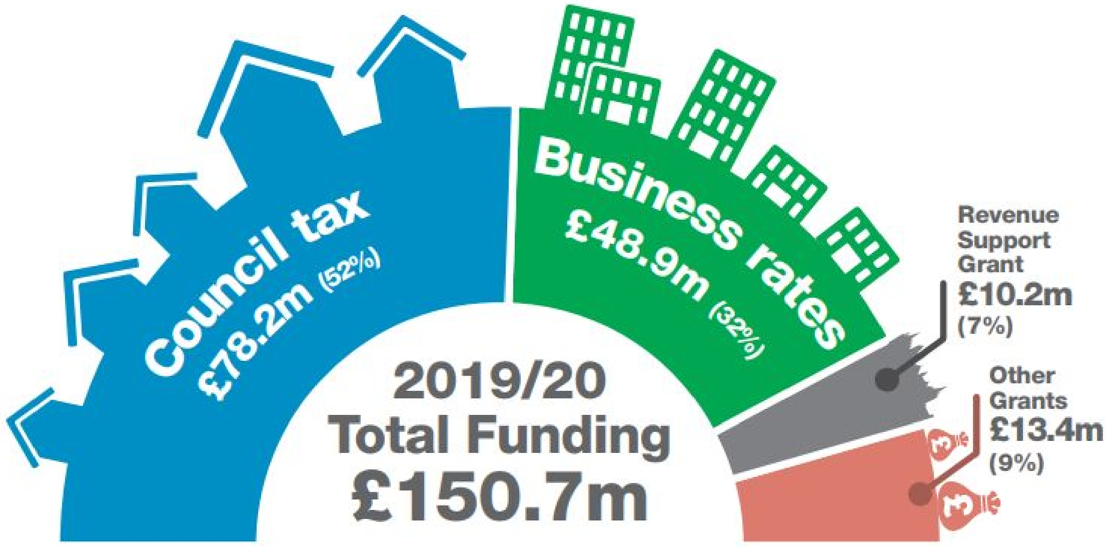
8th lowest

Peterborough has the 8th lowest council tax out of 56 Unitary Authorities

FUNDING AND COUNCIL SERVICE EXPENDITURE

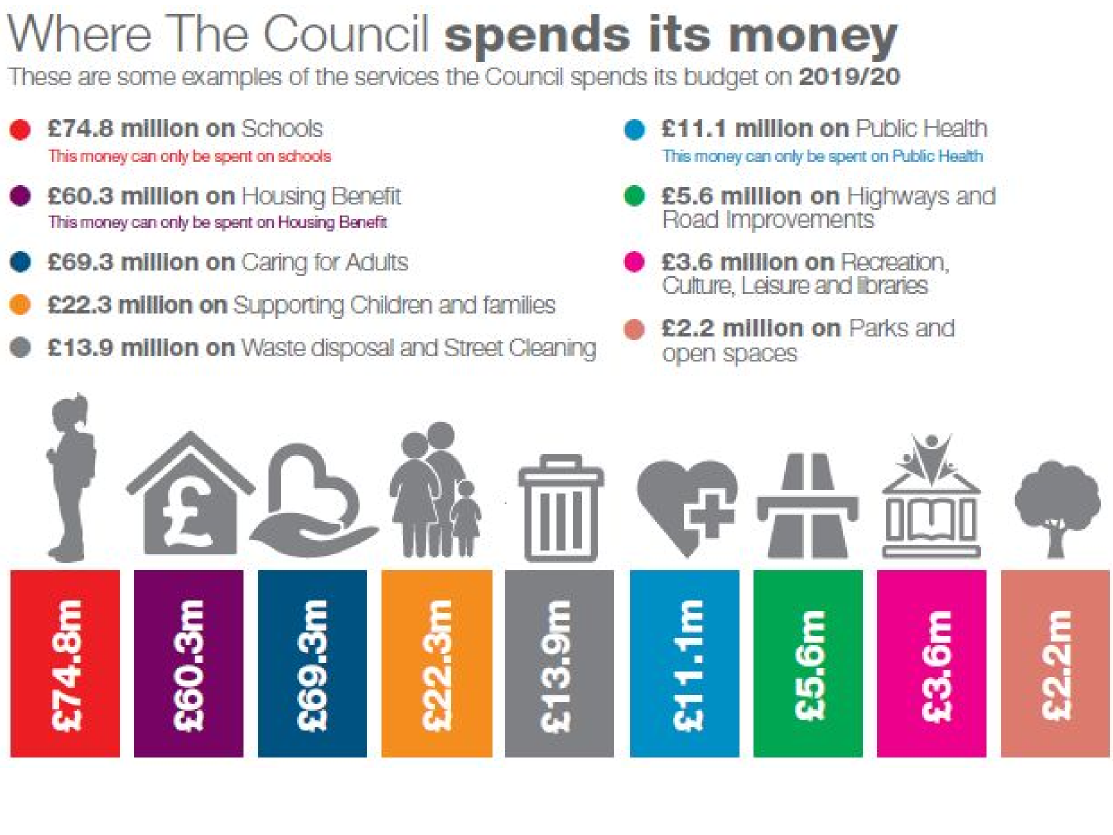
Funding 2019/20

The Council's total funding for 2019/20 is £150.7m, comprising of Council Tax, Business Rates, its Revenue Support Grant (RSG) and other grants. Over the past seven years Government funding has reduced significantly. The RSG is expected to drop by 80 per cent to £10m in 2019/20, meaning it will equate to less than 7 per cent of our overall funding.



Gross Expenditure Budget 2019/20

The Council's total gross budget in 2019/20 is £440.3m, the following highlights some of the key areas spend. This highlights that 38 per cent of the councils gross budget is spent on Schools, Adults and Children in Care.



CAPITAL EXPENDITURE BUDGET

The Councils **Capital programme**

The Capital programme is where the council incurs expenditure classed as capital. This is money that we spend on investing, improving or upgrading our assets such as land, buildings, equipment and infrastructure.

Council Properties
£29 MILLION
Investing to develop a commercial property portfolio and to maintain and improve our Council buildings which are used for business use

Schools
£29 MILLION
To accommodate a growing population

Housing
£1 MILLION
To bring new affordable homes into our City

ICT
£5 MILLION
Investing in our digital provision to enable collaborative working, greater efficiencies and easy to use for customers

£114 million
Total Capital Programme for 2019/20

Bridges
£2 MILLION
To ensure they are safe and fit for purpose

Other Projects
£24 MILLION
This includes items such as the loan for the new hotel at Fletton Quays and adaptive and assistive technology to support adults and children requiring additional support.

Roads and Highways Maintenance
£24 MILLION
To invest in our highways to prioritise safety and improve the City's infrastructure.

Our residents in Peterborough receive the benefit of this expenditure over a longer period of time, as such we have to account for them separately, from the revenue expenditure incurred on the day to day running of services.

OVERALL BUDGET POSITION

Revenue

The council had succeeded in reducing its budget gap by the end of the last financial year, however there are additional demands and pressures coming this year, as set out on page one of this document.

Tranche Three contains the third round of budget proposals which aim to address the budget gap and the future pressures facing the Council.

	2019/20	2020/21	2021/22
	£000	£000	£000
Budget Gap as reported in MTFS 2019/20 Tranche Two	3,034	18,093	20,688
Additional Pressures	5,173	5,592	5,641
Revised Budget Gap	**8,207**	**23,685**	**26,329**
Budget Reductions and Additional Income	-5,122	-5,276	-6,273
Use of Reserves	-3,084		
Present Budget Gap	**0**	**18,409**	**20,056**
Incremental Budget Gap	**0**	**18,409**	**1,647**

Capital

The following summarises the capital programme proposed as part of the Budget for 2019/20-2021/22, further detail can be found within the Capital Strategy which will go to cabinet as part of the Medium Term Financial Strategy on 4 February 2019.

Capital Programme	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£000	**£000**	**£000**	**£000**	**£000**
Growth & Regeneration	37,157	29,187	37,754	33,099	30,958
People & Communities	33,931	20,114	21,743	22,357	6,563
Invest to Save	37,599	30,875	20,075	10,075	75
Resources	5,447	5,384	5,873	3,500	3,500
Total Capital Programme	**114,134**	**85,560**	**85,445**	**69,031**	**41,096**
Funded By:					
Grants & Third Party Contributions	26,826	29,834	28,124	32,520	16,851
Capital Receipts repayment of loans	23,150	15,000	-	-	-
Borrowing	64,158	40,726	57,321	36,511	24,245
Total Capital Financing	**114,134**	**85,560**	**85,445**	**69,031**	**41,096**

BUDGET CONSULTATION

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

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

The consultation will close on 4 March 2019 at 5pm. Cabinet will consider comments on Monday, 25 February 2019 and Full Council will debate the Tranche Three proposals on Wednesday, 6 March 2019.

The consultation will ask the following questions:

1. Do you have any comments to make about the Tranche three budget proposals?

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2. Having read the Tranche Three proposals document, how much do you now feel you understand about why the council must make total savings of almost £8million in 2019/20 and over £26million by 2021/22? Tick the answer you agree with.

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

3. If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
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So that we can check this survey is representative of Peterborough overall, please complete the following questions.

Are you?

- Male

- Female

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

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

Which of these age groups do you fall into?

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

What is your ethnic group?

A **White**
English/ Welsh/ Scottish/ Northern Irish/ British
Gypsy or Irish Traveller
Any other white background

B **Mixed/ multiple ethnic groups**
White and Black Caribbean
White and Black African
White and Asian
Any other mixed/ multiple ethnic background

C **Asian/ Asian British**
Indian
Pakistani
Bangladeshi
Chinese
Any other Asian background, write in

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

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

Do you consider yourself to have a disability?

Yes…………………………………
No …………………………………

Thank you for taking the time to complete this survey

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

GOVERNANCE BUDGET PROPOSALS

Department overview:

- **Legal and Democratic services -** This team provides legal services to all council departments as well as Rutland County Council, Fenland District Council, East Cambridgeshire District Council and Corby Council. It supports Full Council, Cabinet and all committee meetings, civic services to the Mayor, support services to councillors as well as a range of other related services. It also manages elections and the electoral register. It is also responsible for data protection.

- **Human Resources and organisation development -** The Human Resources team aims to make the council the employer of choice and improve the council's performance through its people. It works with managers in recruiting, developing, managing and engaging employees to produce a skilled, committed, flexible and diverse workforce. HR provides services to the council which include employee relations, policy and reward, occupational health, workforce development and training and development.

- **Performance and Information -** This team is shared with Cambridgeshire County Council. It provides a central performance management and business intelligence function, oversees information governance and coordinates information requests. It provides the Caldicott Guardian role and the Senior Information Risk Officer. The team also provides systems support for the social care case records systems.

The following budget pressures have been identified to be consulted on.

Proposal	2019/20 £000	2020/21 £000	2021/22 £000	Proposal Detail
Coroner Volume related pressure	105	105	105	The number of referrals to the combined coroner's service in Cambridgeshire and Peterborough has risen by 16 per cent over the last four years. This has resulted in rising workloads. An additional two full time officers are required to support this. The Local Government Association and the Coroner Society have sought to try and agree a national pay structure for Coroner and Assistance Coroners. This has led to national guidance being published for local authorities to increase pay for some staff.
Legal Child Protection Team Pressure	100	100	100	The child protection team has six lawyers (including the senior lawyer) and four legal officers, all dedicated to carrying out the legal work for Children's Services. The budget has not increased since 2014, but the amount of work both locally and nationally has increased in volume and complexity. The biggest demand on the budget is the cost of the court cases, which are likely to continue to increase in line with national trends.

There are no financial savings to be consulted on within this department.

GROWTH AND REGENERATION BUDGET PROPOSALS

Department overview:

Peterborough is one of the fastest growing cities in the country. The Growth and Regeneration directorate is in charge of driving that growth and overseeing major regeneration projects in the city. Growth and regeneration leads to additional income for the council through the New Homes Bonus and business rates.

The Growth and Regeneration directorate currently consists of the following:

- **Peterborough Highway Services** - including gritting, lighting and road maintenance;
- **Planning services** - ensuring new development fits with the city's growth plans;
- **Opportunity Peterborough** - promoting the city to attract business and investment;
- **Housing joint venture company** - partnership with Cross Keys, including affordable and temporary housing;
- **Growth joint venture company** – Peterborough Investment Partnership;
- **Property Services** - managing the council's property stock;
- **Amey contract** - including refuse collection, street cleaning, parks and open spaces (soon to be replaced by the Peterborough Ltd, the council's Local Authority Trading Company).
- **Westcombe Engineering**- manufacturing business owned by the council;
- **City Services** - including CCTV, car parks, events and the City Market;
- **Communications** - including marketing, design/print and communications;
- **Regulatory Services** - including trading standards, licensing and health and safety;
- **Tourism** - promoting the city to visitors;
- **Resilience** - ensuring the council can fulfil its duties if an emergency occurred.

The following budget pressures have been identified to be consulted on.

Proposal	2019/20 £000	2020/21 £000	2021/22 £000	Proposal Detail
Pollution Control	120	120	120	The Environmental Health Pollution Control team is low cost currently when compared to other authorities, accounting for £2 per head of population, compared to a national average of £7. The team's workload has risen in line with the city's growth and it now needs to recruit two additional full time members of staff. The additional two posts would mean a budget pressure for the city council, but would ensure the team is able to continuing to meet its statutory (legal) obligations both now and in future years.

Peterborough Ltd (Latco)	1,087	805	940	In 2018 the city council made the decision to set up a wholly owned Local Authority Trading Company to take on services currently provided by Amey. These include refuse collection, street cleansing, parks management and building maintenance. The Amey contract delivers over £10m of vital council services each year and employs over 300 staff. Due to the work it undertakes, it is vital that residents experience a smooth transition and staff continue to be supported by the highest standard in health and safety practices. As this is such a large area of services, a phased approach has been proposed to minimise any disruption to residents. These amounts are the projected additional costs of running these services over the present base budget.
Trees- Insurance Risk	250	250	250	The city council is fortunate that it has a relatively young tree stock. To ensure our trees continue to be safe in future years it is proposed the council's tree stock is categorised, with trees that pose more of a risk inspected more regularly than the current three yearly period. In addition, the council proposes to increase its insurance spend.
POSH Rental income budget (removal post sale)	380	380	380	Peterborough City Council has signed a Memorandum of Understanding (MOU) with the owners of Peterborough United Football Club regarding the purchase of the ABAX stadium and grounds. This will result in a one-off bulk sum (capital receipt) being paid to the council in 2019/20. Consequently the income stream from the rental of the site will need to be removed from the budget. This transaction is expected to take place in Summer 2019.
Peterborough Highways Services Commercial Income Pressure	400	275	275	Savings were identified from 2019/20 onwards from reselling the existing contract to other local authorities. The Peterborough Highways Services team already provide work for one local authority outside of the Peterborough area (generating income) and it was expected that another would enter into an agreement for additional work. This second agreement was halted, resulting in a budget pressure. The team will continue to approach other local authorities with the aim of creating further income throughout the year.
Materials Recycling Facility	300	300	300	The collection and recycling of a number of materials from households is a statutory duty and therefore not able to be stopped. The marketplace in which this service operates has changed considerably since the commencement of the contract and its subsequent financial performance is less than expected. An ongoing budget requirement of £300k is needed to support its continued operation.

The following financial savings have been identified to be consulted on.

Proposal	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**Proposal Detail**

Repairs and Maintenance cost reduction (result of Community Asset Transfers)	-180	-180	-180	There will be savings in the Council's repair and maintenance budget for community assets, as Peterborough City Council will no longer be responsible for inspection, testing and reactive repair and maintenance works.
Energy From Waste Income	-500	-500	-500	The Energy Recovery Facility (ERF) is owned by the Council and operated on a 30 year Operation and management basis by Viridor Peterborough Limited (VPL) with the Council paying a gate fee for each tonne of waste processed there. Part of the contractual arrangement allows the Council to benefit from control of all of the energy the facility produces. The facility has benefitted from a steady electricity generation income, now that the facility is settled and the staff have become familiar with the facilities operation over its first three years. Recent power prices have been higher than experienced in previous years and this coupled with increased and steady generation has led to additional income for the Council.

PEOPLE AND COMMUNITIES BUDGET PROPOSALS

Department overview:

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

- **Adult Safeguarding -**The Adult and Safeguarding Directorate leads on the operational delivery of work to improve outcomes for all adults and their carers which includes work related to Learning Disability and Autism, Physical Disability, Sensory Impairment, Mental Health and Older People.

- **Commissioning -**The Commissioning Directorate leads on the bringing together of information on the needs of our residents; now and in the future, making sure that the services we deliver as a council or we get other people to deliver will meet the needs of our residents at a cost we can afford. Much of the work is done with partners such as health and the private, independent and voluntary sectors; jointly commissioning where it makes sense to do so.

- **Communities and Safety -** The Communities and Safety Directorate lead on delivering services that help people feel safe in their communities, improve community relationships and working with communities to support and help each other. Much of the Communities and Safety work is delivered in partnership with the police, fire service, health and the voluntary sector.

- **Children and Safeguarding -** The Children and Safeguarding Directorate leads on keeping children safe and providing services to support vulnerable children and families. Where children are unable to live at home they provide alternative homes for them.
- **Education -** The Education Directorate leads on ensuring all children, including those with special educational needs and disabilities, are able to access early years settings and school places. Where children have additional needs ensuring they have specialist support. The directorate supports early years settings and schools to provide high quality services that enable children to do the best they can.

The following budget pressures have been identified to be consulted on.

Proposal	2019/20 £000	2020/21 £000	2021/22 £000	Proposal Detail
Tackling Troubled Families (TTF) Grant	0	753	753	Since 2012/13, the city council has received a 'payment by results' grant from the Government for its work in providing support for troubled families. To date, a total of just over £1.3m has been received. From 2020 this grant is expected to finish, so the city council must prepare for this. The city council has examined the work that is funded by this grant and is proposing to continue with the core elements. This will cause an additional budget pressure of £753,000 per year.
St George's Hydrotherapy Pool- Vivacity Transfer	58	58	58	In 2017, Vivacity, the city's culture and leisure trust, took on the management of the St George's Hydrotherapy Pool. Since then, the Pool has developed well and has increased attendance levels.

				In Tranche One, the city council announced its intention to transfer the remaining financial liabilities for the Pool to Vivacity - these relate to the utility costs for running the Pool and the building it occupies. However, the operating model for the Pool is still being developed, and Vivacity are not yet in a position to be able to take on this additional liability, and so this money is being put back into the budget as a pressure.

The following financial savings have been identified to be consulted on.

Proposal	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**Proposal Detail**
Social care funding announced in the Autumn Budget £650m	-2,150	-2,150	-2,150	Central Government have responded to calls from councils over rising costs created by additional children and adults entering social care. To date, two grants have been announced to address this: Winter Pressures Funding for 2018/19 and Social Care Funding for 2019/20. As the Government has effectively acknowledged councils need additional funding in this area, it is expected this funding will continue in coming years if demand levels continue to be high.

PUBLIC HEALTH BUDGET PROPOSALS

Department overview:

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

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

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

There are no budget pressures or savings to be consulted on.

RESOURCES BUDGET PROPOSALS

Department overview:

- **Financial Services -** Including financial planning and corporate accounting, finance and management, internal audit, fraud and insurance, Serco ICT partnership and digital, including City Fibre partnership.

  In addition it provides the Serco Strategic Partnership, which covers business support, shared transactional services, business transformation, procurement, customer services and finance systems.

- **Commercial group -** Covering the financial aspects of the Council's commercial ventures.

- **Cemeteries, cremation and registrars -** Including bereavement services and registration service

The following Budget pressures have been identified to be consulted on.

Proposal	2019/20 £000	2020/21 £000	2021/22 £000	Proposal Detail
New Homes Bonus	177	-173	-228	There has been significant growth in the city over the last year and Peterborough is now the 4th fastest growing city nationally. In addition, it has brought a number of empty homes back into use. Because of this, the initial forecast in Tranche 2 was realistic in that we only received slightly less than expected, £4.713m, compared to the £4.890m forecast, creating a budget pressure in 2019/20. However, there is additional funding now expected in 2020/21 and 2021/22.
Across Back Office Efficiencies	155	155	155	In the past year there has been significant savings achieved from back office efficiencies, such as £400k from within the Finance Department. However further savings are not deliverable at this time as they require further clarification and agreement, meaning a pressure of £155k to be addressed within the budget.
Pay Scales Review- National Living Wage	114	114	114	New pay scales for employees on the NJC pay scales were nationally negotiated and agreed last year. They will be coming into effect on 1 April, 2019 and will ensure that the bottom scale points are above the National Living Wage rates going forward. The council is legally bound to follow the national pay scales. This means approximately 1,015 City Council members of staff, currently on Grades 1 to 15 will continue to be entitled to any nationally agreed pay award as has previously been the case. Based on its current workforce, the combined amount of additional wages the council must factor into its budget for each year is £114k..

Axiom/Longhurst interest income reduction due to loan redemption	140	140	140	In October 2014 the Council approved the entering into of a £30m, 30 year loan agreement with Axiom Housing Association Ltd. The lending of this capital provided the council with a steady revenue income stream of £140k a year, which it had factored into its budget planning for future years. In November 2018 the Axiom / Longhurst Group gave notice on both of these loans, resulting in a budget pressure. The council will recoup any redemption (termination) costs from Axiom / Longhurst.
Capital Programme-Additional Cost of financing	1,182	1,533	1,533	Earlier this year the Council had plans to reduce its Capital Programme from £114m to £100 in 2019/20. This has been unachievable due to the demand placed on this programme from the need to undergo work such as build, refurbish and expand schools, to keep up with the increasing number of schools places required. Therefore this proposal reflects the borrowing costs associated with this additional capital expenditure from previous Tranche assumptions.
ICT	605	677	646	The council relies on its ICT systems to complete its support functions in public services. Like domestic systems, ICT becomes outdated quickly, and needs to be enhanced, upgraded or changed from time to time in order for the council to continue working effectively. This budget pressure covers hosting and licensing of ICT systems. It comprises of the council's move to Microsoft 365 and also covers other specialist IT systems including the HR/Payroll system, the Public Protection system, the People's Network and additional IT support for users.

The following financial savings have been identified to be consulted on.

Proposal	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**Proposal Detail**
Business Rates Forecast	-1,321	-852	-738	An increase in the amount of money retained by the council from business rates is expected, compared to what was previously forecast. This is due to a combination of factors, including growth from the Roxhill Peterborough Gateway site, a 180 acre distribution and manufacturing park in Haddon, which is currently under construction, with some units already in operation with more coming online in 2019/20. Once complete, the new site will generate a significant amount of Business income for the Council and economic growth for the area, including the creation of hundreds of new jobs.

Council Tax additional 1% and Tax Base Forecast	-770	-1,594	-2,705	On 13 December 2018 Central Government issued the Local Government Provisional Finance Settlement. The most significant change was permitting county and unitary councils' to increase their 2019/20 council tax by an additional 1 %, this will generate £770k of additional income for the city council per in 2019/20. If this proposal is approved it would mean that council tax would rise by a total of 2.993% in 2019/20, which would equate to an annual increase of £39.03 for a Band D property. The Council has also reviewed the Council Tax assumptions built in to the MTFS, given the recent council tax increases agreed by MHCLG, the council thinks it prudent to assume a 2.99% increase in the future years of the MTFS. Taking that into consideration the city council would still have one of the lowest council tax rates in the country and discounts and support would still be available for our most vulnerable residents.
Council Tax Collection Fund Surplus (one-off)	-201	0	0	There will be growth in council tax income for the current financial year above predictions because of the city's rising population and construction of new homes. This has identified that the council can expect to receive a further £201k in 2018/19, which can be rolled forward to protect services during 2019/20.

STAFFING IMPLICATIONS

Redundancies
There are no proposals for staffing reductions in Tranche Three. In previous tranches and years, the Council has reduced its staffing and now has very streamlined teams. To reduce staffing further at this stage would have an impact on the council's ability to carry out the savings highlighted for 2019/20.

National Living Wage
As detailed in National Living Wage proposal on page 20 of this document, the council is legally bound to adhere to new pay scales for employees on the NJC pay scales that will be coming into effect on 1 April 2019.

Closer working with Cambridgeshire County Council
The Council is continuing to drive efficiencies and work closer with Cambridgeshire County Council to share, integrate and align back office services, where this makes sense.

Appendix I – Savings RAG Rating

Dept	Proposal Title	2019/20 £000	2020/21 £000	2021/22 £000	Tranche	Is the full saving amount on track for delivery Yes/No/Partially	Saving due to be delivered within the correct time frames? Yes /No	If No or partially to the previous questions please could you explain the reasons and the actions being put in place to bring this back on track.	Delivery update including details around the business case and delivery plan	Budget Manager responsible for the delivery of this saving
G&R	Transport Planning	(75)	(75)	(75)	1	Yes	Yes		Budget removed. Activity can now only be performed if funded by CPCA subject to grant being claimed & approved (risk) (possibly included to charge to PCC through LEVY)	Charlotte Palmer
G&R	Growth & Regeneration- Staffing and Commercial Opportunities	(224)	(224)	(224)	1	No	No	£100k bid to remove savings target; £80k to be pursued with CPCA but very high risk that there will be no additional funding to cover.	£44k delivered. £100k unachievable and included in bid for correction of commercialisation target via CMT. £80K Red risk (requires CPCA funding but this is included to charge to PCC through LEVY, so would require additional an grant to be agreed)	Charlotte Palmer
All	Postage- Removal of First Class Postage	(35)	(35)	(35)	1	Yes	Yes	n/a	Additional controls on first class / recorded & special delivery have been implemented	Peter Carpenter
G&R	Planning- Additional Income and Efficiencies	(100)	(100)	(100)	1	Partially	Yes	note, Subject to achievement and timing of income receipts. Economic uncertainty.	N/A - no implementation plan involved	Nicholas Harding
P&C/ PH	People & Communities and Public Health joint commissioning unit.	(30)	(30)	(30)	1					
Funding	New Homes Bonus- Capacity Grid	(300)			1	Partially	No	This saving was based on Capacity Grid identifying a number of empty homes and getting them back in to use. where this has been successful, the grant and CTB1 form confirmed that we didnt quite reach the desired level therefore there has been a correction included in the Tranch 3 budget proposals, to bring the New Homes Budget	No Business Case required. Capacity Grid were have already completed the work on this saving.	

Dept	Proposal Title	2019/20 £000	2020/21 £000	2021/22 £000	Tranche	Is the full saving amount on track for delivery Yes/No/Partially	Saving due to be delivered within the correct time frames? Yes /No	If No or partially to the previous questions please could you explain the reasons and the actions being put in place to bring this back on track.	Delivery update including details around the business case and delivery plan	Budget Manager responsible for the delivery of this saving
								inline with the grant. This proposal does however identify future financial benefit in the budget which hadnt been identified before, and this is particlly due to this Capacity Grid saving.		
P&C	Housing and Homelessness Prevention	(1,079)	(1,289)	(1,289)	1	Yes	Yes		Highlight report available dated November 2018. Reporting once a month to the Delivery Board. Revised Business Case to be developed.	Adrian Chapman/Sarah Ferguson
G&R	Highways Maintenance	(220)	(220)	(220)	1	Yes	Yes	note, Saving untested - Subject to service pressures	N/A - reduction in budget, no implementation plan involved.	Kevin Ekins
Funding	Council Tax and Business Rates- Income collection rates	(380)	(380)	(380)	1	Yes	Yes	Yes this saving is on track and should be delivered in full, it has been incorporated in to the Council Tax base which was reported to Cabinet on 17th December.	N/A	
P&C	Community Safety	(225)	(235)	(245)	1	Yes	Yes		A Highlight report is available dated November 2018. Reporting once a month to the Delivery Board. Business Case Available	Will Patten
Res	Capital Financing Changes- Tranche 1	(1,509)	(1,253)	2,537	1	Partially	No	The current Capital programme proposed exceeds the £100m level, therefore this saving is unacheivable. This will re revised within the Tranche 3 budget proposals.	See Tranche 3 proposals to ensure that financing budget is at correct level for schemes.	Kirsty Nutton
G&R	Subsidised Transport	(150)	(150)	(150)	2	Yes	Yes	Note subject to agreement of cross party working group	To be developed with agreement of cross party working group	Charlotte Palmer

APPENDIX I

Dept	Proposal Title	2019/20 £000	2020/21 £000	2021/22 £000	Tranche	Is the full saving amount on track for delivery Yes/No/Partially	Saving due to be delivered within the correct time frames? Yes /No	If No or partially to the previous questions please could you explain the reasons and the actions being put in place to bring this back on track.	Delivery update including details around the business case and delivery plan	Budget Manager responsible for the delivery of this saving
Res	Inflation- removal of general inflation	(368)	(733)	(1,102)	2	Yes	Yes		This is a control total adjustment in respect of unallocated sums and no implementation is required to deliver the saving. Any inflationary pressures that cannot be contained within budgets would need to be reported as individual pressures in the usual way	Peter Carpenter
Res	Capital Receipts	(6,500)			2	Yes	Yes		Bayard Place has exchanged on 31/8/18 and completion is due on 31/3/19. Overage achieved on Tesam.	Peter Carpenter
Res	Increased Council Tax Collection	(490)	(490)	(490)	2	Yes	Yes	Yes this saving is on track and should be delivered in full, it has been incorporated in to the Council Tax base which was reported to Cabinet on 17th December.		
Res	Resources- Inflation Removal	(50)	(50)	(50)	2	Yes	Yes		Subject to review of inflationary pressures across resources. Impacts on specific contracts dealt with separately	Peter Carpenter
P&C	Development of Care Suites across Peterborough	(100)	(200)	(200)	2	Yes	Yes		Highlight report available dated November 2018 EIA Available Brief Available Business Case and Plans being developed	Will Patten
P&C	Hospital - virtual panel	(100)	(100)	(100)	2	Yes	Yes		Highlight report available dated November 2018 EIA Available Brief Available Business Case and Plans being developed	Will Patten
P&C	Self Funders	(100)	(150)	(150)	2	Yes	Yes		Highlight report available dated November 2018 EIA Available Brief Available Business Case and Plans being developed	Will Patten
P&C	Best use of resources within a personal budget to meet needs	(100)	(100)	(100)	2	Yes	Yes		EIA Available Brief Available Business Case and Plans being developed	Will Patten

Dept	Proposal Title	2019/20 £000	2020/21 £000	2021/22 £000	Tranche	Is the full saving amount on track for delivery Yes/No/Partially	Saving due to be delivered within the correct time frames? Yes /No	If No or partially to the previous questions please could you explain the reasons and the actions being put in place to bring this back on track.	Delivery update including details around the business case and delivery plan	Budget Manager responsible for the delivery of this saving
P&C	Direct Payments- Off Framework Provider Review	(35)	(35)	(35)	2	Yes	Yes		EIA Available Brief Available Business Case not required, Plan being developed	Will Patten
P&C	Supported Living- Review Provider Rate	(50)	(50)	(50)	2	Yes	Yes		Highlight report available dated October 2018 EIA Available Brief Available Business Case not required	Will Patten
P&C	Block purchasing - Nursing Beds	(150)	(150)	(150)	2	Yes	Yes		EIA Available Brief Available Business Case and Plans being developed	Will Patten
P&C	National Living Wage	0	(300)	(300)	2				Business Case not required	
P&C	Charging for post reablement support	(10)	(10)	(10)	2	Yes	Yes		Business Case not required EIA Available Plan being developed	Will Patten
P&C	Monitoring of Homecare Contracts (Framework Provider review)	(250)	(250)	(250)	2	Yes	Yes		Highlight report available dated October 2018 EIA Available Brief Available Business Case and Plans available	Will Patten
P&C	Reduction in funding a CCG / PCC post	(25)	(25)	(25)	2				Business Case not required	
P&C	Older People Day Services	(30)	(30)	(30)	2	Yes	Yes		Business Case not required EIA available	Charlotte Black
P&C	Sensory Equipment- budget reduction	(30)	(30)	(30)	2	Yes	Yes		Business Case not required EIA being developed	Charlotte Black
P&C	Deliver improved performance by the Adult Social Care Team	(200)	(200)	(200)	2	Yes	Yes		Business Case Being developed EIA Available	Charlotte Black
P&C	Virtual School	(25)	(25)	(25)	2	Yes	Yes		Business Case not required EIA available	Jon Lewis
P&C	Schools Attendance- Fines Income	(10)	(10)	(10)	2	Yes	Yes		Business Case not required EIA available	Jon Lewis
P&C	Term time only working	(5)	(5)	(5)	2	Yes	Yes		Business Case not required EIA Available	Jon Lewis

Dept	Proposal Title	2019/20 £000	2020/21 £000	2021/22 £000	Tranche	Is the full saving amount on track for delivery Yes/No/Partially	Saving due to be delivered within the correct time frames? Yes /No	If No or partially to the previous questions please could you explain the reasons and the actions being put in place to bring this back on track.	Delivery update including details around the business case and delivery plan	Budget Manager responsible for the delivery of this saving
P&C	Schools Infrastructure Team	(21)	(21)	(21)	2	Yes	Yes		Business Case not required EIA Available	Jon Lewis
P&C	Home to School Transport- Catchment Areas	(29)	(50)	(50)	2	Yes	Yes		Business Case not required EIA Available	Jon Lewis
P&C	Anti Social Behaviour Team	(36)	(36)	(36)	2	Yes	Yes		EIA Available Merged with PES/Community Safety Operating Model	Adrian Chapman
P&C	Housing Needs	(223)	(32)	(32)	2	Yes	Yes		Business Case not required Plans being developed	Adrian Chapman
P&C	Targeted Youth Support Service- increased activity	(25)	(25)	(25)	2	Yes	Yes		Business Case not required Highlight Report dated November 2018 EIA Available	Adrian Chapman
P&C	Community Capacity- Community Asset Transfer (CAT) Programme	(52)	(52)	(52)	2	Yes	Yes		Business Case not required Highlight Report dated November 2018 EIA Available	Adrian Chapman
P&C	Community Capacity- Gladstone Park Transfer	(37)	(37)	(37)	2	Yes	Yes		Business Case not required Highlight Report dated November 2018 EIA Available	Adrian Chapman
P&C	St George's Hydrotherapy Pool- Vivacity Transfer	(58)	(58)	(58)	2	Yes	Yes		Business Case not required EIA Available	Adrian Chapman
P&C	PES / Community Safety Operating Model	(350)	(350)	(350)	2	Yes	Yes		Business Case Being developed	Adrian Chapman
P&C	P&C Review of Senior Management Capacity	(100)	(100)	(100)	2	Yes	Yes		Business Case Being developed EIA Available	Lou Williams
Gov	Christmas Shut down	(40)	(40)	(40)	2	Partially	Yes	See notes on implementation:	Initial budget extraction will be confirmed May 2019 following confirmation of staff choices (for those below SCP42). Full achievement of saving through additional take up will not be confirmed until Jan 2020 following assessment of numbers	Mandy Pullen

Dept	Proposal Title	2019/20 £000	2020/21 £000	2021/22 £000	Tranche	Is the full saving amount on track for delivery Yes/No/Partially	Saving due to be delivered within the correct time frames? Yes /No	If No or partially to the previous questions please could you explain the reasons and the actions being put in place to bring this back on track.	Delivery update including details around the business case and delivery plan	Budget Manager responsible for the delivery of this saving
									of exemptions taken up for staff above SCP42 following Xmas 2019.	
Gov	HR- Supplies and Services and Salary cost saving	(22)	(22)	(22)	2	Yes	Yes	n/a	Delivered through supplies & services budget reductions & changes in structure (reduced hours)	Mandy Pullen
PH	Integrated Offender Management Administration	(30)	(30)	(30)	2	Yes	Yes		Ceasing the contribution to the IOM	Liz Robin
PH	Road Safety Projects- integrated across PCC and CCC	(20)	(20)	(20)	2	Yes	Yes		Reduction in contribution to Road Safety	Liz Robin
PH	Public Health Staffing	(74)	(74)	(74)	2	Yes	Yes		Reduction of staff both in PCC and CCC. The reduction in CCC staff will result in a reduction in PCC's contribution	Liz Robin
PH	Mitigation of the iCASH Pressure	(66)	(66)	(66)	2	Yes	Yes		Work on services provided to mitigate the increase in payment for pressures faced by the providers	Liz Robin
G&R	Bridge Maintenance	(250)	0	(300)	2	Yes	Yes		Linked to CA00480 projet (A47/A15 Lincoln Road Junction 18 Improvements)	Peter Tebb
G&R	Peterborough Highways Services (PHS)- Staffing	(160)	(160)	(160)	2	No	Yes	Note, budget removed but no retained funding for any additional shared service cost. This saving cannot be made without the relevant task Integration with CCC.	Links to Shared Services business case to be produced (not seen, no finance approvals)	Andy Tatt
G&R	Gully Maintenance	(50)	(50)	(50)	2	Yes	Yes	Untested - Subject to service pressures	N/A - reduction in budget, no implementation plan involved.	Andy Leadbetter
G&R	Patching Maintenance (corresponding capital change)	(300)	(300)	(300)	2	Yes	Yes	Untested - Subject to service pressures	N/A - reduction in budget, no implementation plan involved.	Kevin Ekins
G&R	Street Lighting Maintenance	(365)	(365)	(365)	2	Partially	Yes	Untested - Subject to service pressures	Linked to CA00608 Street Lighting LED project. There is no proven evidence that any maintenance saving will be derived from the LED project.	Andy Tatt

Dept	Proposal Title	2019/20 £000	2020/21 £000	2021/22 £000	Tranche	Is the full saving amount on track for delivery Yes/No/Partially	Saving due to be delivered within the correct time frames? Yes /No	If No or partially to the previous questions please could you explain the reasons and the actions being put in place to bring this back on track.	Delivery update including details around the business case and delivery plan	Budget Manager responsible for the delivery of this saving
G&R	Housing & Strategic Planning- Increased income target	(50)	(50)	(50)	2	Yes	Yes		Sale of staff services to other Local Authorities	Anne Keogh
G&R	Environment Capital-Remove vacant post	(31)	(31)	(31)	2	Yes	Yes		Post deleted	Charlotte Palmer
G&R	Relocate visitor information centre to Town Hall	(42)	(42)	(42)	2	Yes	Yes		Business Case not required	David Isham/Annette Joyce
P&C	Adult Social Care Demand Pressure	(179)	(507)	495	2	Yes	Yes		Business Case Being developed	Charlotte Black
P&C	PCAS- contract negotiation	(30)	(30)	(30)	2	Yes	Yes		Business Case not required Plans being developed	Adrian Chapman

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Appendix J – Equality Impact Assessments

Initial assessment – Implementation of pay scales
(Assimilate first rather than Increment first or Increment first then Assimilate option)
(Include new points excluding new point 13 & 16)

What are the proposed outcomes of the policy?

EIA definition from the Green Book: An EIA is an analysis of a proposed change to an organisational policy **to determine whether it has a disparate impact on groups with relevant protected characteristics** as identified in the Equality Act 2010. It applies both to external policies (i.e. those having an impact on customers or clients of an organisation) and to internal policies (i.e. those affecting the organisation's employees). This is an internal EIA but the pay scales changes may be taken up by external bodies.

Peterborough City Council apply the pay scales and pay awards negotiated by The National Joint Council (NJC) for Local Government Services. The last time the council determined how the pay points would be grouped into grades was as part of the single status negotiations. These grades were implemented wef 1st April 2007. The NJC pay agreement for 2018-20 included the introduction of a new pay spine on 1 April 2019 that was based on the following:-

- A bottom rate of £17364 per annum on SCP 1 (equivalent to the old SCPs 6 & 7)
- Pairing off of old SCPs 6-17 inclusive to create new SCPs 1-6 inclusive
- Equal steps of 2% between each new SCP 1-22 (equivalent to old SCPs 6-28)
- New SCPs 10, 13, 16, 18, and 21 to enable the equal steps to be achieved
- 2% flat increase on SCPs 23 and above (old SCPs 29 and above).

The council has no choice in respect of whether or not to implement the new pay scales. The scales have to be implemented on 1st April 2019. However, there is discretion in respect of how the scales are implemented. Therefore this assessment is considering if there is any negative impact on any group as a result of how we choose to undertake the implementation.

This proposal is as a result of very detailed work that has been undertaken by the Senior Reward Advisor, Reward Advisor, Financial Accountant and regional and local members of the GMB, Unison and Unite unions since July 2018. The group have looked at various potential ways of reaching an agreed set of pay scales, using actual gender data of staff in post when the data was cut in July 2018. This assessment includes more up to date information as it has been carried out on actual numbers of staff in post on 19/11/18.

The final two favoured approaches are:-

1. Include all new SCP's excepting 13 and 16 - Increment first then Assimilate (known as Approach E)
2. Include all new SCP's excepting 13 and 16 - Assimilate first then Increment (known as Approach F)

The project group decided from the outset that this review should not look to change any of the principles of the Job Evaluation system and process which works effectively and ensures consistent and fairness in respect of the points score of each evaluated role. The aim was to 'lift and shift' the new scales into the PCC existing scales. The proposals adhere to this. There is no proposal to change the single status agreement in respect of starting salaries, pay progression, performance related increments or market factors. The overall aim is to continue to achieve equal treatment of all groups in respect of pay.

The comments inserted on the proposal documents shared with the trade unions as part of the working group papers also provide additional information about the impact on each pay point (this is in addition to the information detailed in this EIA).

By undertaking a 'lift and shift' exercise as simply as we have this does mean that the lower grades see a reduction in the number of points within each grade. Grade One will only have one point (was two), grade two and three will have two points (was three), grade four will have three points (was four), and grade five will have three points (was five). The overlaps in the grades will remain.

Factors or forces which could contribute to or detract from delivery of the outcomes and success measures: Incorrect data extracted from the HR/Payroll system.

Which groups will be affected by this proposal?

All staff employed and paid on the NJC pay scales will be affected.
This assessment is carried out on the 1036 staff who were directly employed by the council on 19/11/18.

As it is likely that some of the council's schools may wish to use the same grades going forward we have also undertaken a further gender breakdown analysis of staff employed in two primary schools on 26/11/18.

Having assessed the two favoured options already employees on existing SCP 12 of Grade 4, and existing points 14 and 16 of Grade 5 would be better off under Approach F and worse off under Approach E. However, employees on existing point 20 of Grade 6, existing SCP 25 of Grade 7 and existing SCP 27 of Grade 8 would be better off under Approach E and worse off under Approach F. However, all staff in all grades will be in receipt of a pay increase regardless. There is no difference to staff on all other grades in respect of the approach and therefore this assessment will focus particularly on Grades 4,5,6,7,and 8. Data has been provided however for all grades.

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

Equality Group	**Note any positive or negative effects**
Disabled people	The % of disabled staff in the total workforce is 2.1%. The % of non-disabled staff is 56.7%. A very high 41.2% have not stated. 1.6% of the G4&G5 staff and 0.7% of the G6&G7&G8 staff state that they are disabled. Therefore it is clear that a very small % of disabled employees in both groups would be affected, and in both cases the % is below the rate for disabled employees in the total population. It is worth noting that the high % of staff in all grades who do not state whether they are disabled or not does mean that it is difficult to accurately assess the impact. It is of course the employee's choice as to whether they inform their employer. We are hoping that when the new HR system is introduced we will have more up to date data but these figures are representative of the records currently.
Married couples or those entered into a civil partnership	The procedure focuses on consistent and fair treatment irrespective of status. We are not currently collecting data on civil partnership but may extend our monitoring to this group at a later date.
Pregnant women or women on maternity leave	Data not available and therefore the assessment cannot discount the fact that there may have been women in these grades who are pregnant currently or on maternity leave. Women on maternity leave will be treated in accordance with the NJC maternity scheme in respect of pay if they are on maternity leave on 1st April 2019.
Particular ethnic groups	The HR Resource Link system is used to monitor and identify where any such trends may be occurring. The % of staff who have declared that they are from a mixed or minority ethnic origin in the total workforce is 15.3%. The % of staff who have stated that they are not from a mixed or minority ethnic origin in the total workforce is 7.14%. An exceptionally high 77.5% have not stated. The % of staff from a mixed or minority ethnic origin in G4&G5 is 29.5% and in G6&G7&G8 is 17.5%. The % of staff not from a mixed or minority ethnic origin in G4&G5 is 27.9% and in G6&G7&G8 is 7.4% A very high % in both grade sets have not stated their ethnic origin (42.6% in G4&G5) and 75.1% in G6&G7&G8. This means that in G4&G5 there is a much higher % of staff against the overall workforce and a marginally higher % in G6&G7&G8. Therefore potentially there is an impact in G4&G5 unless we proceed with Approach F.
Those of a particular religion or who hold a particular belief	We are not currently collecting data on religion or belief. When a decision is taken regarding the HR system going forward then the council will work with its equalities groups to decide whether to extend our monitoring to this group.
Male/Female	The data from July 2018 that formed the basis of the detailed proposal documents included gender breakdown data as this was an important consideration for the project group from the outset.

	The gender data for this equality impact assessment has been refreshed during November 2018 to bring it right up to date and this EIA reviews the refreshed data in depth. The current system only allows for M or F to be recorded and therefore there is no 'not stated'. The % of male staff in the total workforce is 29%. The % of female staff in the total workforce is 71%. The % of male staff in G4&G5 is 31.1% The % of male staff in G6&G7&G8 is 22.2% The % of female staff in G4&G5 is 68.9% The % of female staff in G6&G7&G8 is 77.8%. These results do show that there would be a slightly higher number of males that would benefit if we decided to implement approach F as there is a higher than the population average of males in G4&G5 (29% in the total workforce - 31% in G4/5). Conversely there is a slightly higher number of females in G6/7&8 than the overall population. However, the figures are not significantly above the averages (77.8% / 71%). In our view this is not significant enough to require further investigation or to evidence that we should take one approach over the other. Reviewing the data further at G6 current SCP 20 there are equal numbers of men and women in the affected points. In G7 current SCP 25 there are 50% more women than men - under Approach E they would receive a total increase of 7.3% and under Approach F it would be 5.2%. In G8 current SCP 27 where there are 75% more women than men - under Approach E they would receive a total increase of 6.73% and under Approach F it would be 4.64%. Another important factor to consider is that our proposed new G7 includes most of the new SCPs. However, as we will not be using SCP 13 and 16 staff in G7 will move from bottom point 12 to point 14 (i.e. a double increase of 4% between points) and the same will occur for those on point 15 of G7 who will move to point 17 so receiving a 'double' increase. The main reason that we made this decision not to include all the new points was to ensure that there was no age bias in our grades as explained in the column below. As there is actually no effect at all for employees on G9 and above it was decided that we should also consider the gender impact based on Grades 1 to 5 against Grades 6 to 8 rather than (as above) Grades 1 to 15. The results were as follows:- The % of male staff in G1-G8 only is 25%. The % of female staff in G1-G8 only is 75%. The % of male staff in G4&G5 is 31.1% The % of male staff in G6&G7&G8 is 22.2% The % of female staff in G4&G5 is 68.9% The % of female staff in G6&G7&G8 is 77.8%. Again these results do show that there would be a very slightly higher number of males that would benefit if we decided to implement approach F as there is still a higher than the population average in G4&G5. Conversely there is a slightly higher number of females in G6/7&8 than the overall population. However, the figures are even closer than the

	figures above (77.8% / 75%). In our view this reinforces the opinion that the difference is not significant enough to require further investigation or to evidence that we should take one approach over the other. In terms of actual staff numbers there are only 61 staff in total in G4&G5 which equates to 42 F and 19 M. G4 roles are largely Domestic roles in residential homes, Drivers in passenger transport, and staff employed in the Tourist Information Centre. G5 roles are very varied but include 'Assistant' roles in HR, and other teams, technical roles in Growth & Regeneration, Chapel & Crematorium technician roles, and Reablement Workers. Currently there is no one in post on existing G4 SCP12 and therefore no one ever would be affected as all staff in G4 are on existing SCP 13 and 14. G6, G7, and G8 roles are very diverse ranging from Bereavement Officers (G6) to Assistant Caseworkers (G7) to PES Officers (G8). There are a large number of Residential Workers at G7&G8. Also, as we are not the employer and do not have the data we are unable to fully assess how data from the school workforce may or may not vary these results.
Particular age groups	One of the main decisions the project group took from the outset was to only have grades that were six SCP's or less. The reason for this was twofold (1) we did not want grades that would appear to discriminate against younger staff and the view nationally is that no grade should be more than six points. Taking five years to reach the top of the scale is considered to avoid any disparate impact on younger staff, and (2) no role on these scales should need someone to be in the role for more than five years before they were fully competent in the role. The HR Resource Link system is used to monitor and identify relevant data. Age G4&5 G6&7&8 Total workforce 16-24 6.5% 4.19% 3% 25-34 19.7% 17.77% 17% 35-44 24.7% 25.18% 28% 45-54 26.2% 30.88% 30% 55-64 22.9% 20.5% 20.5% 65+ 0% 1.48% 1.5% There are very slight differences in each age range – for both bandings. Some are slightly less and others slightly more representative of the age band. The biggest variance is in the 16-24 age range where there are 3.5% more staff than the total workforce in G4&5 and also 1.19% more in G6/7/8 but neither of these are significant. This doesn't actually represent many individuals. There would be no justification for determining the scheme for the whole workforce based on the age of a very small section of the workforce. However, by opting for Approach F it would be favouring the younger workers in this pay group (in the same way as the older workers in the grades). Both schemes will be applied consistently irrespective of age.
Those proposing to undergo, currently undergoing or who have undergone	The council does not currently collect data on gender reassignment but is considering whether to extend our monitoring to this group at a later date.

gender reassignment	
Sexual orientation	The council does not currently collect data on sexual orientation but is considering whether to extend our monitoring to this group at a later date.

What impact would the two approaches have on community schools?

The council still provides payroll services to some of its community schools which has meant that a gender assessment can be made on spot schools. Two primary schools were chosen randomly from the payroll records.
Schools use the council job evaluation scheme and grading system. We understand that various academy trusts also still use the PCC systems to evaluate and pay roles within their schools. Due to this the trade unions asked that we consider the impact of approach E and F on schools by using a sample of the schools data that is available to us.

School One
Total support workforce - 95.2% F 4.8%M
G4&5 - 100% F
G6&7&8 - 86% F 14% M

In actual numbers there are 60 F and 3 M in this workforce - all three of the M are in G6,7,&8. There are more F in the lower grades than there are overall and therefore in this school approach F would favour the Female dominated workforce.

School Two
Total support workforce - 97.4% F 2.6%M
G4&5 - 100% F
G6&7&8 - 93% F 7% M

In actual numbers there are 38 F and 1 M in this workforce - the one male is in G6, 7, &8 (G8). There are more F in the lower grades than there are overall, but in this school there are also 14 F in G6, 7, &8 but obviously the average is below the school overall average. Due to the fact that there is only 1 male in this school it is less relevant to draw conclusions from this example. Based on numbers of staff alone, rather than percentages, in this school approach E would favour the Female dominated workforce.

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

The data used was taken from the HR Resource Link system. It includes the details of the actual staff in post on a given day in November. If we undertook the same assessments in another month's time the data could have changed as staff join, leave or receive a pay change. Many of these staff will move to a higher increment in April or later in 2019 but this is the most accurate set of data that we consider appropriate to use. From an equal pay perspective and to operate fair practices it is very important that wherever possible there is equity across the pay scales. The council has always opted to protect its lowest paid staff and this applies in respect of various elements of local terms and conditions.

Who will be the beneficiaries of the policy?

All of the NJC paid workforce will benefit. Our decision is in respect of implementation and deciding whether there is any detrimental impact on any group by how we apply the new scales. Costings have been considered throughout and no approach has been discarded on the basis of cost. However, cost is a very important factor due to the budget reductions that the council has to manage over the next three years. Therefore we are constantly reviewing what impact on budgets each approach will have.

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

The initial discussions are being held with the trade unions and decisions have so far been made jointly. Employees were informed that this was a two year pay deal that would result in some changes to pay scales in the second year of the deal. Employees will be informed when an approach has been decided.

Can any differences be justified as appropriate or necessary?

Yes - **gender difference** can be justified as these staff are in higher paid groups and the council and it's trade unions always seek to protect the lower paid. **Yes** - the data shows that although the number of male staff who would benefit more from Approach F is above the percentage of males in the workforce the % is very minimal. As the council can evidence an unbiased approach to job evaluation, recruitment, and opportunities for training this means that both males and females have equal access to all roles. **Yes** - the difference with the **overall population** is minimal. We usually only investigate gaps of 5+%. Our gender pay gap results were higher than this (9%). **Yes** - all staff are receiving pay increases of at least 2% (incremental) and 2% (pay award). This means that **all staff** will benefit from the revised pay scales. It is only how we carry out the implementation that impacts on staff on six specific SCPs. **Yes** - the cost will have an **impact on the council's budget** especially because there are so many more staff employed in G6,7,and 8 rather than G4&5.

Are any remedial actions required?

No. Because under the proposed new grades all staff will benefit - this assessment looks to assess which grades should benefit more than other grades. Progression to a Full Equality Impact Assessment is not required.

Once implemented, how will you monitor the actual impact?

Monitoring will take place through the HR Resource Link System and through feedback from employees, trade unions and senior managers across the organisation plus HR team members.

Policy review date	**1.4.2020.**
Assessment completed by	**Karen Craig**
Date Initial EqIA completed	**28/11/2018**
Signed by Head of Service	

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Appendix K – Treasury Management Strategy

PETERBOROUGH
CITY COUNCIL

Treasury Management Strategy 2019/20 to 2023/24

Including:
Minimum Revenue Provision Policy 2018/19 and 2019/20

1. Introduction

1.1. Background

1.1.1. The Council is required to operate a balanced budget, which means that cash raised through the year will meet its cash expenditure. The Treasury Management Strategy (TMS) has four fundamental roles:

- Manage external investments - security, liquidity and yield
- Ensure debt is prudent and economic
- Produce and monitor the Prudential Indicators
- To ensure that decisions comply with regulations.

1.1.2. The role of treasury management is to ensure cash flow is adequately planned so that cash is available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Council's low risk appetite ensuring that security and liquidity are achieved before considering investment return.

1.1.3. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.1.4. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.1.5. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.1.6. CIPFA defines treasury management as:

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

1.1.7. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

1.2. **Reporting Requirements**

1.2.1. **Capital Strategy**

1.2.2. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing; and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability;

1.2.3. The aim of this Capital Strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.4. This Capital Strategy is reported separately from the Treasury Management Strategy Statement and non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:

- the corporate governance arrangements for these types of activities;
- any service objectives relating to the investments;
- the expected income, costs and resulting contribution;
- for non-loan type investments, the cost against the current market value;
- the risks associated with each activity.

1.2.5. Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

1.2.6. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

1.2.7. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

1.3. **Treasury Management Reporting**

1.3.1. The council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

1.3.2. **Prudential and Treasury Indicators and Treasury Strategy** - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a MRP policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

1.3.3. **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

1.3.4. **An Annual Treasury Report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3.5. **Scrutiny**

1.3.6. The above reports are required to be adequately scrutinised and this role is undertaken by the Audit Committee, Cabinet and full Council.

1.4. **Treasury Management Strategy for 2019/20**

1.4.1. The strategy for 2019/20 covers:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the MRP policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

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

1.5. **Training**

1.5.1. The CIPFA Code requires the responsible officer to ensure that Council members with responsibility for treasury management receive adequate training in treasury management. This requirement is reviewed annual as part of the annual Performance Development Review (PDR) and monthly supervisions. This requirement also applies to Council members responsible for scrutiny.

1.6. Treasury Management Advisors

1.6.1. The Council uses Link Asset Services (previously Capita Asset Services) as its external treasury management advisors who have a contract until September 2021.

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

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

1.6.4. The scope of investments within the Council's operations may in the near future include both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers. The Council uses NPS Group in relation to this activity, and other specialist advisers will be engaged depending upon requirements.

1.7. Treasury Management Policy Statement

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

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

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

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

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

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

- to reduce the revenue cost of the Council's debt in the medium term by obtaining financing at the cheapest rate possible;
- to seek to reschedule or repay debt at the optimum time**.**

1.8. **The Treasury Management Role of the Section 151 Officer**

The S151 (responsible) officer must do the following:

- recommend clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submit regular treasury management policy reports;
- submit budgets and budget variations;
- receive and reviewing management information reports;
- review the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority. This is done by regular training presentations to the Audit Committee;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above. This is done by regular attendance at course and conferences and joint working with Link Asset Services;
- creation of Treasury Management Practices (TMPs) which specifically deal with how non treasury investments will be carried out and managed, to

include the following -

- Risk management TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken to the various committees;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

2. Capital Prudential Indicators 2019/20 to 2023/24

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

2.2. **Indicator 1** – Capital Expenditure – this Prudential Indicator is a summary of the Council's estimated capital expenditure for the forthcoming financial year and the following four financial years including how it will be funded either from grants, contributions, or capital receipts with the remaining being the 'net financing requirement'

Capital Expenditure	2017/18 Actual £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
People and Communities	32.9	38.8	33.9	20.1	21.7	22.4	6.5
Invest to Save / Commercial Activities / Cost Avoidance Schemes	13.6	19.8	37.6	30.9	20.1	10.0	0.1
Resources	5.1	17.7	5.4	5.4	5.9	3.5	3.5
Growth and Regeneration	28.7	44.8	37.2	29.2	37.7	33.1	31.0
Total	**80.3**	**121.1**	**114.1**	**85.6**	**85.4**	**69.0**	**41.1**
Financed by:							
Capital receipts	1.1	1.5	23.2	15.0	-	-	-
Capital grants contributions	36.5	42.3	26.8	29.8	28.1	32.5	16.9
Net financing requirement	**42.7**	**77.3**	**64.1**	**40.8**	**57.3**	**36.5**	**24.2**
Total	**80.3**	**121.1**	**114.1**	**85.6**	**85.4**	**69.0**	**41.1**

2.3. The capital receipts shown in the tables for future years relate to the following:

- 2018/19 - Local Authority Mortgage Scheme (LAMS) capital loan - £1m and Axiom Housing Association Loan Repayment - £0.5m
- 2019/20 - ECS Peterborough 1LLP – capital loan - £23.2m
- 2020/21 - Hotel – capital loan - £15m

2.4. The Invest to Save / Commercial Activities / Cost Avoidance schemes are included in total capital expenditure and the funding resources to be used. However, these schemes will either generate income or generate savings on revenue budgets elsewhere in the Council's services. Therefore the borrowing costs associated with these projects will have a minimal impact on the Council's MTFS position.

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

2.6. The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

2.7. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases) included on the Council's balance sheet. 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 five financial years for Council approval:

Capital Financing Requirement	2017/18 Actual £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
CFR brought forward	509.8	540.1	606.3	654.5	678.3	719.4	739.0
Borrowing / Repayment	16.7	49.0	10.6	3.8	21.1	9.6	7.0
Invest to Save	13.6	1.5	17.6	-	-	-	-
Commercial Activities	-	-	20.0	20.0	20.0	10.0	-
Lease Liability	-	15.7	-	-	-	-	-
CFR carried forward	540.1	606.3	654.5	678.3	719.4	739.0	746.0
Movement in CFR	**30.4**	**66.2**	**48.2**	**23.8**	**41.1**	**19.6**	**7.0**
Net financing requirement	42.7	77.3	64.1	40.8	57.3	36.5	24.3
Less MRP & other financing	(12.3)	(11.1)	(15.9)	(17.0)	(16.2)	(16.9)	(17.3)
Movement in CFR	**30.4**	**66.2**	**48.2**	**23.8**	**41.1**	**19.6**	**7.0**

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

Ratio of Gross Financing Costs to Net Revenue Budget	2017/18 Actual £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
Total Ratio	3.7%	6.4%	8.9%	9.5%	9.4%	9.4%	9.4%

3. Minimum Revenue Provision (MRP) Policy Statement

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 MRP.

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

3.3. A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory MRP, voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total overpayments was £3.8m and this will be fully utilised per the 2018/19 MTFS.

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 previously participated in the Local Authority Mortgage Scheme (LAMS) to support first time buyers through the provision of an indemnity. Such deposits were treated as capital expenditure, as a loan to a third party. The associated deposits have now matured, and the funds have been returned to the Council and have been classed as a capital receipt which has reduced the CFR. The second advance of £1m was returned in July 2018 and the indemnity of £0.8m remains in place for a fixed five year period or until the individual mortgage advances have been repaid.

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

3.7. Below is a table summarising the MRP Policy.

Capital Expenditure Incurred	MRP Policy Update 2018/19 & 2019/20
Expenditure funded by unsupported borrowing reflected within the debt liability after the 31 March 2010	Asset Life, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project. If capital receipts have been used to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Acting Corporate Director Resources, taking into account forecasts for future expenditure and the generation of further receipts. The same process will apply for S106, POIS and CIL receipts.
Private Finance Initiative (PFI) - Finance Lease	Use the annuity method of calculation over the remaining asset life
Other Finance Leases	Charged in relation to asset life on the annuity method
Secured Loans to third parties repaid in bullet form.	No MRP will be charged each year as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security. If realisation of the security does not equate to the original loaned amount the Council will recognise the associated impairment and will charge MRP for the outstanding loan amount over the next MTFS periods.

4. Current Treasury Position

4.1. The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.2. The overall treasury management portfolio as at 31 March 2018 and for the position as at 18 January 2019 are shown in the following table for both borrowing and investment.

Treasury Portfolio	Actual 31.03.18 £'000	Actual 31.03.18 %	Current 18.01.19 £'000	Current 18.01.19 %
Treasury Investments				
Banks	5,000	56	2,500	14
Local Authorities	-	-	-	-
DMADF (HM Treasury)	-	-	6,000	32
Money Market Funds	4,000	44	10,000	54
Total Treasury Investments	**9,000**	**100**	**18,500**	**100**
Treasury External Borrowing				
Local Authorities	(72,500)	17	(50,500)	12
PWLB	(329,587)	79	(359,587)	84
LOBOs	(17,500)	4	(17,500)	4
Total External Borrowing	**(419,587)**	**100**	**(427,587)**	**100**
Net Treasury Investments/(Borrowing)	**(410,587)**		**(409,087)**	

4.3. **Indicator 4** - The Council's treasury position at 31 March 2019, with estimates for future years, is summarised below. The table below shows the actual external borrowing (Gross Debt) against the CFR

Gross debt & capital financing requirement	2017/18 Actual £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
External Borrowing							
Market Borrowing	395.4	419.6	470.1	518.3	542.1	583.2	602.9
Repayment of borrowing	(18.8)	(22.0)	(28.0)	(17.5)	(9.5)	(7.1)	-
Expected change in borrowing	43.0	72.5	76.3	41.3	50.6	26.8	7.0
Other long-term liabilities	35.1	52.6	52.0	51.4	50.7	49.9	49.1
Gross Debt at 31 March	**454.7**	**522.7**	**570.4**	**593.5**	**633.9**	**652.8**	**659.0**
CFR	540.1	606.3	654.5	678.3	719.4	739.0	746.1
% of Gross Debt to CFR	**84.2%**	**86.2%**	**87.1%**	**87.5%**	**88.1%**	**88.3%**	**88.3%**

4.4. Based on the prudential indicators there are a number of key measures to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its total borrowing does not, except in the short-term, exceed the total of the CFR in the year plus the estimates of any additional CFR for 2019/20 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.

4.5. The Acting 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).

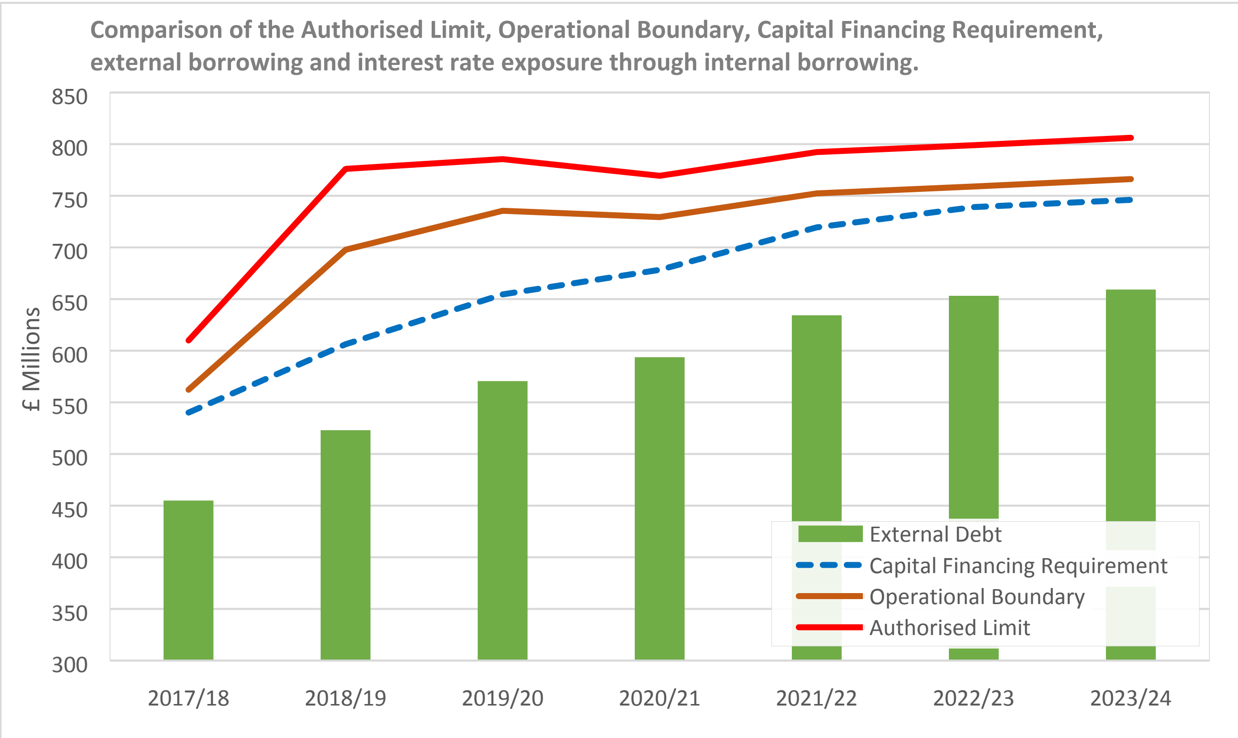
4.6. **Indicator 5** - The Operational Boundary - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit Committee with a full report taken to the next committee meeting. In the current year it has not been exceeded. The Operational Boundary is set out below:

Operational Boundary	2017/18 Actual £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Borrowing	419.6	573.1	618.6	617.3	675.0	682.4	686.0
Other long-term liabilities	35.1	52.6	52.0	51.4	50.7	49.9	49.1
Total	**454.7**	**625.7**	**670.6**	**668.7**	**725.7**	**732.3**	**735.1**

4.7. **Indicator 6** - The Authorised Limit for external borrowing - this represents a limit beyond which external borrowing is prohibited. This limit is set and revised by full Council.

Authorised Limit	2017/18 Actual £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Borrowing	419.6	723.4	733.5	718.0	741.6	749.1	757.0
Other long-term liabilities	35.1	52.6	52.0	51.4	50.7	49.9	49.1
Total	**454.7**	**776.0**	**785.5**	**769.4**	**792.3**	**799.0**	**806.1**

4.8. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. Government under sections 4(1) and 4(2) may limit either the total of all Council borrowing, or those of a specific Council, although this power has not yet been exercised.



5. Prospects for Interest Rates

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

5.2. The Link Asset Services forecast for bank base rate (as at November 2018) and PWLB new borrowing (as at November 2018) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

Interest Rate (All rates shown as %)	Bank Rate View	5yr PWLB Rate	10yr PWLB Rate	25yr PWLB Rate	50yr PWLB Rate	Budget Assumption
Dec-18	0.75	2.00	2.50	2.90	2.70	2.70
Mar 19	0.75	2.10	2.50	2.90	2.70	
Jun 19	1.00	2.20	2.60	3.00	2.80	2.90
Sep 19	1.00	2.20	2.70	3.10	2.90	
Dec 19	1.00	2.30	2.70	3.10	2.90	
Mar 20	1.25	2.30	2.80	3.20	3.00	
Jun 20	1.25	2.40	2.90	3.30	3.10	3.15
Sep 20	1.25	2.50	2.90	3.30	3.10	
Dec 20	1.50	2.50	3.00	3.40	3.20	
Mar 21	1.50	2.60	3.00	3.40	3.20	
Jun 21	1.75	2.60	3.10	3.50	3.30	3.35
Sep 21	1.75	2.70	3.10	3.50	3.30	
Dec 21	1.75	2.80	3.20	3.60	3.40	
Mar 22	2.00	2.80	3.20	3.60	3.40	

5.3. The Council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, during the period 1 November 2018 to 31 October 2019. This results in the Council being able to benefit from reduced interest rates on PWLB loans by 20 basis points (0.20%). The Council is assuming that there will be a similar scheme in place when this scheme expires. The Council will submit a new application to ensure it qualifies.

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

5.5. The interest rate forecasts provided by Link Asset Services in paragraph 5.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, Link Asset Services think it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

5.6. The balance of risks to the UK:

- the overall balance of risks to economic growth in the UK is probably neutral.
- the balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

5.7. One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

- At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

- It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

- Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.

- As for the labour market figures in October, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

- In the political arena, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. (Officers are likely to need to verbally update members as events are constantly evolving.) However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

6. Investment and Borrowing Rates

6.1. Investment returns are likely to remain low during 2019/20 but will be on a rising trend over the next few years.

6.2. Borrowing interest rates increased sharply after the result of the general election in June 2017 and then also after the September 2017 MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little change in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

6.3. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Acting Corporate Director: Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

6.4. There will remain a cost of carry to any new long-term borrowing that temporarily increases cash balances. This revenue cost is the difference between borrowing costs and investment returns.

7. Borrowing Strategy

7.1. The Council is currently maintaining an under-borrowed position, where the CFR balance is greater than gross debt, see Indicator 2, and chart on page 33. This is in line with the agreed strategy that the Council's cash balances be used to fund capital expenditure before additional borrowing is undertaken. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

7.2. The capital programme consists of three main types of capital projects:

- Invest to Save – Self Funding Schemes
- Specific Schemes – eg School Extensions
- Rolling Capital Projects eg Enhancing current assets

7.3. Any borrowing decisions will be reported to the appropriate decision making body at the next available opportunity.

7.4. The MTFS is based on the following borrowing strategy for the next three years. The borrowing strategy is under constant review throughout the year monitoring changes in interest rates and borrowing opportunities. The proposed strategy for 2019/20 financial year is:

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

b) Significant risk of a sharp fall in long and short term rates may arise. This might be due to a marked increase of risks around relapse into recession or of risks of deflation. In this case long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.

c) Significant risk of a much sharper rise in long and short-term rates than currently forecast may arise. This may arise due to a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

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

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

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

8. New Borrowing Approaches to Be Considered

8.1. To achieve a more even spread of loan maturities so that there is not an exceptional borrowing requirement in any future year. Rebalancing the current uneven profile will potentially allow interest savings given the current yield curve. Currently under 10 year money and over 35 year money is historically at a low interest cost.

8.2. Maturing long-term debt is replaced by new borrowing. To achieve long-term financial sustainability the Council should aim to reduce its overall debt and the associated financing costs including interest. A high value of outstanding debt represents a financial risk because of potential interest rate changes.

8.3. The use of Capital receipts or S106 receipts to make MRP is a one-off revenue saving. Using these funds in this way means they are not available to fund Capital assets and reduce the overall borrowing requirement.

8.4. Interest rates are liable to change. In the event of significant changes the Council seeks to avoid an increased revenue cost on its capital financing charges.

8.5. The Treasury Management Strategy uses the planned Capital Programme to calculate the borrowing requirement. Typically the Council does not spend at the planned level in any financial year.

8.6. Link Asset Services have a product that will allow the Council to borrow from the market at current interest rates with a small premium but not draw down the funds until they are required - ‘forward borrow’.

9. Treasury Debt Prudential Indicators

9.1. There are three debt treasury indicators which ensure debt structure remains within appropriate limits. This manages risk and reduces the impact of any adverse movement in interest rates.

9.2. **Indicator 7** – Upper limit on fixed interest rate exposure. This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.

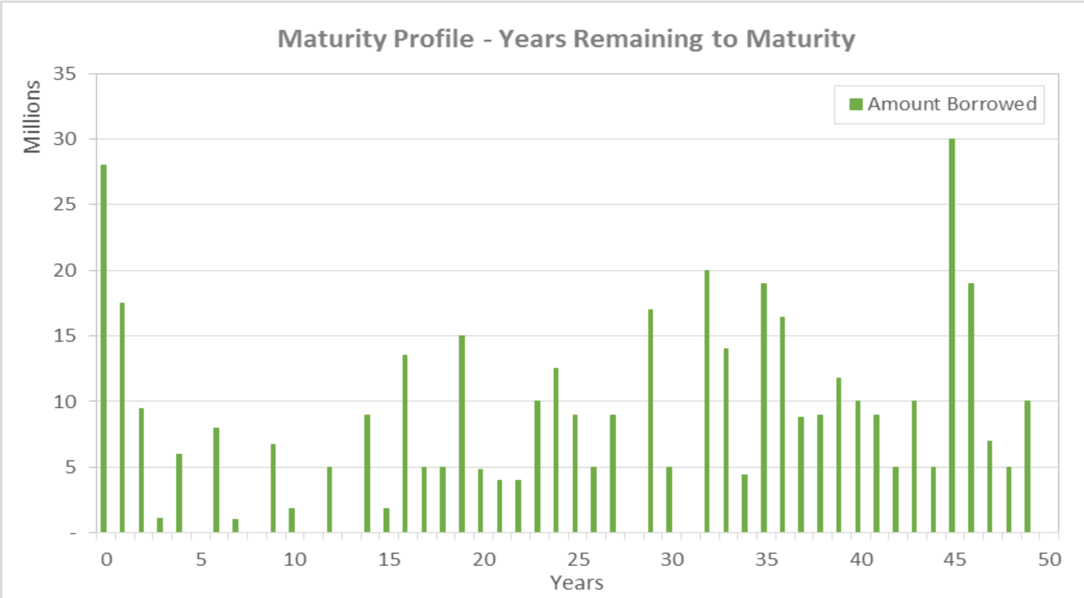
9.3. **Indicator 8** - Upper limit on variable rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

Interest Rate Exposure (Upper Limits)	2017/18 Actual £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
(7) Limits on fixed interest rate net debt	419.6	761.0	777.3	735.8	792.7	756.1	729.7
% of fixed interest rate exposure	100%	100%	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	-	190.3	194.3	184.0	198.2	189.0	182.4
% of variable interest rate exposure	0%	25%	25%	25%	25%	25%	25%

9.4. **Indicator 9** - Maturity structure of borrowing. These gross limits are set to reduce the Council’s immediate exposure to large fixed rate sums falling due for refinancing.

Maturity Structure of borrowing	Upper Limit	As at 18 January 2019
Under 12 months	40%	7%
12 months to 2 years	40%	6%
2 years to 5 years	80%	2%
5 years to 10 years	80%	4%
10 years and above	100%	82%

9.5. The following chart shows the Council’s debt maturity profile as at 18 January 2019:



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

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

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

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

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

11. Debt Rescheduling on Existing Debt Portfolio

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

12. Investment Strategy Principles

12.1. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

12.2. The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

12.3. The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

13. Investment Counterparty Selection Criteria and Financial Investment Strategy

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

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

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

13.3. The Acting Corporate Director: Resources will maintain a counterparty list in compliance with the set out below. Any revision of the criteria will be submitted to Council for approval as necessary.

13.4. The Councils minimum criteria will apply to the lowest rating for any institution according to the type of investment account being used. For instance, the credit rating criteria for the use of the Council's call accounts and Money Market Funds, which are used for short-term investments only, will use the Short-Term credit ratings in the table shown within 13.5. 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.

13.5. In order to minimise the risk to investing, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The Council uses the creditworthiness service provided by Link Asset Services which uses ratings from all three rating agencies, Fitch, Moody's and Standard and Poor's, as well as Credit Default Swap (CDS) spreads. Link Asset Services monitors ratings on a real time basis and notifies clients immediately on any rating changes or possible downgrades. Minimum Credit Ratings Criteria – further explanations are given in Annex 1.

Minimum Credit Ratings for Group 2 Banks

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

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

13.7. The Council does not place sole reliance on the use of Link Asset Service's advice as the Council uses internal expertise and knowledge to make decisions. Market data, market information, information on government support for banks and the credit ratings of that government support are also considered when making treasury decisions.

13.8. 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, all of the following are subject to continuous credit rating reviews:

- Money Market Funds
- 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.

13.9. The Council also uses Barclays Bank, the Council's own banker. If Barclays fall below the criterion in 13.5 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, the Council will reduce the maximum of £15m in the call account to £5m and a keep a low balance in the current account.
- if two or more credit rating agencies reduce their ratings below the criteria in 13.5 the Council will still require to use the Barclays accounts for transactional purposes, so maximum balance of £500k will be left overnight in the current account to prevent the account becoming overdrawn and incurring overdraft fees.
- Seek advice from Link Asset Services

13.10. 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 13.5. The above approach to Barclay's Bank has been developed following consideration 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.

- Banks Group 1 - Part nationalised UK banks - Lloyds Banking Group Plc. (Bank of Scotland and Lloyds) and Royal Bank of Scotland Group Plc. (National Westminster Bank, The Royal Bank of Scotland and Ulster Bank Ltd). These banks can be included if they continue to be part nationalised and / or they meet the ratings in 14.6.
- Banks Group 2 – good credit quality - the Council will only use banks which are UK banks and have the minimum credit ratings criteria relating to the type of investment being undertaken.
- Building Societies – if they meet the ratings above
- Money Market Funds - AAA rated by Fitch

- Bill Payment Service – The Council currently has a contract with Santander UK who collect payments of Council Tax through the post office via various methods of payment such as Paypoint. The funds that are collected are transferred to the Council daily thus minimising the risk of Santander UK holding the Council's cash. This arrangement for the bill payment service falls outside the investment criteria for investments therefore any downgrade of Santander UK will not affect this service. However this arrangement will be closely monitored to ensure funds continue to be transferred daily.

13.11. 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 Annex 1. Counterparties that no longer meet the investment criteria due to a credit rating downgrade will be removed from the list and any changes will be approved by Council. Approval will also be required if any new counterparties are added to the lending list.

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

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

13.13. The proposed criteria for Specified and Non-Specified investments are shown in Annex 1 for approval.

13.14. **Indicator 11 -** Upper limit for total principal sums invested for over 365 days excluding loans. This limit is set with regard to the Council's liquidity requirements and to reduce the need for an early sale of an investment, and is based on the availability of funds after each year-end and up-dates are reported to the Audit Committee at midyear.

Overall limit for sums invested over 365 days	2017/18 Actual £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
Principal sums invested 365 days	0.0	0.0	10.0	10.0	10.0	10.0	10.0

14. Loans Made to Third Parties

14.1. The Council makes secured loans to third parties to advance the Council's strategic interests.

14.2. Loans are only made after the Council's formal decision making process has been followed. This includes formal approval by the Acting Corporate Director: Resources.

14.3. As part of the formal decision to make the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment.

14.4. The Council have approved the secured capital loans to third parties which are set about in the following table.

Third Party Details	Current Loan Advanced	Maximum Exposure
Longhurst Housing Association (previously Axiom)	Capital Loan £6.7m	£30.0m
ECS Peterborough 1 LLP	Capital Loan £23.2m	£23.5m
Affordable Housing	Nil	Not Agreed
Hotel Loan	Nil	£15.0m

14.5. Individual loan agreements provide for the recovery of the capital loan in the event of a default.

14.6. An unsecured loan to Peterborough Limited, a Council wholly own company, of £1.5m is due to be advanced at the end of the 2018/19 financial year for a period of five years.

14.7. Further unsecured loans to Council owned Local Authority Trading Companies (LATCo's) only may require to be issued during the financial year and will only be issued in accordance with the governance set out in point 14.2 above.

15. Non-financial Investments

15.1. The Council does currently not hold any non-financial investments whose purpose is to generate revenue to support core services. For further information see the Acquisitions Policy.

16. Treasury Management Scheme of Delegation

16.1. 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 the Annual Strategy.

Audit Committee / S151 Officer (Acting 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 (Acting Corporate 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

ANNEX 1

Specified Investment Credit Criteria and Limits
Specified Investment:

- Offer high perceived security such as placements with Central Government Agencies, Local Authorities or with organisations that have strong credit ratings
- They offer high liquidity i.e. short-term or easy access to funds
- Are denominated in £ sterling
- Have maturity dates of no more than 1 year
- For an institution scheme to qualify as a 'Specified Investment' it must have a minimum rating (see Section 14.6)

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Deposit accounts with regulated UK Banks and UK Building Societies	Repayable on call, without notice	Minimum of two short-term rating criteria	100	15
Money Market Funds repayable on call, no notice	Call	Minimum rating – AAA (Fitch)	50	10
Debt Management Agency Deposit Facility	6 months currently	UK Government backed	N/A	75
Term Deposits UK Government & Local Authorities	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20
Term Deposits & Certificates of Deposit Banks Group 1	Maturities of up to 1 year	Minimum of three short-term rating criteria	100	75
UK Government & Local Authority Stock Issues	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20
Term deposits & Certificates of Deposit Banks Group 2	6 months	Minimum of three short-term rating criteria	50	10
Forward Term Deposits with Regulated UK Banks	Maturities of up to 1 year	Minimum of three short-term rating criteria	100	15

Non-specified Investment Credit Criteria and Limits

- With the same institutions classified as "specified" investments but have maturity dates in excess of one year, or
- Are offered by organisations that are not credit rated or the credit rating does not meet the criteria set out above
- In the current economic climate the Council has run down its cash balances as an alternative to borrowing and investments have been made short-term and the Council would not consider using investments that fall under the 'Non-Specified' Investments category at this time
- If the Council decide to use these investments then Indicator 11 will need to be revised

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Term deposits with UK Government & Local Authorities	1-5 years	Sovereign risk high security not credit rated	20	20
Term deposits & Certificates of Deposit with Banks Group 1	1-5 years (tradable)	F1(Fitch – short-term) AAA (long-term)	10	10
UK Government & Local Authority Stock Issues	1-10 years (tradable)	Sovereign risk high security not credit rated	10	10
Term deposits & Certificates of Deposit with Banks Group 2	1-5 years (tradable)	F1 (Fitch-short-term) A (long--term)	20	10
Deposit accounts with regulated UK building societies	1 – 5 years	F1 (Fitch short-term) A (long-term)	5	5
Term deposits UK building societies no formal credit rating	Up to 1 year	Financial position assessed by Acting Corporate Director: Resources.	5	5
Bonds issued by financial institution guaranteed by UK Govt	1-10 years (tradable)	UK Govt backed AAA (Fitch, S&P etc.)	5	5

In the current economic climate the Council has run down its cash balances as an alternative to borrowing and investments have been made short-term and the Council would not consider using investments that fall under the 'Non-Specified' Investments category at this time.

Explanation of Credit Ratings

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

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Appendix L – Capital Strategy, Programme and Disposals

Capital Strategy

2019 – 2024

Contents

1 Introduction and Strategic Priorities and Principles

1.1 The Capital Strategy (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 Capital Strategy and Asset Management Plans are regularly reviewed and revised to meet the changing priorities and circumstances. The Council's Capital Strategy is reviewed on an annual basis to reflect the changing needs and priorities of the residents.

1.2 The CIPFA Prudential Code 2017 states that in order to demonstrate the the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability the Council is required to produce an annual Capital Strategy.

1.3 The Capital Strategy is intended to give a high level of how capital expenditure, capital financing and treasury management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future financial stability

1.4 The Strategy is an integral part of the Medium Term Financial Strategy (MTFS) and intrinsically linked with the Asset Management Plan (AMP) (Appendix M) and the Treasury Management Strategy (TMS) (Appendix K) of the Council and should be read in conjunction with these documents.

1.5 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:

1.6 **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).

1.7 **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.

1.8 **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.

1.9 **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. (See the Asset Management Plan (AMP) at Appendix M of the Medium Term Financial Plan (MTFS)) 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 at Appendix K of the MTFS);
- 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 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 Capital 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.

3.2 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 also undertook 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. The Council submitted the Local Plan to the Secretary of State on 26 March 2018. The Council is currently consulting on the proposed main modifications to the submission which closes on 20th February 2019.

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 was 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.

3.3 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.

3.4 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.

4 Capital Programme Governance and Project Management

4.1 The Council now have a Capital Review Group (CRG)

4.2 The CRG Terms of Reference

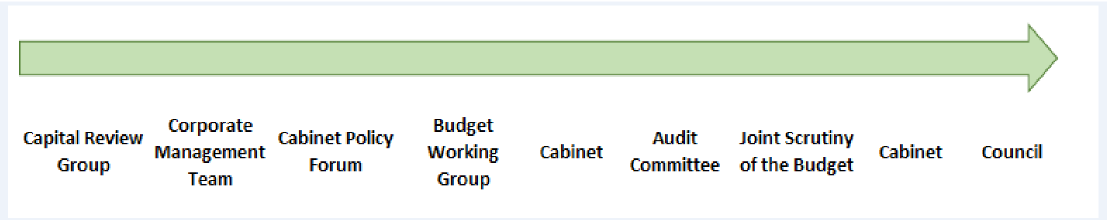
Objective

- A Capital Review Group (CRG), led by officers to review the councils capital programme with a view to recommending new projects and amendments to the programme to the Corporate Management Team (CMT). This will include consideration for the financial implications, the impact and requirement for the recommendations.
- These will be recommended and considered as part of the budget process for setting the Medium Term Financial Strategy (MTFS).

Purpose

- To Review the Councils Capital Programme, including the following:
- Review new Capital Programme Project Proposals submitted to the CRG by project leads
- Review the regular progress monitoring of the Capital Programme. Including reviewing any change in the scope of projects, timescales and financial implication.
- To Ensure all projects are input and monitored through Verto
- To Ensure the correct governance approval route is recognised and completed
- To monitor the progress against the capital receipts target included within the MTFS
- To advise CMT, CPF, BWG Cabinet and Council on the capital Programme
- To review all Virements

4.3 All new proposed capital projects have to go through the following Approvals Process before it can be included into the Asset Investment Programme. This will ensure that the governance is adhered to and all risks and rewards are addressed at all governance levels.



4.4 To manage the capital 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.

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

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

5 Key Areas of Council Asset Investment

5.1 The Council's Capital Programme for 2019/20 to 2023/24 totals £395.3m and is summarised in 8.3. Individual schemes are itemised in Appendix G.

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

People and Communities Directorate

5.3 Adult Social Care

Adult Social Care is still going through a major transformation which will focus on increasing prevention, reducing dependency and increasing personal choice. The Capital 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.

- 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.

5.4 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

      2016/17 – 129 Houses

      2017/18 – 120 Houses
- For 2018/19, current projections indicate that152 new affordable homes should be completed.
- The emerging Local Plan proposes a target of 942 dwellings 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
- 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 December 2018 there were 528 empty properties in Peterborough, which have been empty for six months or more. There are approximately 3,100

households are on the Council's Housing Register awaiting suitable accommodation. There is continued high demand from homeless households in Peterborough and this has meant a continued high demand on temporary accommodation and in particular high cost bed & breakfast accommodation. This clearly demonstrates the continued need for a supply of 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 where assistance is provided to bring properties up to a letable standard the properties are placed into the council's 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 Council is committed to working with the civil society 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 is jointly lead by Amey and PCC through joint working. Any improvements and developments are delivered though input from the statutory planning document and an annual external H&S assement of our play provision.

- 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 Council continues to see a high number of unauthorised Traveller 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. The Emergency Stopping Place for Travellers will be improved in the coming months to provide a suitable safe space to move unauthorised 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.

Culture and Leisure

- 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.
- Cultural Services within the city face significant challenges which relate to growth and the re-development of existing facilities to meet changing customer expectations.
- The Council is working closely with cultural partners and Arts Council England to develop a new culture strategy, informed by providers and residents. In time, this will help to inform the decisions we make about future cultural asset needs.
- Additionally, the Council will shortly publish its Active Lifestyles Strategy which sets out options and opportunities for consideration to support improved outcomes.

5.5 Children's Social Care and 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.

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

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

- Offering a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies.
- High quality places for people to learn that encourage high levels of achievement.
- Avoiding significant changes to catchment areas
- Limited and temporary use only of mobile accommodation.

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

- 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. In particular at present new housing developments at Hampton East, Stanground and Paston Reserve are the main areas in the city with the greatest housing growth. The Council monitors the construction build out very closely with the housing developers on each of these sites so as to best assess the dates to open the new schools.
- Peterborough's birth rate has been one of the highest in England. Between 2006 and 2012 the number of births increased every year when it reached its peak. Between 2012 to 2017 the number of births per year has fluctuated but within a range of 3,000 to 3,200 each year.

As at the October 2018 School Census there were 21,637 children on roll in the primary schools. As an illustration of growth in 2006 2,165 4 years old entered education. In most recent years this number has varied between 3,000 and 3,100.

As at the October 2018 School Census there were 12,597 children on roll in secondary school in years 7 - 11. There are598 more children on roll in year 7 than year 11 which illustrates the growth in recent years.

The quality of the City's schools continues to attract students from other local authorities. Peterborough remains 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.

Since 2011 the Council has received £57m in Basic Need funding for increasing school places. More recently it received £14.7m for investment in 2018/19 and the Council is due to receive £6.3m in 19/20 and £1.6m in 2020/21.

At present the following Free School bids to the Education and Skills Funding Agency (ESFA) exist for new schools in the city:

Free School Programme Wave 12:

- Paston Reserve Primary. This is an approved new school for 420 pupils with an anticipated opening date of September 2021.
- Hampton Lakes Primary School - This new school will open in temporary accommodation at Hampton College Primary in September 2019 and is planned to open in their new school buildings from September 2020 for 420 pupils.

Free School Programme Wave 13:

- Applications are presently being considered by the ESFA for the Paston Reserve Secondary School and the 2nd Hampton East Primary school, both subject to approval with a target date for opening of September 2022.

The Council is working closely with ESFA to finalise the grant for the build of first Hampton East primary school to compliment the Hampton Gardens Secondary which opened in September 2018. The primary school, to be known as Hampton Lakes is due to open in September 2020 in its new building but will open with one form of entry into reception year in September 2019 in the existing Hampton College Primary school.

Overall, the city has sufficient school places based on its projections for children starting at primary schools. Limited places in certain parts of the city is the main priority, hence recent expansions at Oakdale, Woodston and Parnwell primary schools where demand exists. Additionally the Council is monitoring the impact of growth in Hampton where demand for places in year is a significant pressure and the rural areas in particular from housing growth in Eye and in Barnack and Helpston.

The impact of the significant growth in primary school age children has put pressure on the Council’s secondary schools too. Hence, expansion projects have been completed at Ormiston Bushfield Academy and Nene Park Academy to increase their capacity by 2 forms of entry from September 2018. Jack Hunt School has also expanded by 1 form of entry from September 2018 pending completion of its new and expanded facilities from September 2019. It is also proposed that Ken Stimpson School will be expanded by 2 forms of entry from September 2019 in temporary accommodation until their new facilities are built ready for September 2020. Additional capacity is also required and the Council's objective is to achieve this through the build of the proposed new secondary school at Paston Reserve which is presently being considered by the ESFA as part of the Wave 13 Free School programme.

The Council will continue to monitor very closely the demographic trends in the city along with the growth in housing developments to ensure that it can continue to fulfil its statutory duty to provide sufficient school places.

5.6 School Places

The Schools Organisational Plan is issued to Education Scrutiny in March each year the list below which reflects the Education Capital Programme represents projects presently in feasibility, in various stages of pre-construction design and on site under construction

Scheme	Description	Expected Year of Opening	Additional places created
Jack Hunt	1 FE expansion	September 2019	150
Woodston Primary	1 FE expansion	September 2019	210
Oakdale Primary	1 FE expansion	September 2019	210
Hampton Lakes Primary	New two FE primary	September 2020	420

Scheme	Description	Expected Year of Opening	Additional places created
Ken Stimpson Secondary	2 FE expansion	September 2020	300
Hampton Primary No 2	New 2 FE primary school	September 2022	420
Paston Reserve Primary School	A new two FE primary school to support new development	September 2022	420
Paston Reserve Secondary	8 FE new school	September 2022	1,500
Heltwate Special School	In feasibility-options being considered	TBC	
Marshfields Special School	In feasibility-options being considered	TBC	
John Clare Primary School	In feasibility-options being considered	TBC	
Eye Primary School	Feasibility complete-on hold pending housing development	TBC	
Great Haddon Primary School	Three primary schools are planned under Section 106 agreement	TBC*	1,260
Great Haddon Secondary School	7 FE planned under S106 agreement	TBC*	1,050 plus 6th form

* subject to housing development

Growth and Regeneration Directorate

5.7 Delivery of Growth Schemes

- 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.
- The City Centre Development Plan2 adopted in December 2014 is a key driver in helping the city centre become more vibrant, dynamic and diverse. Offering a high quality built environment, employment, and learning and leisure opportunities by encouraging new investment into the city.
- 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.

- 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.
- 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.
- 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

5.8 Street Lighting

- 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.

5.9 Transport

- Transport incorporates new roads, bus and railway stations, street lighting, footways/cycle ways and other transport related infrastructure items for the period 2019/24.
- 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.

- 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
- 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.
- 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.
- 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.
- 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.
- 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.

5.10 Regeneration

- Peterborough is a growing city which expanded rapidly as a 'New Town' in the 1970s and continues to grow to the present day. The city has the third fastest growing by population in the country and its population is expected to rise to around 237,000 by 2031 – an increase of 28% from 2013. This rate of growth will create 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.)

- It is against this background that the Council is evolving its role in driving growth: a change that has accelerated as the benefits of its approach have become clear. This change in approach is guided by series of core principles:

  - The Council should not just be a facilitator of growth but should take an active role in delivering growth wherever necessary
  - Times of financial constraint mean the Council needs to tap into new sources of income beyond government grant finance 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 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 to the point where physical transformation is now well underway. Over the next two years this site will be transformed, with new offices and residential developments along a revitalised riverside promenade.

In November 2016 the Council set up a housing joint venture company with Cross Keys Homes called Medesham Homes that is working to deliver various types and tenures of housing across the city, helping meet the needs of a growing population. The Council has also earmarked £15m over the next three years to support land assembly for the delivery of regeneration in the North Westgate area, which - like Fletton Quays before it - has stalled as a development opportunity, and will require the Council to become more directly involved in delivery. In early 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 assemble such assets to help secure Peterborough's future economic strength; where assets offer strong investment returns, the Council will, in addition, actively examine acquisitions that can help diversify its income streams and support service delivery.

In addition to such interventions the Council will continue to explore how by taking an active - and far more wide-ranging - view of growth, and its own role in the delivery of growth, it can achieve both direct and indirect social and economic benefits for the people of Peterborough.

5.11 Strategic Property

- The Council keeps its property portfolio under constant review; ensuring assets are held only for identified operational, growth or investment purposes. (See Appendix M Asset Management Plan for more detail) 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.
- The Council has now successfully moved its back office functions to the a new office development on Fletton Quays releasing Bayard Place and parts of the Town Hall to be utilised for Investment purposes after business case approval.
- Overall the Council aims to dispose of surplus assets and use the capital 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. Annex 2 of this report has more detail about the assets that have been identified and suitable for disposal.

5.12 LATCo

- The council has brought back the existing services provided by Amey. Within these services there is a range of equipment and facilities used. The capital strategy will need to include future plans on how this equipment is kept fit for purpose and complies with legislative requirements.

Resources Directorate

5.13 Information and Communication Technology – ICT

- ICT is critical to the efficient delivery of Council Services. The present ICT programme concentrates on the upgrade and migration of core systems like Framework I and Liquid Logic onto environments where joint work with Cambridgeshire County Council is possible through similar processes leading to operational efficiencies. The other significant part of the programme is future proofed (Infrastructure and Applications ie Windows 365) to enable staff to take advantage of technology to drive service efficiencies and deliver a better service to our customers.

5.14 Invest to Save

- The Capital 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.
- 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.

Invest to Save Current Schemes:

- The Council is continuing to investigate further ways it can support the development of housing and 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.

5.15 Renewable Energy / Energy Efficiency

- 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 can be made to Council properties and property belonging to other local authorities.
- Empower Solar Panel Scheme - The Council entered 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.
- The Council's loan to Empower is fully secured over the solar rooftop assets of Empower Community Services Peterborough 1 and those assets are now fully operational and receiving Feed in Tariff, indexed each year by RPI to the year 2032-7. The Council continues to receive income from the loan at a commercial rate of interest.

- A refinance process is currently being undertaken by Empower with long term renewable finance funders in order that the Council's loan can be repaid
- **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.

6 Sources of Asset Investment Funding

6.1 A summary of the sources of Asset Investment funding is shown in 8.3.

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 2018, this is 38% (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 Capital 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
- Keir – for major school development works

A new Procurement Strategy is in the process of being completed for approval by the new Strategy Commissioning Board in April 2019.

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 £55m (80%) 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.

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

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

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 Strategic Procurement Board, 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 Strategic Procurement Board
- An annual performance report is scheduled to go Cabinet members in March 2019.

8 Conclusion

8.1 The Capital Strategy demonstrates and sets the framework for how the Councils capital programme supports its strategic priorities. The Capital 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 Capital Strategy have been built into the MTFS.

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

8.3 **Summary Capital Programme**

Capital Expenditure	**2017/18 Actual £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**
People and Communities	32.9	38.8	33.9	20.1	21.7	22.4	6.5
Invest to Save / Commercial Activities / Cost Avoidance Schemes	13.6	19.8	37.6	30.9	20.1	10.1	0.1
Resources	5.1	17.7	5.4	5.4	5.9	3.5	3.5
Growth and Regeneration	28.7	44.8	37.2	29.2	37.7	33.1	31.0
Total	**80.3**	**121.1**	**114.1**	**85.6**	**85.4**	**69.0**	**41.1**
Financed by:							
Capital receipts	1.1	1.5	23.2	15.0	-	-	-
Capital grants contributions	36.5	42.3	26.8	29.8	28.1	32.5	16.9
Net financing requirement	**42.7**	**77.3**	**64.1**	**40.8**	**57.3**	**36.5**	**24.2**
Total	**80.3**	**121.1**	**114.1**	**85.6**	**85.4**	**69.0**	**41.1**

8.4 **Summary of Fixed Asset Values as at 31st March 2018**

Fixed Asset Values	**Gross book £000**	**Depreciation £000**	**Net book value £000**
Land & buildings	420,680	(18,900)	401,780
Vehicles, plant & equipment	40,286	(20,491)	19,795
Infrastructure assets	283,821	(119,366)	164,455
Community assets	901		901
Heritage assets	688		688
Investment properties	21,797		21,797
Surplus assets	1,135	(104)	1,031
Assets Under Construction	14,865		14,865
Total	**784,173**	**(158,861)**	**625,312**

(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

Asset Investment Receipts Summary from 2019 to 2021

Property Description	2019/20	2020/21
Substations	*	
Orton Bowling Green	*	
Dickens Street Car Park	*	
Bungalow	*	
SteamHouse Farm / Yard and Buildings at Alkramian	*	
Chauffeurs Cottage	*	
5 Royce Road	*	
POSH	*	
165a Cromwell Road	*	
Church Street Thorney Assets - Library and Community rooms		
Tenterhill/Thistle Drive	*	
Land at Stanground Academy	*	
Land at Angus Court	*	
London Road (gravel car park)	*	
Land at Fleet - Fletton	*	
3 allotments	*	
Peterscourt	*	
Land at Gostwick	*	
Land at Caxton Court	*	
Land at City Clinic - Wellington Street	*	
Land at Play area Smithfield	*	
New England Complex	*	
Plot 7 Fletton Quays		*
Land at Fengate South		*
Land at Bishops Road Car Park		*
Wellington Street Car Park		*
Wirrina Car Park		*

Properties Under Consideration for Disposal

441 Lincoln Road
Food Hall & Market
CRA Windfall land
Paston CRA land
Herlington Centre
Royce Road Ground Rents
Northminster House Ground Rent
Ivatt Way Ground Rents
Laxton Square
Saville Road Estate
Saville Road Ground Rents
Westwood 7 Industrial Ground Rent
Alfric Square

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Peterborough City Council

Asset Management Plan

January 2019

npsgroup

PETERBOROUGH CITY COUNCIL

Contents

Foreword

Peterborough City Council has a continued commitment to creating vibrant local communities with a strong local economy and good provision of infrastructure, housing and employment. Buildings are important in creating a sense of place and the property assets which the council owns make a contribution to creating sustainable communities within Peterborough. This presents the Council with the challenge of reviewing its property portfolio to ensure that it is optimised in terms of its resources and so that it can contribute to community needs and the Council's budget. This document describes the Council's asset management policy and practice.

Executive Summary

The current operating context for public services is challenging and those challenges are exacerbated by demographic changes and financial pressures due to diminishing central government funding. Peterborough is a rapidly growing city which puts pressure on demand for housing, infrastructure, employment opportunities and council services.

The Council has a vision for a bigger and better Peterborough – for improving quality of life in its communities and creating a sustainable thriving place to live, work and visit. It also has aspirations to be the environmental capital of the UK. Accordingly, the asset management plan must have a continued focus on using property to support growth, inward investment and financial security whilst having a positive impact on the environment.

The Council and their joint venture partners need to be clear about their objectives for operational, investment, surplus and strategic assets. Any deficiency in resources required to manage the portfolio needs to be identified.

There should be a financial assessment of surplus assets to ensure that they are making contribution either from a financial or community perspective. Where they are not, the Council can consider refurbishment, redevelopment or disposal. Buildings need to be reviewed to understand whether operational costs can be mitigated. In some cases there will be synergies between environmental objectives and cost reduction. Efficient use of services such as sharing buildings between Council services should be considered. Efficient asset management can help to optimise property's contribution to the revenue budget and meet the Council's growth and regeneration priorities.

1 Introduction

1.1 Purpose & Scope of AMP

This Asset Management Plan (AMP) identifies the key strategic policy and resource influences affecting the Council and sets parameters for asset management over the medium term. The plan has a 5-year horizon with annual reporting on progress.

The AMP is to define how the Council:

- Integrates property decisions with wider Council policy
- Enhances the financial value from its property holdings
- Maintains and improves its assets
- Drives efficiencies within the portfolio
- Supports the Council's aspirations as an environmental city
- Listens and responds to its residents' evolving needs

1.2 Overview of the Portfolio

The Council owns a diverse property portfolio. These properties are:

- Operational – those supporting direct service provision
- Investment – those producing a positive financial return
- Surplus – property no longer used in service provision which are sublet or vacant
- Strategic land or property with growth and regeneration potential

1.3 Links to Other Plans

The AMP is aligned with a number of wider supporting policies, corporate and service strategies which are listed in appendix A.

2 Strategic Context & Direction

2.1 Influences for Change

National

At a national level there is a drive to promote sustainable communities and an aspiration to create vibrant, attractive places to live and work. Current policy has a strong emphasis upon encouraging community participation and place-shaping with a view to the Council and community working together to improve the character of an area.

The government's localism agenda has a focus on decentralisation – moving resources and decision-making towards individuals, communities and councils. Voluntary groups, social enterprises and parish councils now have a 'community right' to challenge local authorities over their services. New rights mean communities can ask councils to list certain assets as being of value to the community. Where a listed asset comes up for sale, communities have the right to bid for it.

Under Community Asset Transfer (CAT) initiatives there is also potential for the transfer of management, sometimes ownership of council property to community organisations in order to achieve a social, economic or environmental benefit.

There is a strong drive for partnership working - a policy exemplified by the One Public Estate (OPE) initiative. OPE is an established national programme coordinated by the Cabinet Office and the Local Government Association. Its objective is to encourage public sector partnerships and a strategic approach to asset management. By bringing national and local government together and supplying the necessary expertise, OPE has been able to achieve tangible results and is now working with over 300 councils. Their main aims and outcomes have been:

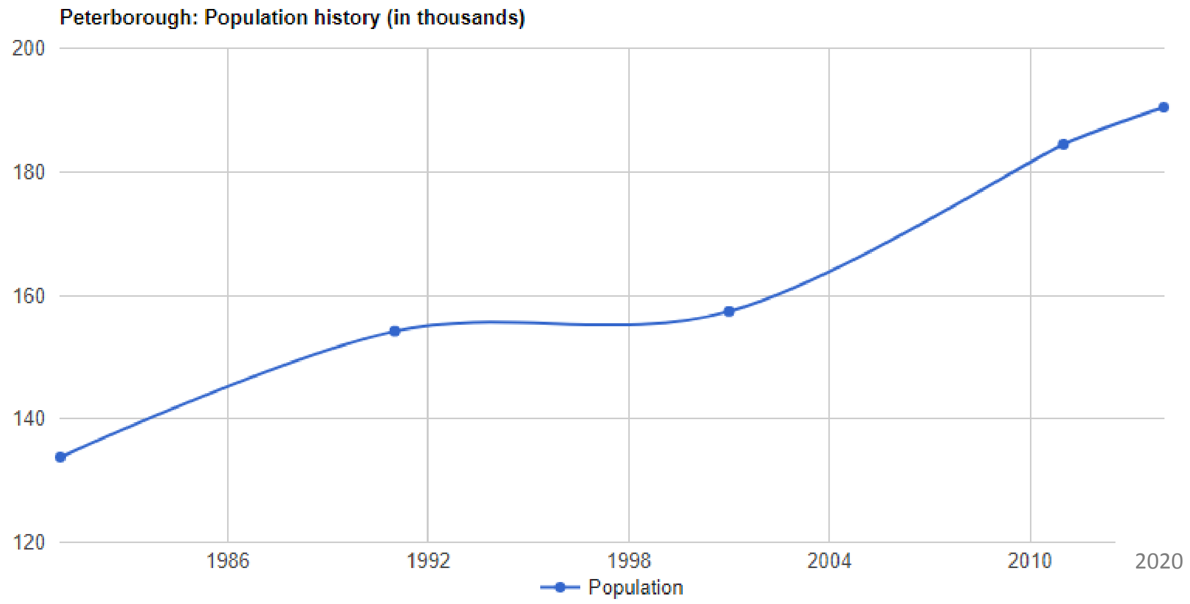
- Driving local growth and job creation
- Creating efficiencies and reducing cost
- Releasing capital to reinvest in communities
- Sharing best practice in asset management
- Using dedicated local teams to work on specific projects
- Freeing up sites to promote the building of new homes

Regional

Under the government's devolution agenda, the Cambridgeshire & Peterborough Combined Authority was created in March 2017; the Combined Authority has a directly elected mayor and more discretion on how services are provided. It has new powers and access to funding for new homes and infrastructure. The Council is part of the Local Enterprise Partnership (LEP) that covers Greater Cambridgeshire and Greater Peterborough. The LEP's role is to provide a broad vision for the area to explore ways of building infrastructure and to encourage the development of local skills.

Local

Peterborough has seen a period of sustained population growth with population for the Council's administrative area estimated to be c.200,000 in 2018 and 204,000 by 2020 (source - Office of National Statistics).



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. The area's proximity to London and good transport links continue to act as a draw to the area. This growth requires investment in infrastructure, especially housing and increases demand on essential services.

2.2 Council & Service Priorities

The key priorities underpinning the Council's vision are:

- Growth, regeneration and economic development of the city to bring new investment and jobs; supporting people into work and off benefits
- Improving educational attainment by developing university provision and employment opportunities
- Safeguarding vulnerable children and adults
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental standards

- Supporting Vivacity (Peterborough's culture and leisure trust) to deliver arts and culture

- Keeping our communities safe, cohesive and healthy

There are a range of corporate strategies to which the Council's property portfolio must align.

The most significant of these are highlighted briefly below.

- **People & Communities Strategy** – The Council will develop new models of service delivery working with constrained financial resources. The focus will be upon targeting services and moving further towards a commissioning model. There is a need to adapt service delivery with fewer services being provided directly by the Council, increasing 'shared services' provided by partner agencies and more use of community / voluntary resources. The Council will retain a regulatory role but it is likely to employ fewer staff in the future.

- **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 out themes which include:

  - Reducing carbon emissions
  - Sustainable water management
  - Protection of wildlife
  - Use of sustainable materials
  - Sustainable food production
  - Sustainable waste management
  - Sustainable transport solutions
  - Heritage preservation

All of these will impact how the Council manages and uses its property portfolio.

2.3 Service Strategies & Partnerships

There are a range of existing service strategies and partnerships which directly affect properties which the AMP addresses. These are shown in appendix B.

2.4 Resource Context

The Council's budget is set within a national context of continuing funding cuts and PCC is itself facing a significant funding gap. To meet this challenging environment it will need to operate more commercially and pursue efficiency savings wherever possible. Where there is no commercial, community or strategic case for retaining property, assets will be disposed of; the proceeds of which will be used to support the revenue budget. Within the operational portfolio there is a need to reduce cost through more efficient utilisation, sharing between services and use of energy.

2.5 Challenges in the Portfolio

A number of challenges have been identified in the portfolio which need to be addressed.

- Ageing Portfolio – The operational portfolio is ageing and thus has increasing maintenance and repair needs. There is a need to identify and agree Planned Preventative Maintenance (PPM) programmes and if appropriate dispose of assets which are a drain on resources. The capital expenditure budget for the portfolio is significant and for 2019 is circa £1.75 million.

- 'Portfolio Intelligence' and data management. The council has robust data from managing the property portfolio however it needs to ensure the information is collated to provide the necessary high level reporting. That will allow oversight of the portfolio and ensure strategic opportunities are maximised.

- Asset Management – A clear role for the Council's joint venture Estates and Strategic Asset Services Partner NPS Property Consultants is key to delivery of the actions identified in this AMP, as are clarity of roles within the Council's client function.

2.6 Strategic Direction

The context outlined suggests a requirement for asset management to focus on using property to support growth, inward investment and financial security. Going forward, there are specific objectives for the various elements of the portfolio.

For example:

- Operational portfolio.
  - Focus on core council assets
  - Increase sharing between services
  - Promote agile working
  - Use planned preventative maintenance to spread cost
  - Reduce energy use
  - Support provision of integrated public services with partners to create multi-agency service facilities

- Surplus portfolio:
    - Refurbish property where there is potential to create long term income and transfer the asset to a dedicated investment portfolio
    - Dispose of assets that are a drain on the Council's resources and where retention does not present a wider community or strategic benefit

- Strategic land and property
    - Keep reviewing opportunities to meet growth and regeneration objectives, and potential opportunities to create income.

There are a number of actions required to respond to the challenges identified above. Given the Council's resource constraints it will need to determine the relative priority of each action and analyse the cost / benefit.

Key Actions

- Set out schedule of properties with status showing suitability for retention, disposal or review
- Review potential for shared use
- Establish an asset management forum at director level; meet quarterly with NPS to review portfolio
- Approve Investment Acquisition Strategy
- Clarify roles within 'intelligent client' and NPS Peterborough
- Review forthcoming lease events of the 54 leased properties and identify areas for cost reduction
- Review fire insurance valuations on a rolling programme to ensure costs & risks are managed
- Develop planned maintenance strategy for 'core' retained
- Finalise the Community Asset Transfer strategy for remaining community buildings
- Develop plan for strategic sites

2.7 Making it Happen – A Framework for Action

NATIONAL

- Public Sector Spending Constraints
- Public Service Reform
- Socio-economic & Demographic Changes
- Sustainable Communities place-shaping
- Localism & decentralisation
- Partnership Working and One Public Estate

Regional

- Devolution Combined Authority
- Population Growth
- Infrastructure Pressures
- Skills Development & Employment
- Cambridgeshire Peterborough Combined Authority

LOCAL (Corporate & Council Wide)

- Bigger & better Peterborough
- Long term Sustainability
- Commissioning' service delivery model
- Sustainable Communities ' place shaping
- Customer Service Strategy (digital access)
- Smart Cities – Peterborough DNA

Vision: to create a bigger and better Peterborough that grows sustainably

Improves the quality of life for all its residents and ensures that all communities benefit from the growth and the opportunity it brings

Creates a thriving regional community of villages and market towns; a healthy, safe and exciting place to live, work and visit; aspires to be the environmental capital of the UK

Using property to support growth, inward investment and financial security

Enhancing Portfolio Value

Invest in operational portfolio to ensure fit for purpose buildings; dispose of assets which are a drain on resources. Improve the energy efficiency of the portfolio and reduce running costs.

Partnership Working

Working with public and private sector partners to transform service delivery and reduce operating costs. Review operational assets and seek opportunities to promote integrated public services.

All Portfolios

- Establish Asset Management Forum at Director / Head of Service Level
- Approve investment strategy
- Complete H & S organisational responsibilities flow and implement
- Implement EPC & DEC requirements
- Review rates saving opportunities
- Review lease events for leased portfolio
- Review fire insurance valuations to ensure costs & risks are managed

Operational Portfolio

- Review operational assets to categorise
- Develop planned maintenance programme for 'core' retained assets
- Ensure current occupiers directorate are included on Technology Forge
- Finalise the Community Asset Transfer Strategy

Surplus Portfolio

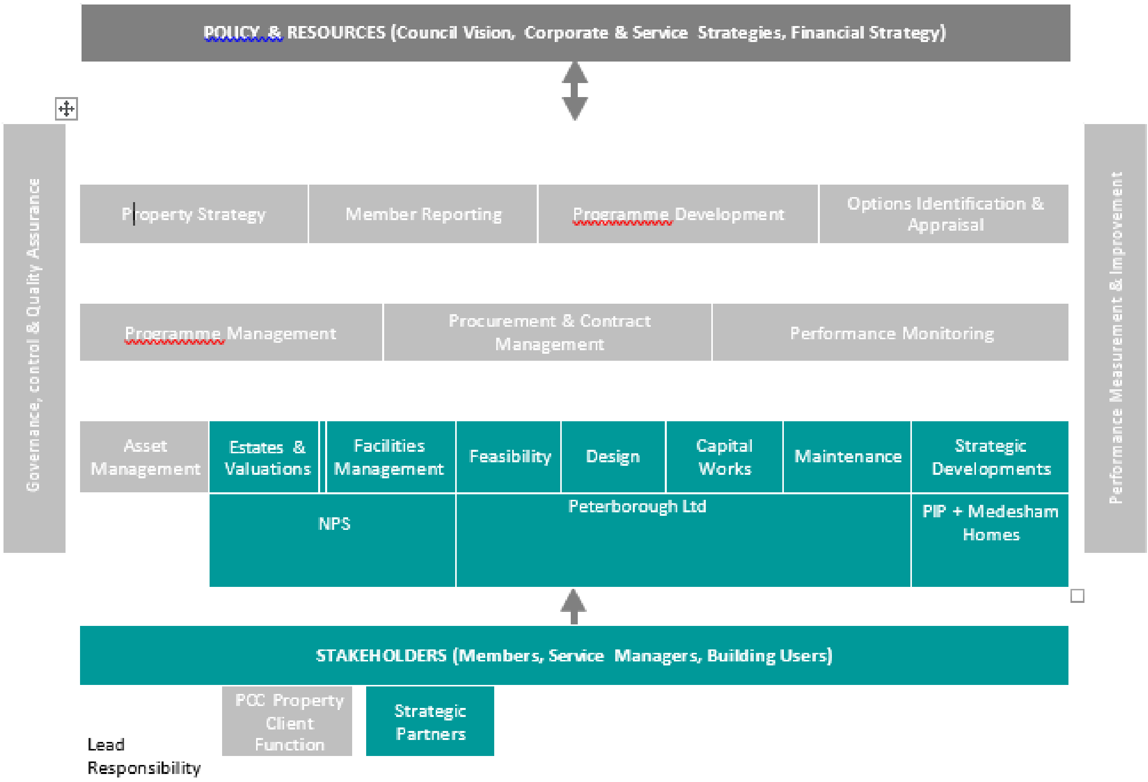
- Maximise revenue and consider refurbishment and / or disposal
- Review strategic assets and categorise

3 Asset Management Policy & Practice

3.1 Organisational Arrangements

The main professional property services are conducted through NPS Peterborough Ltd for the broad range of estates and valuation services and Peterborough Ltd carry out design, capital works, facilities 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 and Cross Key Homes work with PCC to deliver social housing. The Council also has partnerships with Skanska for highways work and Vivacity for culture and leisure services.

The Council's 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 reports on property issues. The Cabinet or the Cabinet member acting with the Corporate Property Officer (CPO) are responsible for decisions on acquisitions, use and disposal of assets and for ensuring asset management policy and actions are 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, without necessarily involving property staff and this may mean at 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 underpin the delivery of the Council's property activities. This approach will 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 C provides a 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 A.

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 1741 land and property assets
- £3.8m rent generated per annum
- Is worth £425.5 M in terms of book value (*December 2018)*
- Incurs running costs of 18.8m per annum

4.2 Tenure & Use

The portfolio is predominantly in freehold ownership. There are 54 leasehold buildings currently and these will be reviewed to identify what opportunities there may be to terminate leases in order to reduce the running cost of the portfolio.

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, risks and liabilities to the Council, its service delivery obligations and statutory requirements. It is also an important element of 'Best Practice' within current asset management guidance. Currently the Council's maintenance spend is directed predominantly to reactive maintenance. An important aim of the asset management strategy should be to formalise a maintenance programme with a view to reducing reactive maintenance costs. Regular review of property can reveal whether or not a property is fit for purpose or is in need of refurbishment or even replacement.

A backlog summary is given in Appendix D.

4.4 Value, Cost & Income

The objective should be to minimise property expenditure in order to release revenue for service priorities. Property running costs for the entire portfolio are £18.8 M (2017/18), whilst the Council's utilities costs for 2017/2018 were £4.6 M.

The asset value of the portfolio is £425.5M. The asset value is a 'notional value' required for capital accounting purpose and reported on the Council's Balance Sheet through the annual statement of the accounts. It does not necessarily represent the achievable market value of the portfolio. See Assets Investment Receipts Summary at the end of this report for further details about the capital receipts figures expected in 2018/19 and 2019/20.

Profile of Capital Receipts (£m)							
Achieved					Expected		
13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
£1.489	£1.769	£1.027	£5,978	£12.738	£2.922	£4.319	Nil

4.5 Sustainability & Energy

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

4.6 Statutory Compliance

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

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

- Display Energy Certificates (DECs) and Energy Performance Certificates (EPCs). Ensuring these are kept up to date and property meets the necessary legislative requirements.

- 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 are undertaken as required.

5 Performance & Monitoring

5.1 Measurement of Portfolio Performance

The Council could adopt a simple reporting approach which is based on each of the principle asset types:

- Asset types
  - Operational
  - Investment
  - Surplus
  - Strategic

These will concentrate on a small number of indicators chosen to review each portfolio which will provide a framework for the management of each portfolio.

5.2 Review Arrangements

The AMP will be reported upon annually to Cabinet and updated periodically with progress reported to Cabinet through the Corporate Property Officer. These will concentrate on the progress of the specific Key Actions identified in the AMP.

Appendix A – Asset Management Policies and Partnerships

Strategies & Policies

- Asset Management Plan
- Investment Strategy
- Capital Strategy
- Community Asset Transfer Policy
- Farms Estate Strategy
- Disposals Strategy
- Service asset strategies (to be improved)
- Carbon Reduction strategy
- Protocols, Procedures & Partnerships
- Skanska Highways Partnership
- NPS Peterborough Partnership
- Cross-Keys Housing Joint Venture Partnership
- PiP – Peterborough Investment Partnership

Appendix B - Service Strategies and Portfolio Implications

Asset Type	Number Of Assets	Existing & Future Perspectives of the Portfolio
Operational Assets		
Car Parks	12	The Council has 12 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		The development of a modern work environment for the Council has been completed, along with strategic partners in the form of a new 90k square foot office scheme at Fletton Quays. This is the largest office built in the city for over 20 years. The Council have taken a new long term lease, using its covenant strength to support regeneration of this part of the city. The office forms a key part of the 17 acre regeneration site adjoining the river, south of the city centre. In addition, it will include a 160 bed hotel, 400 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 (now complete), new retail units and Listed goods shed which become a distillery and visitor centre. This will be complemented by new public realm works including riverside walkways, new 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 multiuse facilities. Reductions in the existing number of libraries are not anticipated.

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.
Farms	• The Council has developed a strategy for its Rural Estate which is focussed on retaining it as a viable land holding, providing opportunities for new entrants into farming, farm amalgamations to create larger more financial sustainable holdings and service provision for environmental and educational objectives. • An annual Action Plan is drawn up from the Management Strategy with input from councillors, Country Land and Business Association and the tenants themselves to explain in practical terms how the Strategy will be delivered each year, and where amalgamations and capital expenditure will be targeted. • Repairs are proactive rather than reactive, with an emphasis on drainage schemes – this in term supports more robust rents. • Capital receipts are generated from the disposal of small areas of garden extension land, and realising the potential of old buildings unfit for agriculture which can be converted under Class Q (of permitted development regulations) to residential dwellings.
Strategic Assets	The focus of developing the Strategic 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 C- Consistency with Best Practice; key themes and requirements

Roles & Responsibilities	Current corporate asset management plan	Running cost performance known	Statement of data needs & priorities
The council has a designated corporate property function	AMP linked to corporate objectives	Statutory obligations met	Processes to ensure data quality
There is Corporate Property Officer with defined responsibilities	Asset management integrated with service planning	Targets set for running costs	Organisational focus for data management
Corporate Property Officer reports to a strategic committee	Key areas for change in the portfolio defined	Suitability of buildings assessed	Information easily available to users (cost, suitability etc)
Cross-service forum established on property matters	Commercial portfolio strategy identified	Satisfaction with buildings measured	Non-core data available
Property occupiers / users role defined	**Capital programme management**	**Review of need, utilisation and cost**	Property IT systems periodically reviewed
Group to oversee development of AM practice & AMP	Option appraisal / prioritisation / whole life costings	Profile of capital receipts	**Performance management**
Cabinet member lead on property matters	Outcome targets for capital spend	Systematic review programme	Reporting on national performance indicators
Decision making and consultation	Processes for identifying projects	Criteria to challenge retention	Portfolio performance reported to members
Clearly defined decision making processes on property matters	Projects assessed using an agreed methodology	Incentives to release property	KPIs related to defined property objectives
Consultation process on the AMP	Authority-wide group to oversee programme	Identification of under-utilisation	Agreed targets for KPIs
Views of service users & occupiers sought	Process for post-project evaluation	Specific organisational focus on property review	Comparisons made with others
Public consultation on property matters	Projects completed on time & to budget	Disposal processes monitored	Local KPIs in place
Full member reporting	**Managing properties in use**	Shared use of buildings promoted	Improvement plan (informed by performance data)
Partnership Working	Maintenance backlog know and reported to members	Framework for assessing performance of the portfolio	**Data management**
Integrated approach to assets with other agencies	Periodic assessment of building condition	Identifying property needs	Inventory & core data available
Policy on community asset transfer	Maintenance spend prioritised	Defined aims & objectives for asset management	

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 House 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.	0.63	Urgent	£2,812	6.05
B-Satisfactory	£8,831	18.99	Essential	£11,331	24.37
C-Poor	£28,37	61.02	Desirable	£23,370	50.25
D-Bad	£9,004	19.36			
	£46,505			**£37,513**	

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

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Appendix N – Investment Acquisition Strategy

Peterborough City Council

Investment Acquisition Strategy

November 2018

Contents

Executive Summary

Under the Local Government Act 2003 and the Localism Act 2011 Local authorities have extensive statutory powers allowing them to invest and to borrow, either for purposes relevant to the performance of any of their functions or generally for the prudent management of their financial affairs. On this basis land and property can be acquired, developed or sold.

Local authorities have well established policies and procedures in place for their estate management activities. These do not however include a specific policy governing land and property acquisition, albeit there are a number of policy documents governing more generic capital investment within the public sector. Property investment may be for income generation, for strategic purposes or where there are wider community and economic benefits that can be achieved. This can be achieved by investing and/or developing property within their existing ownership, whether for onward sale or income generation. With the changing climate for local government finance and significant budget pressures in the foreseeable future, local authorities are embracing a more innovative, commercial and entrepreneurial approach to closing the budget gap and the development of a property investment portfolio is one element of this approach.

This strategy sets out the principles, approach and governance for a new enabling policy covering the selective acquisition of property assets within Peterborough and its immediate environs. This approach will have a range of benefits including the generation of income to support Peterborough City Council’s revenue budget. The strategy identifies an approach based on the direct ownership and management of property assets, to enable the Council to acquire or redevelop property.

All such acquisitions will be subject to robust appraisal and undertaken in accordance with agreed governance procedures. The regulatory environment and best practice around local authorities investing in property is changing. The Council will need to be aware of this, take a balanced approach to risk and ensure appropriate review and performance arrangements are in place. The strategy sets out the rationale for acquiring properties and the criteria upon which asset selection will be based and reviewed. It also identifies the nature of risk associated with property investment and how the Council can mitigate it. The procedures, criteria and metrics presented through this strategy will be subject to annual review.

Of critical importance in adopting the strategy will be the need for a single point of accountability for the development of an investment portfolio. Equally important is, the ability to intervene in the market in a swift manner, subject to robust business case appraisal and governance, and taking a long term perspective of the portfolio (10 year+).

1.0 Introduction

1.1 The Importance & Nature of Property

Property is a multi-faceted and multi-purpose resource which is used to deliver a broad range of services within the public sector. It can both consume and generate cash. Increasingly it is being recognised in having strategic importance over the long term in supporting community prosperity and vibrancy. It is proposed that the Council holds different property assets for different purposes. In simple terms these fall within four distinct categories. An operational portfolio for service delivery, a surplus portfolio, an investment portfolio (principally for generating income or capital growth) and a strategic portfolio for assets to support corporate priorities such as regeneration and meeting housing need. The operational portfolio consumes cash, the investment portfolio generates cash and the strategic portfolio has long term 'latent value.'

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 in, work and visit; and which is the environmental capital of the UK. How the Council uses its property assets will be a critical underpinning element in meeting this vision. As revenue budget pressures continue to impact on the Council so it will increasingly need to take a strategic perspective on its property assets. To do this means recognising and developing two key dimensions of property – its ability to generate cash (income or capital) and its ability to support wider strategic priorities, such as regeneration and meeting housing demand. Both are important and point to the need to grow and develop the investment and strategic property portfolios. This strategy focusses on the development of the Council's investment and strategic portfolios, and in particular the rationale for acquisition to grow these portfolios.

1.2 The Scope & Purpose of the Strategy

The Council is focussed on investing in property to enhance its financial resilience, safeguard services and to meet regeneration objectives. Adopting a commercial approach will ensure that investment returns, capital growth and long term latent value can be used to meet those objectives.

This strategy is designed to define a broad direction for developing the Council's investment and strategic property portfolios over the long term in order to ensure they are optimised to support the Council's vision for the city. The strategy is not a static document but rather part of a process designed to promote discussion about the nature of, and future direction for the management of the Council's investment and strategic property assets.

The strategy is a practical tool that will:

- Provide a rationale for developing the investment and strategic portfolios.
- Set out governance arrangements covering management of the portfolios.
- Define key objectives and operating principles for day to day management.
- Identify how investment decisions are made (acquisition & review criteria).
- Define an approach to managing risk across its asset holdings.
- Define how the financial viability of the portfolio will be sustained.
- Identify how the performance of the portfolio will be measured.

The strategy takes a medium term planning horizon of over 5 years plus but will be reviewed on an annual basis.

2.0 The Rationale for an Investment Portfolio

2.1 Property as an Investment Class

The Council's approach to investment is to obtain the optimum return while maintaining a proper level of security and liquidity. Property is one of several asset classes the Council can invest in. Other assets will include cash, fixed interest securities (bonds) and shares. An overall approach is required which ensures a degree of diversification in order to balance risk; with cash (held in savings accounts) and bonds having the lowest risk profile, followed by property. The Council needs to periodically review its balance across these asset classes and take a judgement on return versus risk.

2.2 The Legal Framework

Councils have the legal power to acquire and hold both commercial and residential property for investment purposes. Historically commercial property could be acquired and operated directly by councils, providing that the clear purpose was investment. If the purpose was to undertake a trading activity, the commercial property would need to be held in a company vehicle. Residential property can be acquired if the assets are being held and operated indirectly through a local authority controlled Special Purpose Vehicle. It can also be held and operated directly where a council has a Housing Revenue Account (HRA). As PCC does not have an existing HRA it may need to reinstate one in order to participate in any significant residential property investment.

Currently local authorities have broadly drawn powers allowing them to invest and to borrow, either for purposes relevant to the performance of any of their functions or generally for the prudent management of their financial affairs (s.1 & s.12 of the Local Government Act 2003).

They have also been able to acquire property either inside or outside of their administrative area to support any of their functions, including their investment functions, or otherwise for the benefit, improvement or development of their area (s.120 of the Local Government Act 1972).

Lastly, they have been able to take any action (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions, which would again include their investment functions (s.111 of the Local Government Act 1972).

Under the general power of competence set out in s.1 of the Localism Act 2011 local authorities have also built and managed investment property. In accordance with this Act, councils have all the necessary powers to purchase assets inside or outside of their administrative area and manage them for investment and commercial gain.

However, revised Statutory Guidance on Local Authority Investments issued in April 2018 by Ministry of Housing Communities & Local Government is directed towards curbing local authorities borrowing to invest in commercial property solely to raise revenue. There is a distinction between authorities who are taking on debt for regeneration and meeting local objectives, and those who borrow purely to get a return on investment.

The guidance contains a number of key points:

- A call for transparency and democratic accountability with regard to local authority investment.
- Councils should prepare a new investment strategy each financial year.
- Investments by local authorities can be classified into two main categories: investments held for treasury management purposes or other investments.
- Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code 2011.
- They should disclose the contribution that these investments make to the objectives of the local authority to support effective treasury management.
- Local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making. It is for individual authorities to define the types of contribution that investments can make and a single investment can make more than one type of contribution.
- There is a requirement to prioritise security, liquidity and yield in that order of importance when considering investment strategy

The local authority's reporting should include quantitative indicators that allow councillors and the public to assess a council's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return received. Where investments are funded by borrowing, indicators should reflect the additional debt servicing costs.

This guidance will be supported by new advice to be released by the Chartered Institute of Public Finance and Accounting (CIPFA) before the end of the year. CIPFA issued a statement on Borrowing in Advance of need and Investments in Commercial Properties in October 2018. This statement guards against local authorities 'borrowing more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.' The statement goes on to say that commercial investments including property must be proportionate to the resources of the authority, otherwise they are unlikely to be consistent with the requirements of the Prudential Code or the Treasury Management Code.

2.3 Approaches to Investing in Property

There are a range of approaches to investing in property assets, from on the one hand investing in a commercial property fund, (or real estate investment trust etc.) and on the other hand owning the physical assets – each with its own advantages and disadvantages. The simple diagram below is intended to provide a framework for developing a strategy based on two broad criteria, ownership and management. The proposed positioning of PCC is shown - which favours both direct ownership and direct management of investment property. This is a considered choice of the Council and the respective pros and cons of this strategy are identified.

Pros & Cons of Direct Ownership & Management of Investment Property	
Pros	Cons
Ownership of property assets	Potential over-reliance on investment property to fund essential services
Achieve direct return	Reliance on own expertise
Control over property decisions	Management time & expense
No fund management costs	Relative lack of liquidity

The advantage of PCC's approach is that it will retain direct ownership of the assets with any returns coming direct to the Council. The Council will also retain control over decision making regarding strategy and management of the portfolio, including flexibility as to when to dispose of assets to generate capital.

With this approach the costs associated with other parties holding and managing properties on the Council's behalf are kept to a minimum. Conversely it requires resources to participate in direct property investment and requires a degree of capacity and expertise to manage the portfolio. There can be staff time (and thus cost) tied-up in managing a portfolio and there is a relative lack of liquidity in comparison with other indirect forms of property investment.

When considering direct ownership and management of property the selection of individual acquisitions becomes a critical factor. There are decisions to be made about the property sector and risks in relation to the broad portfolio asset mix, the risk profile of the tenants and the opportunities in the market. At one end of the scale (lower risk but lower opportunity) is a building already let, with a good lease length and tenant; whilst at the other end is a property coming to the end of its lease which is likely to need upgrading / expenditure prior to re- letting.

Alternatively, there may be freehold property which is untenanted but could be redeveloped, providing greater risk but greater opportunity. PCC's strategy will tend towards low risk investments where the covenant strength of the tenant is strong and where there is a good length of lease. There may occasionally be times where PCC may wish to invest in assets it already owns to get a return which would present a low-moderate risk and moderate opportunity. This issue of asset selection is considered in Section 4.4 and Appendix C

2.4 Benefits from Investing Directly in Property

The range of benefits that can arise from investing in property assets are more than simple financial returns, although this will be the prime objective of the portfolio. The table below summarises the range of benefits that can be realised and the combination of these need to be borne in mind when managing the portfolio. The relative priority given to these benefits needs to be considered when deciding on the key objectives.

Benefits from Investing Directly in Property

Direct Returns	Income
	Capital growth
Multiplier Effects	Supporting growth of key local industries
	Improving confidence in local economy
	Supporting the local planning framework
Indirect Returns	Local job creation
	Increase in NDR (Business Rates)
Strategic Advantages	Key site assembly
	Long term strategic perspective

2.5 Difference between Investment & Strategic Acquisitions

Acquisition opportunities often arise unexpectedly and it is important to be quick to mobilise in order to take advantage of them when they occur. It is therefore important that the Council has an appraisal framework that permits them to respond without delay when opportunities arise, to save time and allow them to compete in a market where competition is fierce and demand outstrips supply. To do this the Council needs to be in a position to assess opportunities in a systematic but timely manner and to understand the nature of the opportunity in terms of its financial or strategic perspective.

A simple scorecard approach to support this initial appraisal is given below. This looks at a set of financial or strategic criteria to determine whether the Council should proceed. It recognises that some assets will be acquired for investment reasons (long term financial returns) whereas other assets will be acquired for strategic reasons (longer term latent value). Some assets will also have a combination of investment and strategic potential.

An initial set of criteria form both financial and non-financial perspectives can be developed to give a simple score to assess whether to proceed. An initial appraisal ‘scorecard’ is illustrated in Appendix D.

2.6 Risk & Return

At its simplest, a property investment is an investment in land or buildings which has the potential to give the investor a return in the form of rental income and capital growth. Capital growth may come over time by holding the asset and can be maximised through asset management initiatives (for example by re-gearing a lease to obtain a greater length of lease). Risk and return in property investment come both at a market level and from individual asset choice. In practice, property investment can be structured to create a range of different risk / reward profiles from stable bond-like annuity income performance to more volatile equity-like returns. A summary of the main risks and the PCC approach to mitigating these is given in Appendix A.

3.0 Strategic Context for the Strategy

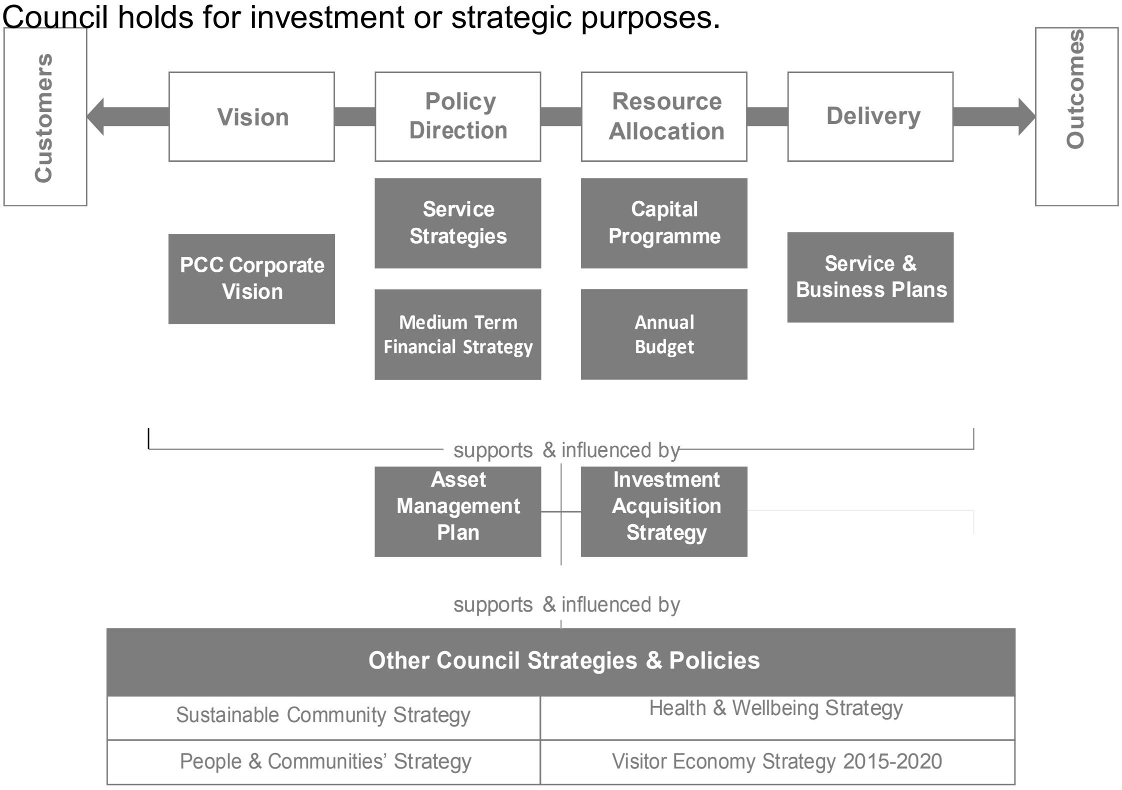
3.1 Overall Context

This strategy is set within the context of broader changes in the operating context for local government. The most impactful of these is the move towards a ‘self-funding’ model for local government as traditional sources of central government funding are reduced (as in the case of the Revenue Support Grant) or possibly withdrawn. This profound change in the funding basis of local government is prompting the need for councils to explore new ways of generating income to support their revenue budgets.

It is also encouraging councils to become more entrepreneurial and to invest in commercial property with a view to generating stable long term income. This strategy is designed to help support the delivery of council services in the future and allow councils to have more influence in shaping the local economy.

3.2 Key Council Strategies & Policies

This property investment strategy does not exist in isolation. It is related to the Council's wider corporate and service strategies and in particular the Council's Medium Term Financial Strategy.
This strategy underpins the overall management of the Council's property portfolio, the broad framework for which is articulated through the Council's Asset Management Plan (AMP). Whereas the AMP sets the context and direction for management of the portfolio as a whole, which includes operational and surplus property, this strategy is focused on the property assets the Council holds for investment or strategic purposes.



3.3 Resource Context

Over the medium term PCC is seeking to address the potential revenue gap from changes to local government through a range actions. There will be a renewed focus on innovation and efficiency with a view to mitigating and

controlling service demand, maximising funding and expanding commercial income.
A key strand of the action will be in placing a greater focus on income generation. This will be reflected in the Acquisition Strategy and AMP, both through leveraging existing commercial property assets and investment acquisition. The Council has agreed an initial capital allocation of £70m in order to grow its portfolio with an emphasis on acquiring income bearing assets or strategic assets which may have long term latent value.

Whilst no specific income target has been set there is an expectation that there will be a significant and sustained growth in income from property as a contribution to bridging an identified funding gap in the Council's revenue budget.

3.4 Market Outlook

3.4.1 National

Commercial property returns tend to be linked to national economic performance and to the relative prosperity of the economy. The short term outlook is therefore likely to be generally a positive one but also potentially turbulent given that the implications of Brexit are not yet clear. How the national economy will perform over the long term cannot be guaranteed.

The investment portfolio does however need to be seen over the longer term, as reactions to short term market changes can distort yields which are likely to be more stable if viewed over a greater timeframe. In this context it will be important to balance a one year budget cycle and any expenditure required for this with the longer term perspective that is required for investment management of either a commercial or residential portfolio.

The changing nature of the economy, globalisation the growth in home-working, automation and the use of artificial intelligence (AI) may yet have unforeseen impacts on the demand for different types of buildings. As businesses strive to become more agile many are seeking shorter lease lengths than was historically the case or regular break options so they can react quickly to change. Increasing use of artificial intelligence and automation will change the demand for commercial space over time. Currently there is a very strong demand for industrial and warehouse space, driven to some extent by a change in consumer shopping habits. The trend for internet shopping is also impacting on demand for more traditional retail space. The outcome of such trends and the speed at which they are developing is ever-changing so a degree of forward thinking is required in terms of the portfolio strategy.

The conventional wisdom of retaining a balanced portfolio (between industrial, office and retail) to mitigate risk is therefore shifting and to optimise overall returns from investment a new portfolio balance may be required. This may also necessitate a greater emphasis on residential development where long term demand has proven to be very stable.

In the current climate with rates of return on cash reserves very low (typically between 0.5% and 2.0%) property still presents an opportunity for better returns and also has a potential for significant capital growth over the long term.

3.4.2 Local

It will be important for the Council to understand the local property market and its outlook over the medium term. This should include the city and its immediate surroundings and also the Cambridge area because of emerging working relationships across the authorities and its strength as a technology centre.

A local market report for Peterborough published in September 2018 by Savills identified a strong demand for residential and commercial property in Peterborough. This demand is being driven by strong population and economic growth in the area. Whilst demand for accommodation is strongest in the commercial and residential sectors, it is strong across all sectors.

The Savills *"Peterborough: A growing city"* report highlights that whilst the area is responding to strong residential demand and a healthy land supply, high levels of development are still required to meet housing need.

Both the adopted and emerging local plan targets for Peterborough are well in excess of 1,200 homes each year.

The largest share of housing supply will be on the city fringe with planning consent granted for 5,300 homes at Great Haddon. The residential market therefore offers a long term investment opportunity for the City Council as this land supply comes on stream.

The industrial market has benefitted from a shift towards online retailers, many of whom have established large distribution centers in the city. Due to strong demand, vacancy rates are at a historic low. Attracted by strong rail and road links, Amazon, Debenhams and Ikea have established large scale distribution centers in Peterborough. At present, there is just one unit of 100,000 sq.ft of industrial space available within a 50 mile radius of Peterborough and the opportunity exists to take advantage of second hand units to undertake refurbishments to bring poor quality stock up to standard. It is a similar picture in the office market with low vacancy rates creating upward pressure on rents.

4.0 Managing the Portfolio

4.1 Aims & Objectives

As this is the Council's first Investment Acquisition Strategy it is important to explicitly state the aims and objectives in developing a property investment portfolio. These are summarised in Appendix B along with basic operating principles for the portfolio. The overall aim has a dual purpose, both to create a financial return and to promote local economic prosperity, however these objectives may sometimes conflict. There is a risk that the pursuit of socio-economic aims through for example supporting job creation, may dilute the purely financial goals. However there should also be many opportunities where these objectives can be aligned.

4.2 Operating Principles & Governance Arrangements

In order to manage the portfolio effectively it is important to have a set of explicit operating principles which include a clear rationale for holding each asset and an understanding of the expectations, (financial or otherwise) for managing it. To do this the Council has a set of basic operating principles as shown in Appendix B and a simple framework for assessing the portfolio in terms of acquisition, performance and disposal.

In practice this will mean making judgements around the acquisition and disposal of assets, the portfolio structure, portfolio mix, holding period for individual assets and the performance of the portfolio. A framework for assessing individual assets and the portfolio as a whole is given in Appendix C.

Acquisitions & Disposals – The management of the portfolio will from time to time require the acquisition and disposal of individual assets. These must be undertaken in accordance with the Council's financial procedures, but will need to be expedited to take advantage of investment opportunities.

Development – the Council will seek to invest in developing commercial property assets or land which is already within their ownership either using internal resource or in partnership with existing suppliers, subject to a robust business case.

Portfolio Structure – the Council will seek to create a balanced investment portfolio that provides long term rental returns and capital growth. A core portfolio of property assets will be sought with a view to diversification in individual assets by sector (industrial, offices and retail), location and risk.

- Portfolio Mix – the Council will take an opportunity led approach to investments but seek to maintain a balance between different assets types (office, industrial and retail assets) with a guideline approach of maximum of 50% of any type. Given that the portfolio is relatively small and a single transaction can adjust the balance significantly this is only seen as an initial guideline. The Council will seek to avoid investing in specialist asset types (such as hotel & leisure) or distressed property requiring extensive capital expenditure which would necessitate a higher risk investment strategy.

- Holding Period – The Council will determine a 'holding period' for each property at the point of acquisition. This is so that provisions can be made where a property is likely to need refurbishment in the future and to ensure a formal periodic review of the rationale for holding individual assets.

- Measuring Performance – Individual assets and the whole portfolio will need to be subject to periodic performance assessment.

A set of clear, simple governance arrangements will be required which will allow speedy intervention in the market whilst also ensuring consistency with financial regulations and robust business case appraisal. An outline of these is given in Appendix E.

4.3 Day to Day Portfolio Management

Effective day to day management of the portfolio is critical to its overall performance. This management needs to happen at both a strategic and operational level.

The key activities include:

At a strategic level:

- Annual refresh of strategy and measurement of performance.
- Effective financial management including rent collection.
- Effective void management and marketing.
- Identifying new investment opportunities.
- Minimise management costs associated with direct ownership.
- Ensure there is a regime of planned maintenance and statutory compliance where PCC manage.

At a property level:

- Preparation of strategies for individual properties.
- Identifying opportunities to add value for example by refurbishing premises or regearing leases.
- Identifying 'marriage value' arising from acquisition of adjoining properties.
- Identifying properties for disposal where performance prospects are poor.
- Ensuring premises are secure and safe and are regularly inspected.

4.4 Acquisition, Review & Disposal Criteria

Appendix C identifies a range of criteria that will be used in the acquisition of properties. The same criteria for selecting acquisitions can also be used for asset review. All assets will be reviewed on a periodic basis to ensure that the criteria in Appendix C are still met and in light of any wider portfolio considerations. It is recommended that a 'holding period' is identified for assets when first acquired which should act as a guide for subsequent disposal. Such an approach allows for the portfolio to be refreshed on a regular basis and promotes a long term perspective for portfolio management. Individual assets identified for disposal will follow the same governance procedures.

4.5 Performance Management

The performance indicators for the portfolio should be based on industry benchmark standards. These should be measured at an individual property and whole portfolio level with indicative targets set for each. A simple set of initial performance measures are presented in Appendix F. This is an evolving framework which will be need to be developed as the portfolio grows, especially given the changing regulatory and best practice environment identified in Section 2.2.

The return on investment (or property yield) is perhaps the single most important performance indicator and this should be judged against IPD (Investment Property Database) which is generally considered to be the most authoritative benchmarking index. Property should be considered as a long term investment and whilst its value can fluctuate in the short term due to specific circumstances, it will tend to provide stable long term returns. A degree of judgement will need to be used in evaluating the portfolio performance which will need to take into consideration the long term perspective.

5.0 Implementation

5.1 Action Plan

The lead officers with accountability for managing the investment portfolio will be the Head of Growth and Regeneration and the Corporate Director of Resources.

Governance: as detailed in Appendix E, the Corporate Property Officer will have delegated authority to approve investments up to a level of £20 million. For opportunities which are in excess of £20m a Cabinet Member Decision Notice would need to be completed.

5.2 Implementation Considerations

Effective and successful management of an investment portfolio requires a combination of skills including, but not restricted to building surveying, valuation, market intelligence, legal, financial and property management. It will also require specific senior officers to be accountable and appropriate capacity to ensure there is adequate focus on the portfolio.

5.3 Monitoring Arrangements

It is important to measure the overall progress in the management of the investment portfolio. Whilst property will be held for the medium to long term, there needs to be monitoring over shorter timescales to measure performance and the impact of any actions, such as building improvements. The portfolio will be kept under review by:-

PCC head of property and financial director. NPS Property Consultants are to advise and seek agreement to decisions on specific actions (e.g. acquisitions or disposals).

An annual report on performance of the portfolio, with the report based on a set of performance indicators as suggested in Appendix E.

Formal review of each asset holding at least every two years using the acquisition and review criteria set out in Appendix C.

Informal leader briefings by the joint venture property team as required.

Appendix A – Summary of Risks and PCC Approach to Mitigation

Risk	PCC Approach to Mitigation
Costs - Abortive costs, including legal costs, survey fees, officer time, may all be incurred in abortive transactions including costs for initial feasibility investigations.	PCC will adopt a ‘whole portfolio’ view of costs and accept risk associated with occasional abortive costs whilst also undertaking due diligence to reduce the likelihood of these.
Market forces - Fluctuation in demand and supply and in the wider economy may see the value of assets and income rise and fall, with a risk that the Council may not recoup the original amount invested in full.	To limit this risk due diligence will be followed for all transactions. PCC will adopt a ‘whole portfolio’ and medium term (10 year +) view of its investment to mitigate the potential losses from one individual investment asset.
Competition – Where the local market is very strong (for example Cambridge), there will be increased competitive activity for limited supply of high quality investment property. This means that the Council are likely to be one of several bidders for available assets.	PCC will adopt procedures which will allow them to compete in the market but with appropriate governance procedures covering the necessary delegated authority and decision making.
Liquidity - The process of buying and selling investment property is fairly lengthy (e.g. an investment disposal will usually take between 3 to 6 months from heads of terms to completion), making it a more illiquid than other asset classes such as equities or bonds.	PCC will manage the portfolio by adopting the Institute of Public Finance (IPF)’s best practice advice contained in "Readiness for sale - A guide for streamlining commercial property transactions". Furthermore PCC will identify a recommended ‘holding period’ for each investment which will be aligned with the strategic aim of long term income.
Opportunity - The availability of property stock for investment in the Council’s administrative area may be limited. As the Council seeks to grow the portfolio it may at times be frustrated by a lack of opportunity.	To counter this PCC will seek out as many appropriate opportunities as possible, build relationships and communicate to the market the Council's requirement and ability to perform.

Management - The portfolio may have the risk of void periods or tenants may default on rent payment. Voids create holding and re-letting costs; if they persist for prolonged periods these costs can be significant.	Active portfolio management will be undertaken by PCC during the holding period to anticipate and reduce such risks where possible.
Capacity & Expertise - Management of an investment portfolio requires specific skills, expertise and capacity. Direct ownership and direct management means this can be resource intensive. As the portfolio grows, so the management burden will grow.	This specific issue along with knowledge of the local market opportunities will be critical. PCC will identify a 'lead officer' with appropriate expertise to provide a focus on the investment portfolio.
Reputation - How the Council acts to intervene in the market and deals with day to day management of its properties and tenants will have an impact on the Council's overall reputation.	PCC will seek to adhere to 'best practice' in all its transactions and ensure effective regular liaison with tenants. Reviews of individual assets and the portfolio as a whole will identify any works required to protect or enhance the fabric of buildings which may be needed in order to re-let a void property.
Regulatory Compliance - The Council should ensure it operates within the applicable regulatory framework and regularly takes steps to review that framework.	PCC will act in accordance with appropriate statutes and in line with current financial regulations and 'best practice' including the Chartered Institute of Public Finance and Accounting (CIPFA) Prudential Code, CIPFA's treasury management guidance for local authority funds and the Department for Communities and Local Government (DCLG) statutory guidance on local authority investment.

Appendix B – Summary of Aims, Objectives & Operating Principles

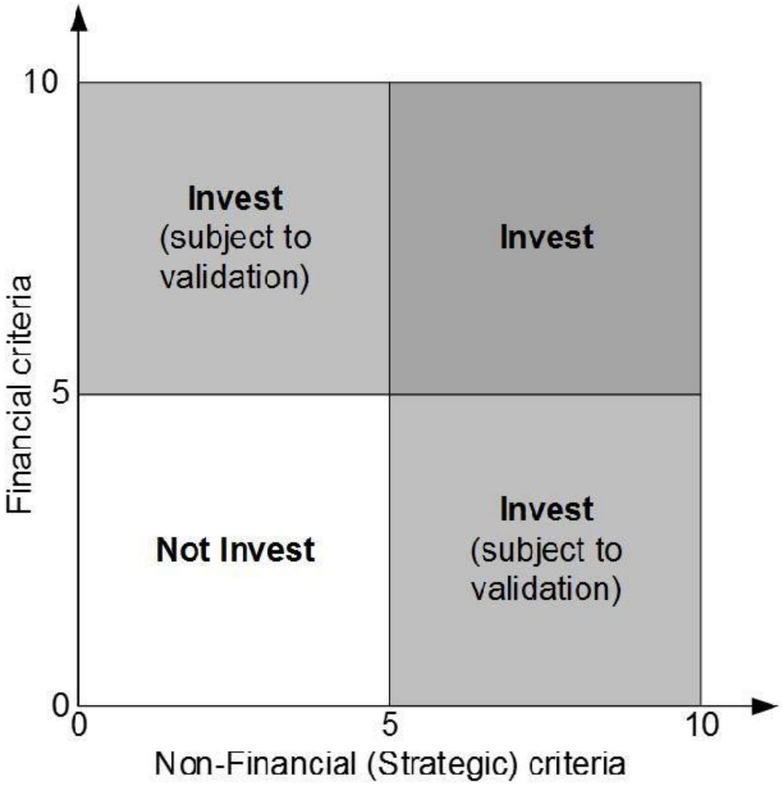
Aim To acquire and manage investment property (the investment portfolio) in order to support the Council's revenue budget and its priority in ensuring the economic prosperity and well-being of Peterborough.
Objectives To acquire property that can provide long term income and capital growth. To maximise returns whilst minimising risk through sound property selection and effective governance. To prioritise investment towards property that can provide strong stable long term income. To maintain and enhance the condition of property to ensure long term income strength and income growth.
Operating Principles The Council will retain direct ownership of all its investment property assets. The Council will undertake the management of the investment portfolio in-house (as a landlord) or with established suppliers / joint ventures. The geographical operating scope of the portfolio will be restricted to Peterborough City Council's administrative area and its immediate surroundings. The council will seek to retain a 'balanced' portfolio through its mix of asset types and lease lengths with emphasis on industrial, office and retail uses. To minimise management and risk, preference will be for single occupancy investments although multi-let properties may be considered. Preference will be for full repairing and insuring (FRI) terms or FRI by way of service charge, meaning that all costs relating to occupation and repairs are borne by the tenant(s) during the lease term. There will be an annual portfolio review with an executive summary report to the Audit Committee which will examine the portfolio's performance and allow for strategic decision making.

Appendix C - Acquisition & Review Criteria for Investment Assets

Criteria	Scoring 1 Poor	 2 Marginal	 3 Acceptable	 4 Good	 5 Very good	Score
Location	Tertiary	Micro Secondary	Major Secondary	Micro Prime	Major Prime	1-5
Tenancy Strength	Tenants with unstable or poor financial covenant	Multiple tenants with good financial covenant	Multiple tenants with strong financial covenant	Single tenant with good financial covenant	Single Tenant with strong financial covenant	1-5
Tenure	Lease less than 20 years	Lease between 20 & 50 years	Lease between 50 & 125 years	Lease 125 years with option to buy freehold	Freehold	1-5
Lease Length	Less than 2 years or vacant	Between 2 & 4 years	Between 4 & 7 years	Between 7 & 10 years	Greater than 10 years	1-5
Repairing Terms	Landlord	Internal repairing – non recoverable	Internal repairing – partially recoverable	Internal repairing – 100% recoverable	Full repairing & insuring	1-5
Physical Condition	In a poor state of repair with significant liabilities	In a poor condition with some repairs required	In a reasonable condition with limited repairs required	In a good condition with only limited repair issues	Fit for purpose, well maintained with no outstanding repairs	1-5
Note: This is an initial framework which will be updated and refined in use. The exact criteria and scoring approach is subject to review					**Maximum Score**	**30**

Appendix D – Initial Investment Appraisal 'Scorecard'

Financial Criteria	Strategic Criteria
Does the net yield exceed PCC agreed target?	Does the investment support local community vibrancy?
Is the location classified as major prime, micro prime or major secondary?	Will the investment support local job creation or retention?
Is the property freehold or have a lease in excess of 150 years?	Will it facilitate strategic site assembly / increase scope for intervention?
Is the lease an 'operating lease' so all income can be treated as revenue?	Will it support improvement in infrastructure?
Can it be let on full repair & insuring terms or with 100% recovery of internal repairs?	Will it support local place shaping in line with PCC objectives?
Is the occupier's lease length greater than 5 years?	Does it support equity of prosperity & opportunity across Peterborough?
Is there a single tenant with good or strong covenant?	Does it support anti-poverty or deprivation policies?
Does the location reflect good potential for rental growth & high letting prospects	Will it support education, skills or apprenticeship policies?
Does the asset improve the balance of the PCC portfolio (risk management)?	Is it in a specific priority area for regeneration or growth?
Does the asset have good market exit (sales) prospects?	Does it contribute to better balance within and between 'places'?



Appendix E – Governance Arrangements

The Council will acquire assets where it can demonstrate:

An investment return can be generated
Value can be added to existing assets held by the Council
There is a strategic benefit from acquiring the assets.
A contribution to the maintenance of a balanced commercial property portfolio.

All acquisitions will be assessed through a robust business case and with particular reference to the cost, benefit, impact and risk of the property. How it relates to the Council's corporate objectives and its assessment against the acquisition and review framework (See Appendix C) will also be key. In all cases an independent valuation will be obtained by a member of the Royal Institution of Chartered Surveyors to ensure that the transaction represents market value.

Acquisitions and disposals relating to the commercial portfolio, whilst needing to be consistent with the Council's financial strategy, will need to be completed quickly. This is even more likely to be in the case of acquisition, as securing a good investment will require the ability to respond and act quickly to secure it ahead of the competition.

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, they will need to be supported by a financial appraisal setting out all the financial and budgetary implications. Under the Council's practice of delegated authority nominated senior officers along with the Corporate Property Officer can approve acquisitions or disposals subject to a maximum value of £20M. Acquisitions over this value will be identified as 'key decisions' and included in the Council's standard processes around key decisions.

Appendix F – Performance Measures

Indicator	Target	Actual
Rate of Return	5% - 8%	
Revenue Growth (over 5 years)	To be defined	
Capital Growth (over 5 years)	To be defined	
Management & Ownership Costs (as a % of gross income)	To be defined	
Average portfolio score under 'Acquisition & Review Criteria'	20+	

Below is a list of further possible performance indicators that could be used to measure the performance of the portfolio.

Debt to net service expenditure (NSE) ratio	*Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.*
Commercial income to NSE ratio	*Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.*
Investment cover ratio	*The total net income from property investments, compared to the interest expense.*
Loan to value ratio	*The amount of debt compared to the total asset value.*
Target income returns	*Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.*
Benchmarking of returns	*As a measure against other investments and against other council's property portfolios.*
Gross and net income	*The income received from the investment portfolio at a gross level and net level (less costs) over time.*
Operating costs	*The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.*
Vacancy levels and Tenant exposures for nonfinancial investments	*Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.*

References

Local Government Act 2003

Localism Act 2011

CIPFA Prudential Code for Capital Finance In Local Authorities

CIPFA Treasury Management in Public Services Code of Practice

DCLG Statutory Guidance on Local Authority Investment (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003

House of Commons Briefing Paper 16 February 2018; Commercial Property Investment

CIPFA Statement on borrowing to invest by Rob Whiteman and Richard Paver 18 October 2018

Appendix O- Budget Consultation Feedback

1.1. This document contains:
- A list of consultation responses received to date via the online survey.
- Feedback received from the stakeholder groups which have been directly consulted with.

1.2. The following section details the six online survey responses received:

No	Do you have any comments to make about the tranche three budget proposals?	Having read the tranche three proposals document, how much do you now feel you understand about why the council must make savings of over £8.2million in 2019/20 and almost £20million by 2021/22? Tick the answer you agree with.	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
1	ICT spend is ridiculous. Why pay monthly fees for office 365, instead look at one off license costs instead to save money. I thought the council were moving to a Google based system which would be much cheaper than 365 which was only a few years ago, this was to reduce fee. A lot of money has been wasted.	A fair amount	Don't pay monthly licenses for office 365. The council shouldn't be buying licenses outright which whilst has a larger sum will be cheaper over a number of years.
2		Not very much	Scrap the Metro Mayor position. This would save his salary and the large sums given away by him which to seems be unaccountable. This is tax payer money and we should know how our money is being used.
3	Think the new three prong approach to managing your budget is a great idea. Also great that your sharing with the residents	A fair amount	Freeze pay for the top four levels of staff. Even if just for this year. Normal people are astounded by what you pay them, so a short freeze will show the residents you understand
4	When is the Council going to stop providing certain services?	A great deal	The council close its offices one day a week and employees work agilely

No	Do you have any comments to make about the tranche three budget proposals?	Having read the tranche three proposals document, how much do you now feel you understand about why the council must make savings of over £8.2million in 2019/20 and almost £20million by 2021/22? Tick the answer you agree with.	If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:
5	There is nothing left to cut, Vivacity who run leisure/Arts are majority volunteer staffed. Larger budget areas are ring fenced. As society we must protect the vulnerable including the elderly. Modern Society is judged on how they treat the elder generation.	A fair amount	Freeze councillors allowances, end free parking perks for council staff. More volunteer teams?
6	The Prime Minister has been quoted publicly as stating that austerity is over. Why are Peterborough setting an austerity budget?	A fair amount	Generate income by charging workplace car park charges, especially for those workers who live outside Peterborough. Ensure road repairs and maintenance is conducted by those utility companies who wreck our roads by not repairin* them to the correct standards.

Appendix P- NNDR Retail relief discount 2019/20 and 2020/21

Which properties will benefit from relief?

1 Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

2 We consider shops, restaurants, cafes and drinking establishments to mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

− Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
− Charity shops
− Opticians
− Post offices
− Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
− Car/ caravan show rooms
− Second hand car lots
− Markets
− Petrol stations
− Garden centres
− Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

− Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)
− Shoe repairs/ key cutting
− Travel agents
− Ticket offices e.g. for theatre
− Dry cleaners
− Launderettes
− PC/ TV/ domestic appliance repair
− Funeral directors
− Photo processing
− Tool hire
− Car hire

iii. Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:

− Restaurants
− Takeaways
− Sandwich shops
− Coffee shops
− Pubs
− Bars

3 To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

4 The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be a guide for authorities as to the types of uses that Government considers for this purpose to be retail. Authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

5 The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of this relief. Again, it is for local authorities to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under their local scheme.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

− Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
− Other services (e.g. estate agents, letting agents, employment agencies)
− Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
− Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
− Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

− Generally speaking, the government also does not consider other assembly or leisure uses beyond those listed at paragraph 11 to be retail uses for the purpose of the discount. For example, cinemas, theatres and museums are outside the scope of the scheme, as are nightclubs and music venues which are not similar in nature to the hereditaments described at paragraph 11(iii) above. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount. Where there is doubt, the local authority should exercise their discretion with reference to the above and knowledge of their local tax base.

How much relief will be available?

6 The total amount of government-funded relief available for each property for 2019-20 and 2020/21 under this scheme is one third of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants. There is no relief available under this scheme for properties with a rateable value of £51,000 or more. Of course, councils may use their discretionary powers to offer further discounts outside this scheme. However, where an authority applies a locally funded relief, sometimes referred to as a hardship fund, under section 47 this must be applied after the Retail Discount.

7 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for particular hereditament in the financial year 2019-20:

Amount of relief to be granted =

V/3 where

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants.

8 This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.

9 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid De Minimis limits.

Appendix Q- NNDR Local Discretionary Relief Scheme for 2019/20 and 2020/21

- The scheme is to specifically provide rate relief to mitigate the impact of the 2017 revaluation.
- The scheme will apply for the financial year 2019/20 and 2020/21.
- The relief will apply to properties with a rateable value (2017 List) of less than £51,000.
- The relief will be applied and calculated based on the net increase between 2016/17 based on the rates payable on 31st March 2017 and the 2019/20 rates. All relevant reliefs will be taken into account in the calculation.
- The property must have been occupied on 31st March 2017 and any part year occupations will be annualised for the purposes of the calculation.
- Empty properties will not be eligible for relief.
- Properties must have been registered on the 2017 rating list on 1st April 2017.
- New occupiers or properties after 31st March 2017 will not be eligible for relief.
- If the rateable value is subsequently reduced for any reason e.g. challenge/appeal, the relief granted under this scheme may be recalculated.
- If the rateable value is subsequently increased for any reason e.g. extension to building no further relief will be granted.
- Properties in receipt of relief through the support for small business scheme limiting the increase to £600 per annum will not be eligible.
- National and multi-national organisations and national franchises will not be eligible.
- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, amusement arcades, pawn brokers), professional and other services (e.g. solicitors, accountants, insurance agents, financial advisers, tutors, estate agents, letting agents, employment agencies) will not be eligible.
- Organisations not eligible under the councils existing discretionary relief scheme such as charity shops, academy schools etc will not be eligible.
- Local authorities, preceptors, state schools, NHS, Housing Associations and other public sector/publically funded bodies will not be eligible.
- Recipients must comply with EU law on state aid limiting total relief under the De Minimis scheme to 200,000 euros over a 3 year period.
- Ratepayers in receipt of reoccupation relief in 2016/17 and/or 2017/18 will be excluded.

Relief will be awarded in bands as set out in the table below:

Limits for 2019/20 only

Property type	**Rateable Value range**	**Increase between 2016/17 and 2019/20 (3 years) capped at:**
Small	Up to £20,000	7.5%
Medium	£20,001 to £51,000	17.5%

A minimum increase in the net rate bill and a maximum amount of relief granted will be applied to the calculation.
In cases where the result of the relevant calculation produces relief of £50 or less no relief will be granted.
Where the relief calculated exceeds £640 the relief will be limited to £640.

Limits for 2020/21 only

Property type	**Rateable Value range**	**Increase between 2016/17 and 2019/20 (4 years) capped at:**
Small	Up to £20,000	Inflation +1% Subject to application for hardship funds

A minimum increase in the net rate bill and a maximum amount of relief granted will be applied to the calculation.
In cases where the result of the relevant calculation produces relief of £50 or less no relief will be granted.
Where the relief calculated exceeds £500 the relief will be limited to £500.