CABINET	AGENDA ITEM No. 5
23 FEBRUARY 2021	PUBLIC REPORT

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

MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2023/24 - PHASE TWO

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Finance	**Deadline date: 12 February 2021**

It is recommended that Cabinet recommends to Council for approval:

1. The Phase Two service proposals as outlined in Appendix B
2. The updated budget assumptions, to be incorporated within the Medium-Term Financial Strategy 2020/21 – 2022/23. These are outlined in sections 5.
3. The revised capital programme outlined in section 5 and referencing Appendix G.
4. The Medium-Term Financial Strategy 2021/22 to 2023/24 - Phase Two, as set out in the body of the report and the following appendices:

- Appendix A – 2021/22-2023/24 MTFS Detailed Budget Position Phase Two
- Appendix B – Budget Proposal Detail
- Appendix C – Phase One and Phase Two Budget Proposal Summary
- Appendix D – Grant Register
- Appendix E – Council Tax Information
- Appendix F – Fees and Charges
- Appendix G – Capital Programme Schemes 2021/22-2023/24
- Appendix H – Financial Risk Register
- Appendix I – Carbon Impact Assessments
- Appendix J – Treasury Management Strategy
- Appendix K – Capital Strategy
- Appendix L – Asset Management Plan

It is recommended that Cabinet notes:

5. All the grant figures following the Local Government Final Finance Settlement, published on 10 February 2021 outlined in sections 5 and 9.
6. The strategic financial approach taken by Council outlined in section 4 of the report.
7. The statutory advice of the Chief Finance Officer outlined in section 6 - The Robustness Statement (Section 25). This is required to highlight the robustness of budget estimates and the adequacy of reserve balances.

1.0 ORIGIN OF REPORT

1.1 This report comes to Cabinet as part of the Council's formal budget setting process as set out within the constitution and as per legislative requirements to set a balanced and sustainable budget for 2021/22-2023/24.

2.0 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 make proposals and update assumptions to set a balanced budget for the financial years 2021/22 -2023/24. There is a legal requirement to set a balanced budget for 2021/22. The purpose of this report is to:

1. Recommend that Cabinet approve the Phase Two budget proposals
2. 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
3. Outline the financial impact of C-19 and other financial challenges facing the Council, in setting a balanced budget for the MTFS 2021/22-2023/24
4. Outline the strategic approach and actions taken by the Council to deliver a balanced budget in 2021/22

Proposals agreed by Cabinet at this meeting on 23 February 2021, will be recommended to Council on 03 March 2021 for approval.

This report is submitted for Cabinet to consider under its Terms of Reference No. 3.2.1, "To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to delivery excellent services."

2.2 **Executive Summary**

At Council held on 9 December 2020, MTFS 2021/22-2023/24 Phase One was approved, outlining a revised budget gap of £35.7m in 2021/22, rising to £38.6m at the end of 2023/24. This required the Council to make further savings in order to set a legally balanced budget in 2021/22 and future years.

The Council has been operating in challenging financial circumstances for several years and unless immediate action was taken to reduce the costs of its operations markedly in the medium term, expenditure was estimated to exceed income with extremely limited recourse to reserves.

The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserves balances. Despite all of this the Council has continued to perform well, providing vital services to its 202,000 residents, whilst at the same time managing demand and keeping expenditure low. It is because of this that the C-19 pandemic has had such a pervasive impact on the Council's finances.

Since the 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial challenges and since the summer of 2019 have implemented an enhanced series of expenditure controls.

The Council undertook an intensive six-week period of investigative and service review work in the early months of 2020, more than a year in advance of when the budget requires approval to close the 2021/22 £14.2m deficit. At the commencement of lockdown £11.9m of savings opportunities had been identified with full validation process and more detailed business case development to be undertaken. As a direct result of responding the C-19 pandemic these opportunities were impaired to £3.6m.

As a direct result of the C-19 pandemic response and recovery in 2020/21 the Council is reporting an additional £42.3m of pressure. These pressures are largely being covered by government funding, but it is expected there will be long term impacts for which future longer-term funding is unknown. As a result of forecasting the longer-term impact of C-19 the Council has factored in pressures such as the rising costs of Adult Social Care, Local Tax loss and the non-delivery of current MTFS saving plans. As the C-19 pandemic has progressed, and after conducting a further review, an additional £1.8m of pressure has been included in Phase Two of the MTFS.

The Council has continued to review its budget assumptions and identify saving opportunities, which has enabled it to reduce the budget gap by £11.1m. This included a thorough review of the Council Tax and NNDR income base assumptions, a review of the cost of borrowing and debt redemption using capital receipts. The Local Government Final Settlement has confirmed a further £12.7m of funding in 2021/22, of which £8.9m is one-off. This has provided the Council with some short-term security to meet the pressures from C-19 and the rising costs of Adult Social Care. After applying these adjustments to the budget, the Council's budget gap in 2021/22 has been reduced to £13.7m. The Local Government Finance Settlement is for one year. It is expected, as set out in section 9.3, that the fairer funding review will take place in 2022/23.

In October 2020 the Council approached Ministry of Housing Communities and Local Government (MHCLG) to enable the further exploration of alternatives to issuing a S114 notice. The Council has been engaged in regular discussions with MHCLG in respect of the Council's finances and has now received approval for a Capitalisation direction of up to £4.8m in 2020/21 and approval in principle a Capitalisation Direction of up to £20.0m in 2021/21. This exceptional support has enabled the Council to propose a balanced budget for 2021/22. The Council will continue to work closely with MHCLG over the coming months to develop a delivery model to secure financial sustainability and provide assurance to satisfy the conditions attached to the exceptional support to secure final approval by the Secretary of State.

In summary, to set a legal balanced budget the Council is reliant on the receipt of exceptional support from Government. A confirmation has been received that this exceptional support is to be conditionally provided in the form of a Capitalisation Direction which will enable the Council to borrow monies to fund revenue expenditure. Approval of this strategy is recommended due to the underlying structural deficit now inherent in the Council's funding envelope that in turn means alternative options to fund the budget gap to the value presented are absent. **The Council has no recourse to alternative options. Without receipt of the exceptional support, the Council is not able to set a legal budget which is the requirement of Full Council.**

The proposed changes in 2021/22, from Phase One MTFS to Phase Two MTFS, are summarised in Chart 1 below, with further detail shown in Table 1 and 7 to this report.

Chart 1: Budget Summary Position 2021/22

Existing budget gap from phase one £35.7m + pressures £1.8m - additional funding & revised estimates £23.8m and £13.7m Exceptional Support (assumed Capitalisation Direction) = balanced budget

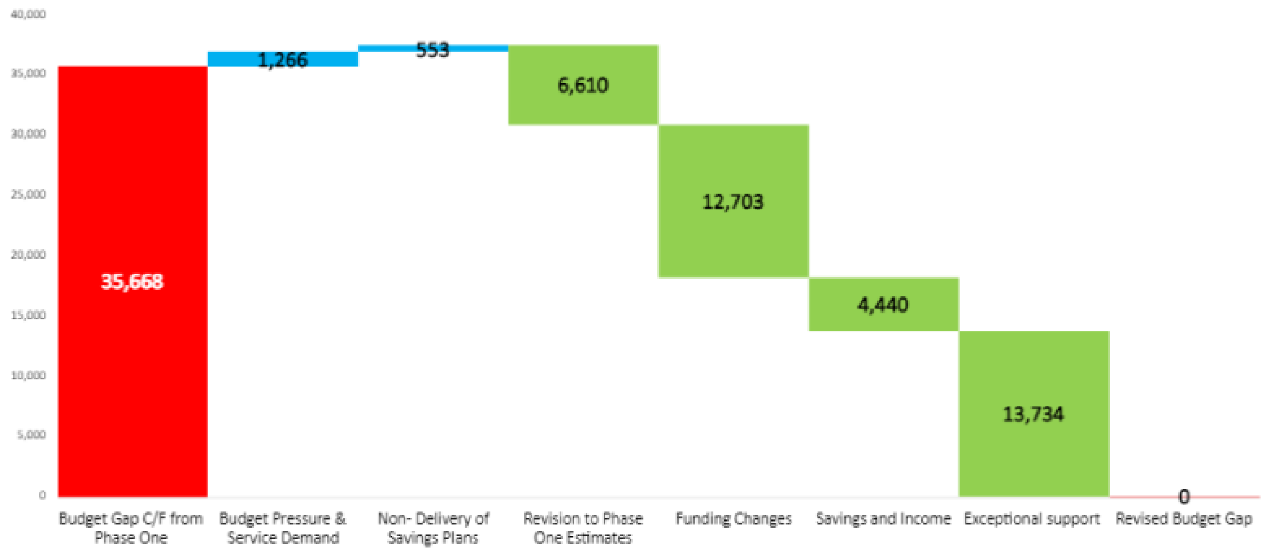


Table 1 summarises the overall budget position for both Phases One and Two, starting with the opening budget gap of £14.2m, identified within the 2020/21 MTFS. Although the Council has been able to propose a balanced budget in 2021/22, with support from MHCLG, the scale of the financial challenge in future years remains significant with budget gaps of £26.8m in 2022/23 and £28.9m in 2023/24. The Council will continue to work closely with MHCLG to secure financial sustainability for the future to ensure that the provision of vital services continues.

Table 1: Budget Position Summary - 2021/22-2023/24 (Phases One & Two combined)

Budget Position Summary - 2021/22-2023/24	**2021/22**	**2022/23**	**2023/24**
	£000	**£000**	**£000**
Budget Gap from 2020/21 MTFS	**14,245**	**14,808**	**14,609**
Budget Pressure & Service Demand	13,595	16,042	18,562
Non- Delivery of Savings Plans	5,731	5,731	5,731
Collection Fund Losses: Council Tax & NNDR	938	1,247	1,247
Revised Budget Gap	**34,509**	**37,828**	**40,149**
Funding Changes	(13,676)	(5,050)	(6,433)
Savings and Income	(7,099)	(5,985)	(4,806)
Exceptional support from MHCLG (assumed Capitalisation Direction)	(13,734)	0	0
Budget Gap	**0**	**26,793**	**28,910**

The Council's financial position is covered in more detail in section 5.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	**YES**	If yes, date for Cabinet meeting	**23 FEBRUARY 2021**
Date for relevant Council meeting	**03 MARCH 2021**	Date for submission to Government Dept.	**N/A**

The budget setting process and timetable (Item 9a, Cabinet Report, Appendix A) was agreed at the full council meeting held on 29 July 2020. This process is to aid the delivery of a three-year Revenue Budget and Capital Programme for the Council.

Table 2 sets out the revised budget timetable. There will be no public consultation for phase two of the MTFS, due to the nature of the proposals included.

Table 2: Budget Timetable

Meeting	Date
Joint Scrutiny	22/02/2021
Cabinet	23/02/2021
Council	03/03/2021

4.0 STRATEGIC FINANCIAL APPROACH

The Council has been operating within a challenging financial environment following years of austerity measures, low funding, and rising demand for Council services. Over the last two years, the Council has been working with external bodies including the Local Government Association, its auditors, the Ministry of Housing Communities and Local Government (MHCLG) and external financial specialists to develop and deliver a sustainable financial strategy.

4.1 Financial Operating Context

To date the Council has been successfully set a balanced budget, by being proactive in applying a range of financial measures available, including:

- continued development of initiative solutions to service delivery leading to savings and budget cuts
- proactively managing additional demand and increase pressures in the cost of service brought about from contract inflation and national pay awards
- thoroughly reviewing the Council Tax base, the Business Rates base and provisions, and contracting an external review of the Local Council Tax Support Scheme
- being an active key member championing the setting up of the business rates pool with other Cambridgeshire local authorities to reduce the levy for participating members
- actively managing its asset base to secure efficiencies within its built environment and realise capital receipts
- a detailed and comprehensive review of its minimum revenue provision (MRP).

However, despite the above actions and alongside a national rise in demand for services and the financial pressure on Local Government, the Council continually experienced a set of additional financial challenges which created over time a structural deficit.

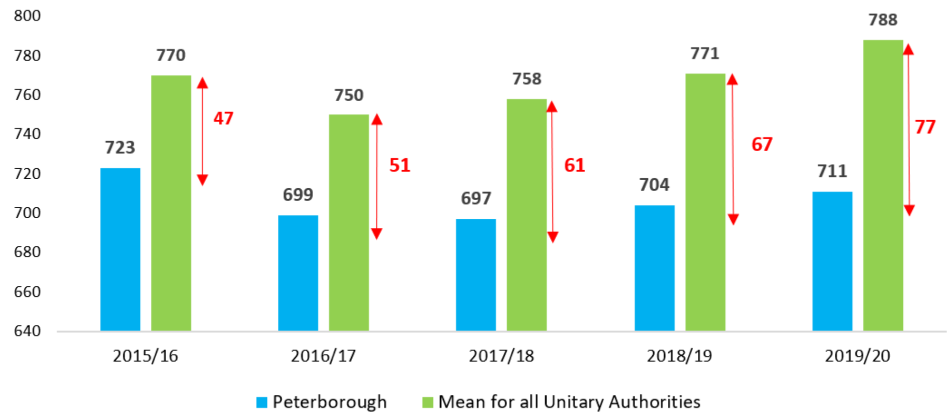
Structural Deficit =

- **Low Council Tax Base,** restricting the Councils ability to raise income from local taxes.
- **Fast growing population teamed with an increase in demand for services** and the complexity of care and support required (this is outlined in more detail in the MTFS Phase One Report)
- Already providing **services at a low unit cost,** demonstrating that the Council already delivers efficiency and value for money services, as outlined further in this section.
- **Low government funding** in comparison to service need and the population of Peterborough. The Council's funding position is outlined in within this section and further in section 5.3.
- **Low resilience, with low levels of usable reserves** forecast by the end of the financial year, as outlined in section 6 the robustness statement.

Low Expenditure | Low Resources | Low Resilience

Core Spending Power (CSP) per head of population is shown in Chart 2. CSP is a measure of total council revenue funding from all sources, with the exception of ringfenced grants and often contains assumptions on funding Councils may or may not approve. In 2019/20 the Council had a CSP of £144m, £34m less than the average unitary authority.

Chart 2: Core spend power per head of population – 2019/20



The Council's CSP per head, £711, compares to the average across other unitary authorities £788, a notably greater ratio. The chart illustrates how that difference has increased over the five-year period, from £47 rising to £77 per head by 2019/20.

As the funding gap has widened, service demand pressures have increased, and one-off funding opportunities have declined, the challenge facing the Council in future years is now much greater to resolve through new saving and efficiency proposals alone. The future years budget gaps are estimated to be £26.7m in 2022/23 rising to £28.9m in 2023/24. These gaps represent the Council's revised **structural deficit.**

4.2 **Structural Deficit**

Over the years a structural deficit has developed as the difference between the resource envelope (funding) and the cost of providing services has increased. In the absence of additional funding and restricted ability to raise local taxes the Council has applied other funding solutions. Table 3 shows the use of reserves and non-repeatable savings to balance the budget. This was the financial strategy adopted in order for the Council to take a strategic and measured approach to transformational change which led to service efficiencies and resultant savings. This strategy helped to minimise the impact on services and customers over time, whilst creating time to deliver a sustainable financial future.

Table 3: One Off Strategic Funding Solutions

	<<Previous Years>>			Current Year	<<Future MTFS years >>		
One Off Strategic Funding Solutions	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Re-deeming Debt with Capital Receipts	12,738	2,922	10,639	3,930	2,433	2,603	233
Planned use of Reserves	7,194	4,231	3,084	1,510			
Council Tax Collection Fund Surplus	173	1,188	201	662			
MRP Re-provision		3,700					
Business Rates Pool & Provision Release				3,231			
Capitalisation direction				1,217	13,734		
One Off Funding					8,944		
Total	**20,105**	**12,041**	**13,924**	**10,550**	**25,111**	**2,603**	**233**
In year use of Capitalisation Direction*			5,564	3,623			
In year use of Reserves		2,119					
In year increased use of Capital Receipts		3,298	235				
Total	**20,105**	**17,458**	**19,723**	**14,173**	**25,111**	**2,603**	**233**

4.3 **Proactive Management, Expenditure Controls, External Expert Review and Verification**

For many years the Council has taken decisive action to manage its finances. Set out below are examples of how the Council's approach has developed and strengthened to meet its current financial challenges:

- ✓ It has transformed its Children's and Adult Social Care Services, by the using prevention and early intervention strategies e.g. Family Safeguarding and Adult Positive Challenge Programme. These programmes have seen a continuation of lower levels of expenditure and good outcomes in comparison to the Council's statistical neighbours.
- ✓ It has worked with health and care partners to reduce costs, increase efficiencies and increased purchasing power through joint commissioning and delivery opportunities.
- ✓ It has transformed its Housing Needs service to reduce homelessness within the City.
- ✓ It has generated over £77.5m of external income (non-Government grant or tax), equating to almost 20% of the Council's gross income.
- ✓ It has actively managed several key contracts and worked closely with partners to deliver Council services.
- ✓ It has worked to maximise the use of its assets.
- ✓ It has regularly reviewed its capital programme and associated project management of scheme delivery.
- ✓ It has applied technology and ICT solutions to streamline the Council's processes and increase automation.
- ✓ It has reviewed its workforce and successfully implemented agile working across its organisation.
- ✓ Used external benchmarking to shine a light on areas of high spend and take action where that level of spend needed to be addressed.

By the 2019/20 financial year it was increasingly clear that the development and delivery of savings plans was consistently outstripped by the funding deficit and that a new operating model for the Council was required in order for it to become financially sustainable.

The summer of 2019 saw the Council implement a series of financial management controls designed to reduce the forecast in year overspend and ensure that only essential expenditure was being incurred. Enhanced scrutiny controls of all expenditure were introduced and due to their importance and success continue to be operation. These controls include:

- A panel to review all recruitment and agency requests meeting on a weekly basis, chaired by the Chief Executive
- Business case requirement for all expenditure in excess of £10k - Service based Heads of Finance providing additional scrutiny and challenge to these with regular review from the Chief Finance Officer
- Enhanced controls for general expenditure, with all expenditure over £1k requiring Chief Finance Officer approval
- Implementation of the review of the effectiveness and operation of financial and human resource controls across the organisation
- Departmental Management Teams, together with the CMT, review the budget position monthly and take appropriate action, including plans to address budget issues, all reported in monthly Budgetary Control Reports taken to Cabinet and in turn Council
- Enhanced budget governance, with dedicated Boards overseeing the delivery of the budget setting process, and monitoring of savings delivery

Since the winter of 2018 the Council has also subjected its financial strategy and approach to financial sustainability to external rigorous challenge from the following sources:

- Local Government Association (LGA) peer review and challenge
- Grant Thornton
- Specialist housing advice
- Specialist HR advice
- Specialist strategic financial advice (as recommended by the LGA)
- MHCLG appointed local government finance specialist

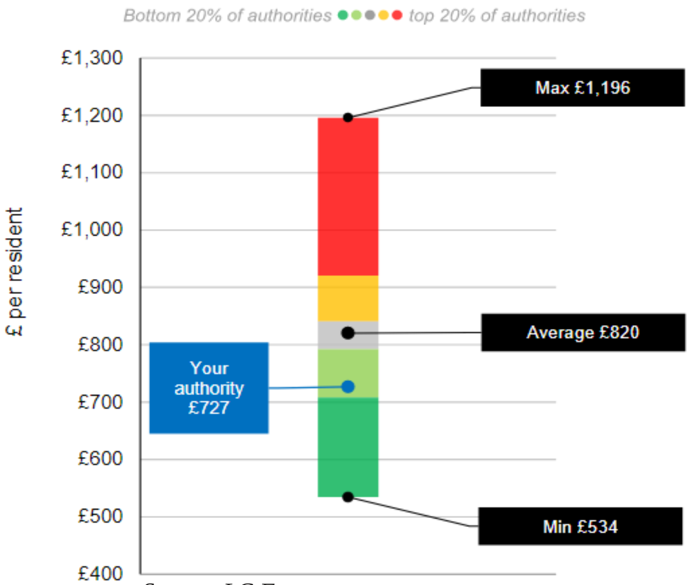
In December 2018 the LGA provided two experienced peers to review the Council's finances and associated service delivery. The result of that work was reported to Joint Meeting of Scrutiny Committees and actions were incorporated in the Council's Financial Improvement Programme.

The Council's Financial Improvement Programme (FIP) in 2019 was supported by Grant Thornton. This programme saw Grant Thornton use their lengthy experience of working in Local Government and deployment of sector market experts to support the identification of savings opportunities, to develop robust savings initiatives (£33.5m), review these initiatives and ensure subsequent successful implementation of projects.

The Council has employed a housing specialist to assist its work on homelessness, as well as a finance specialist to assist the s151 officer in the management of strategic finance for the Council and the oversight of the in-year forecast overspend reduction plan.

The Council has been active in pursuing Value for Money and low costs by implementing savings plans and ensuring unit costs remain low. The Council maintains a strong awareness of this in comparison to other Local Authorities, and in the most recent benchmarking report it was demonstrated that the Council's unit costs, in comparison to other authorities across England, were **11.4% lower than average**, and ranked 92nd highest out of 123 comparable authorities. This chart outlines the Council's position, along with the comparative analysis contained in section 10.3, demonstrate that in almost every service the Council has some of the lowest costs in the sector.

Chart 3: Relative unit cost (England comparison) 2019/20



Source: LG Futures

In recognition of the size of the challenge to balance a budget for 2021/22 the Council undertook an intensive six-week period of investigative and service review work in the early months of 2020, more than a year in advance of when the budget requires approval. The intention was to use this work to inform the development of a new operating model and was facilitated by experts from Grant Thornton and Local Government Association. As part of this work in March 2020 the Council received approval for a Capitalisation Direction from MHCLG. At the commencement of lockdown £11.9m of savings opportunities had been identified with full validation process and more detailed business case development to be undertaken.

4.4 **New Operating Environment – Impact of the Coronavirus Pandemic on Council Finances**

On 23 March 2020 the Prime Minister announced the first national UK lockdown in order to halt the growth of the Coronavirus, to protect the NHS and ultimately save lives. Since this time the Council has experienced both societal and financial impacts of the pandemic. The pandemic immediately meant the detailed work on the £11.9m of identified saving opportunities had to be paused as resources were redeployed to deliver the national and local response. This redeployment saw the impairment of existing MTFS savings plans by £5.6m.

The chart summarises the impact of the pandemic on the current year financial position. It shows an increase in pressures of £42.3m, offset through receipt of £36.9m additional government funding to support the additional costs of the pandemic, resulting in an estimated funding gap of £5.4m in 2020/21 (as at January 2021).

Chart 4: 2020/21 C-19 Financial Position

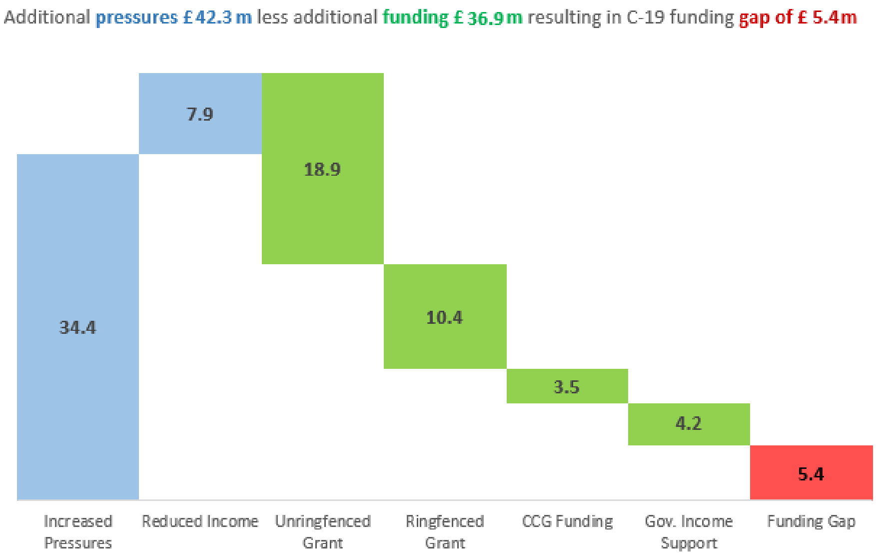


Table 4 outlines the monthly C-19 financial monitoring returns the Council has submitted to MHCLG. This illustrates the increase in pressures being faced which have been off-set partially by an increase in government funding.

Table 4: Monthly C-19 Financial Monitoring Position

Source of Pressure & Income	Apr £m	May £m	Jun £m	Jul £m	Aug £m	Sep £m	Oct £m	Nov £m	Dec £m
Direct C-19 Expenditure	7.0	10.1	19.3	23.4	22.6	26.2	25.2	26.6	29.2
Loss of Income	6.8	6.0	6.8	7.9	6.7	7.2	7.4	7.2	7.5
Non-Delivered 2020/21 Savings	4.5	4.8	4.7	6.6	5.5	5.5	5.5	5.5	5.6
Total Pressures	**18.3**	**20.9**	**30.8**	**37.9**	**34.8**	**38.9**	**38.1**	**39.3**	**42.3**
C-19 response fund & unringfenced grants	(11.0)	(11.0)	(11.0)	(13.2)	(13.1)	(13.2)	(18.8)	(18.8)	(18.9)
Additional funding & ring-fenced grants*	-	-	(5.7)	(9.9)	(9.9)	(14.7)	(14.9)	(17.4)	(18.0)
Revised Net Position	**7.3**	**9.9**	**14.1**	**14.8**	**11.8**	**11.0**	**4.4**	**3.1**	**5.4**

**includes estimated SFC Income Compensation Scheme*

The C-19 pandemic has brought new challenges to the Council's financial situation with examples of new pressures including:

- a forecast loss of £2.8m on parking revenue as a result of reduced footfall in the City centre
- an estimated Council Tax deficit of £1.2m as a result of people being unable to pay at this time, and an increase in households receiving council tax support
- an estimated Business Rates deficit of £2.7m as a result of businesses being unable to pay the rates at this time because of the impact on the business operations
- an additional £15.7m of costs as a result of providing Adult Social Care services differently during the pandemic
- an additional cost of £1.2m to provide accommodation for all rough sleepers, in order to isolate safely as directed within government national policy
- an inability to deliver £5.6m of existing MTFS savings plans that the Council expected to achieve this current financial year. This creates additional budget pressures in the current and future financial years.

The pandemic has introduced an additional layer of financial complexity to the Council's financial management, including the requirement to submit new government monthly returns on C-19 pressures and additional monitoring from new grant funded schemes. In order to ensure financial scrutiny is maintained and only essential expenditure is still undertaken, even in pandemic times, an enhanced layer of internal reporting has been implemented during 2020. This ensures all C-19 related financial implications are incurred as a result of implementing government policy, that all have the relevant financial governance approvals, and the C-19 related financial position is reported, reviewed and controlled regularly to CMT and Cabinet.

As part of the Phase One MTFS the Council was forecasting to use most of the useable reserves to fund the additional C-19 challenges forecast in the current financial year. The Council therefore, in accordance with the CIPFA modifications, contacted MHCLG in October 2020 to enable the further explorations of alternatives to issuing a s114 notice.

4.5 **Spending Review 2020 (SR20) & the Local Government Finance Settlement**

Since Phase One when the Council identified the budget gap of £35.7m, the Council has been able to reduce the budget gap to £13.7m. The SR20 and Local Government final finance settlement addressed part of the additional financial pressures experienced from the C-19 impact with further social care funding and an extension to the New Homes Bonus scheme. The announcement provided the Council with an additional £12.7m of funding in 2021/22, however over 70% of this funding is one-off in nature (£8.9m).

Factoring in the additional funding made available through SR20, and a revision to the estimates made in Phase One, a budget gap remains at £13.7m. The Council will be able to deliver a balanced budget through the exceptional support provisionally confirmed by MHCLG.

4.6 **Exceptional Support from MHCLG - Capitalisation Direction**

Further exploration by MHCLG of alternative options resulted in a review of the Council's financial position by a financial local government expert, commissioned by MHCLG. The review sought to make an assessment on the Council's:

- **Value For Money:** an assessment of affordability and a review of the Council's position including a review the existing resources the Council may be able to deploy to mitigate pressures.
- **Securing the longer-term financial sustainability of a council:** does the requested support and the authorities longer term plan seek to underpin the longer-term financial position of a Council.
- **Addressing the underlying drivers of risk or fragility:** does the requested support and the authorities longer term plan seek to address the underlying causes of pressures.
- **Eligibility:** is the authority able to demonstrate why the measures in the generalised sector wide package did not provide enough financial support.

An assessment was made as to the Council's ability to close the funding gap, via the use of reserves, de-commercialisation and sale of assets. The review found very limited scope for this and recommended it should be avoided as it would not leave the Council in a sustainable position. **The review concluded that the Council had a very strong case to be considered for 'exceptional support' from MHCLG.**

On 10 February MHCLG have announced within the Local Government Final Settlement that the Council had received approval from MHCLG for a Capitalisation Direction of up to £4.8m in 2020/21 and confirmation has been received that indicates they are minded to approve a capitalisation direction of up to £20m in 2021/22. The Capitalisation Direction enables the Council to borrow to fund revenue expenditure for that year. *(For the purposes of the MTFS the Council has assumed that the current £3.6m forecast overspend in 2020/21 will be met by the Capitalisation Direction.)*

These approvals are subject to conditions being met by the Council which include an external assurance review on the Council's financial position and development of a delivery model to achieve financial sustainability. The Council and MHCLG will work closely in order to provide the Minister with the assurance required over Spring 2021, with confirmation of the Capitalisation Direction expected in Summer 2021.

The Council has assumed within the MTFS that the £13.7m budget gap in 2021/22 will be met by the Capitalisation Direction. The MTFS includes the annual cost of borrowing £20.0m within the capital financing budget. This approach ensures the Council has covered the full cost of borrowing should the total level of capitalisation direction be drawn down during the development of a sustainable delivery model.

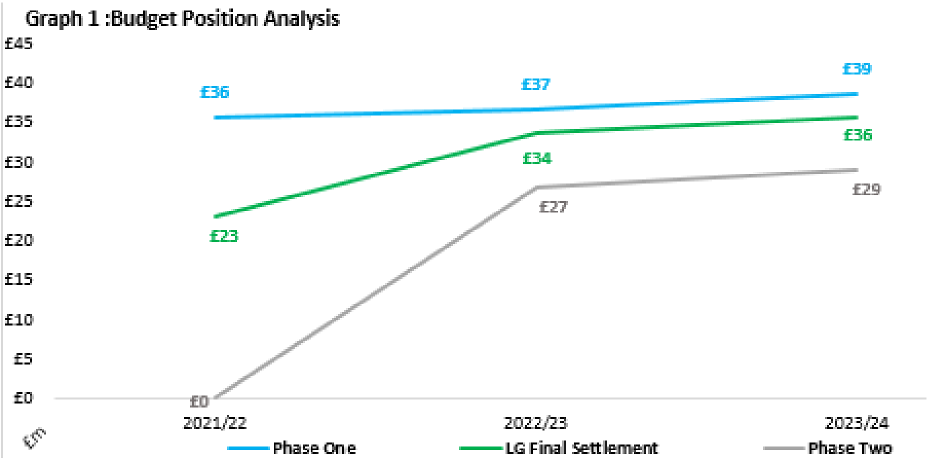
4.7 **Balanced 2021/22 Budget**

Although the Capitalisation Direction for 2021/22 has been approved in principle only, the approach to incorporate this within the budget and thus ensure a legal and balanced budget can be set, has been endorsed by CIPFA. The Capitalisation Direction protects the Council's low reserve balances and enables the Council to set a balance budget in both 2020/21 and 2021/22.

The approval acknowledges that the Council has taken the necessary steps to secure financially sustainability and the external financial verification has allowed MHCLG to place trust in the assessment of the Council's financial situation. The scale of the financial challenge remains significant and the Council will work closely with MHCLG to ensure future funding arrangements meet the requirements to continue to provide vital services within Peterborough and support the economic recovery in the wake of C-19.

Section 5 outlines the proposed balanced budget for 2021/22 and the budget gap in the following two financial years. It details the new budget pressures and service demands along with the impairment of saving plans, offset by savings, additional income and funding streams, the revisions of Phase One estimates and the application of the exceptional support. The budget assumptions factored into Phase One have been thoroughly reviewed and updated leading to a £6.6m favourable change in estimates with additional savings of £4.4m identified offset with £1.8m of increased pressures.

The one-off funding announced in the Settlement and the funding deficit now caused through the impact of the pandemic on service demand and income losses, results in a budget gap that increases to £26.8m in 2022/23 and £28.9m in 2023/24. Graph 3 illustrates the change in the budget position, highlighting the impact of the funding announcements and the challenge to financial sustainability still facing the Council in future years.



5.0 BUDGET DETAIL

5.1 Phase One MTFS Summary Position

Table 5 outlines the budget position, detailing the amounts the Council expects to receive from the key funding streams, the departmental budgets and the budget gap for each of the three years from Phase One of the 2021/22 MTFS.

Table 5: Phase One MTFS Summary Position

Phase One MTFS Summary Position By Directorate	2021/22	2022/23	2023/24
	£000	£000	£000
NNDR	(45,859)	(46,109)	(46,359)
Revenue Support Grant	(10,413)	(10,413)	(10,413)
Council Tax	(84,166)	(87,944)	(91,924)
New Homes Bonus	(2,066)	(1,461)	-
Improved Better Care Fund	(7,260)	(7,260)	(7,260)
Social Care Grant	(4,680)	(4,680)	(4,680)
TOTAL CORPORATE FUNDING	**(154,444)**	**(157,867)**	**(160,637)**
PLANNED EXPENDITURE			
Chief Executives	1,255	1,283	1,311
Governance	4,413	4,465	4,517
Place & Economy	23,769	24,364	24,959
People & Communities	99,005	101,174	104,567
Public Health	(405)	(405)	(405)
Resources	12,213	11,975	12,429
Customer & Digital Services	7,051	7,239	7,428
Business Improvement	592	595	598
NET SERVICE EXPENDITURE	**147,894**	**150,690**	**155,405**
Corporate Expenditure	5,392	5,416	5,440
Capitalisation Directive	-	-	-
Capital Financing Costs	31,768	33,397	33,397
Contribution from/to Reserves	-	-	-

Non- Delivery of Savings Plans	**5,058**	**4,978**	**4,978**
TOTAL PLANNED EXPENDITURE	**190,111**	**194,481**	**199,220**
REVISED DEFICIT/(SURPLUS)	**35,668**	**36,614**	**38,584**

5.2 **Phase Two Budget Position 2021/22- 2023/24**

The proposed budget position is summarised in Table 6 and Table 7 sets out the proposals included within Phase Two of the MTFS 2021/22. The major items included within these proposals are:

- Revised estimates for the Collection Fund deficits and income base for both NNDR and Council Tax
- The inclusion of the grant funding identified in the Local Government Provisional Finance Settlement
- Revised capital financing costs including the redemption of debt with capital receipts
- Inclusion of exceptional support, in the form of a 'Capitalisation Direction'. This is where approval is granted from the government to use capital funding (borrowing) to fund revenue. The Council has asked for exceptional support, as a result of its challenging financial position, meaning the Council is unable to set a balanced budget in 2021/22 and future years. The government has notified the Council that they are minded to support the Council's application, with a capitalisation direction in 2020/21. Further detail is outlined in section 4.6.

Table 6: Phase Two Budget Summary Position 2021/22-2023/24

Phase Two MTFS Summary Position	**2021/22**	**2022/23**	**2023/24**
	£000	**£000**	**£000**
Budget Gap from 2021/22 MTFS Phase One	35,668	36,614	38,584
Budget Pressure & Service Demand	1,266	2,256	2,257
Non- Delivery of Savings Plans	553	553	553
Revised Budget Gap	**37,487**	**39,423**	**41,394**
Revision to Phase One Estimates	(6,610)	(6,225)	(7,183)
Funding Changes	(12,703)	(3,079)	(3,154)
Savings and Income	(4,440)	(3,326)	(2,147)
Exceptional support from MHCLG (assumed Capitalisation Direction)	(13,734)	0	0
Budget Gap	**0**	**26,793**	**28,910**

Table 7 details all proposals included within this Phase Two, and the financial implications for the three years covering 2021/22-2023/24.

Table 7: 2021/22-2023/24 Phase Two budget proposals

2021/22-2023/24 Phase Two budget proposals	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**
Revision to Phase One Estimates	**(6,610)**	**(6,225)**	**(7,183)**
Adult Social Care- market sustainability	(363)	637	637
Adult Social Care- Cost Drivers and Demography review	1,300	500	500
Children's- Family Safeguarding	(700)	-	-
Increase in Sundry Bad Debt Provision- due to the economic impact of the C-19 Pandemic	200	-	-
Business Rates (NNDR) Collection Fund Deficit- Spread over three years	(1,496)	(1,701)	(1,701)
Council Tax Collection Fund Deficit- Spread over three years	(890)	(376)	(376)
Business Rates (NNDR) Income Base	(3,482)	(3,702)	(4,728)
Council Tax Base Reduction	(1,071)	(1,120)	(1,113)

Increase in Bad Debt Provision as a result of reduced Business Rates (NNDR) Collection	271	(264)	(303)
Increase in Bad Debt Provision as a result of reduced Council Tax Collection	(500)	(400)	(300)
Business Support Services	146	146	146
Communications- Saving and income adjustment	(26)	54	54
Budget Pressure & Service Demand	**1,266**	**2,256**	**2,257**
Engagement Manager	62	62	62
External Audit Fees	100	100	100
Pay Increments	621	621	621
Specialist Technical Support for ERF Changes	25	15	15
Exceptional support from MHCLG (Capitalisation Direction - cost of borrowing)	150	1,150	1,151
Agenda for Change	308	308	308
Savings and Income	**(4,440)**	**(3,326)**	**(2,147)**
Blue badges	(13)	(13)	(13)
Registered Managers Network	(10)	(10)	(10)
Reduction in grade of Financial Investigator in Communities team	(4)	(4)	(4)
Reorganisation of City Centre Management	(50)	(50)	(50)
Reorganisation of Communities and Partnerships Management	(49)	(49)	(49)
Sustainable Growth restructure	(20)	(20)	(20)
Re-deeming Debt with Capital Receipts	(2,433)	(2,603)	(233)
Review of inflation and Fees and Charges	(96)	(148)	(122)
Capital Financing Capital Programme Review- Reduction in Capital Financing Costs	(1,492)	(356)	(1,373)
Increased Income and Staffing, Supplies and Services Savings in the Governance Directorate	(135)	(135)	(135)
Sharing Data Protection role with Cambridgeshire County Council	(38)	(38)	(38)
Re-profiling of the PFI insurance Rebate	(100)	100	(100)
Funding Changes	**(12,703)**	**(3,079)**	**(3,154)**
Additional Social Care Funding	(993)	(993)	(993)
C-19 Response Fund Tranche 5	(6,366)	-	-
Council Tax Increase- 3% Adult Social Care precept and 1.99% General Council Tax increase (total 4.99%)	(1,674)	(1,747)	(1,822)
Lower Tier Services Grant	(281)	(281)	(281)
New Homes Bonus	(988)	-	-
Revenue Support Grant (RSG)- Inflationary increase	(58)	(58)	(58)
Tackling Troubled Families grant extension	(753)	-	-
Local Council Tax Support Grant	(1,590)	-	-
Non- Delivery of Savings Plans	**553**	**553**	**553**
HR Controls- Agency Saving	447	447	447
Impairment of Business Improvement saving budgeted from April 2021	68	68	68
Impairment of Place & Economy saving increase budgeted from April 2021	38	38	38
Exceptional support from MHCLG (Capitalisation Direction)	**(13,734)**	**0**	**0**
Exceptional support	(13,734)	-	-
Grand Total	**(35,668)**	**(9,821)**	**(9,674)**

Further detail in respect of the proposals following appendices:

- Appendix A – 2021/22- 2023/24 Phase Two MTFS Detailed Budget Position.

- Appendix B –Budget Proposal Detail

5.3 **Grant and Funding Assumptions**

Table 8 outlines the Council's forecast core funding for the period 2021/22-2023/24, as confirmed within the final local government settlement in February. Further details of the assumptions used are outline within this section.

Table 8: Funding Summary Position 2021/22-2023/24

Funding Summary Position 2021/22-2023/24	2021/22	2022/23	2023/24
	£000	£000	£000
NNDR	(50,566)	(51,776)	(53,091)
Revenue Support Grant	(10,471)	(10,471)	(10,471)
Council Tax	(88,260)	(91,545)	(95,495)
New Homes Bonus	(3,054)	(1,461)	-
Improved Better Care Fund	(7,260)	(7,260)	(7,260)
Social Care Grant	(5,673)	(5,673)	(5,673)
Lower-Level Services Grant	(281)	(281)	(281)
C-19 Response Fund	(6,366)	-	-
Local Council Tax Support Grant	(1,590)	-	-
Capitalisation Directive	(13,734)	-	-
TOTAL CORPORATE FUNDING	**(187,255)**	**(168,467)**	**(172,271)**

Collection Fund Deficit Three-year Phasing and Tax Loss Guarantee Scheme

On 5 November parliament passed The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020, which came into effect 1 December 2020. These regulations implemented the announcement made by the Secretary of State on 2 July 2020, that the repayment of Collection Fund deficits arising in 2020/21 could be spread over the next three years. The Council has followed the proforma set by the government to implement this approach for both Council Tax and NNDR.

The change in legislation is a direct result of the pressure placed on Council Tax and NNDR collection rates due to the economic downturn caused by the Covid-19 pandemic. The deficits on the Collection Fund will be spread over three years to smooth the financial impact for Local Authorities. In addition, a further scheme announced within the Spending Review 2020 will compensate Councils for 75% of irrecoverable tax losses. The final details of the scheme are to be confirmed, but MHCLG published the scheme within the Local Government Provisional Finance Settlement, which included a basis for calculation. Following this approach, the Council currently estimates that it is likely to receive £2.1m. Following the CIPFA accounting code of practice this grant will need to be recognised in 2020/21 and therefore this estimate has been included within the Decembers Budgetary Control Report, also reported to this Cabinet meeting.

Council Tax

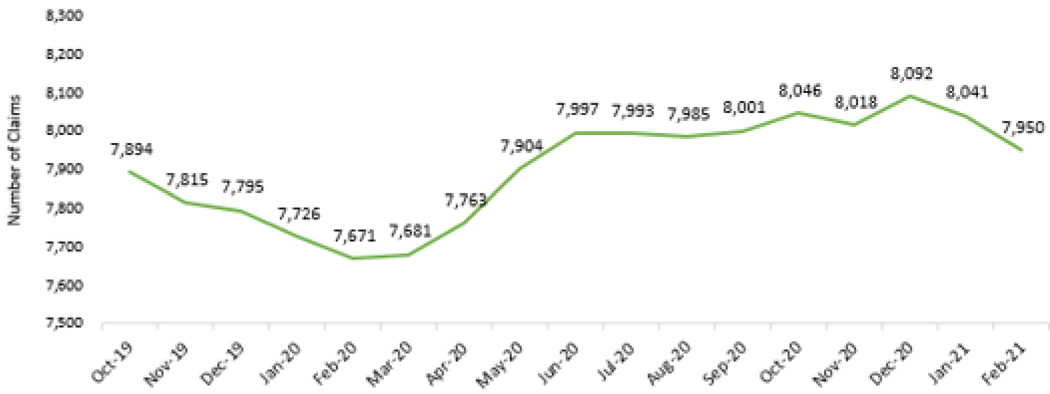
In December the Council Tax Base was reviewed, and reported to Cabinet on 18 January (link to report). This outlined a Council Tax Base of 59,714.72 Band D equivalent properties for 2021/22, which is an increase of 621.25 (1.05%) in comparison to 59,093.47 Band D equivalent in 2020/21. The Council's base budget assumption is that the tax base increases by roughly 780 Band D equivalent properties each year, this equates to around 1,000 properties. Although the increase, is positive in light of the current economic position and is a sign of continued growth, it does fall short of the original budget forecast.

The proposed Band D rate of **£1,467.76 in 2021/22** is in comparison to £1,398.00 in 2020/21. This increase of 4.99%, is 3% Adult Social Care (ASC) precept and 1.99% general increase, which is within the referendum limits for 2021/22.

Each year the Council must evaluate the financial position of the collection fund and declare whether there is a surplus, where additional income has been collected in comparison to budget, or a deficit, where the income collected is less than budgeted. This amount is then carried forward into the following year's budget. For years the Council has declared a surplus position due to the level of housing growth within the city. However due to the impact of C-19 the estimated position on the collection fund at the 31 March 2021 is a deficit.

In Phase One the estimates for the Collection Fund in relation to Council Tax were lower than previously budgeted due to a steady rise in the numbers of Local Council Tax Support (LCTS) claimants and from reduced collection rates. Unlike business rates the Council Tax collection rates have improved and are less than 1% behind target, as illustrated within Graph 3. The rise in the levels of LCTS claimants appears to have plateaued, and although in recent months there is a reduction in the number of working age claimants, it is expected this will rise again as a result of Tier 4 and Lockdown 3.0 restrictions. Graph 2 outlines the levels of claimants between October 2019- February 2021.

Graph 2: Local Council Tax Support Claimant Levels



The key driver for the estimated deficit on the collection fund is in relation to a delay in house building compared to the assumptions included within the original budget. This is a result of the C-19 restrictions in place in the first lockdown. The Council has also increased the level of bad debt provision to mitigate the risk of carrying higher levels of council tax debt.

The Council Tax requirement, tax base and the Band D Council Tax rates will be confirmed within CTR1 return, which is submitted to MHCLG within 7 days following Council approval. Appendix E contains further information on Council Tax base and rates.

NNDR (Business Rates)

Collection Fund - as mentioned each year the Council must evaluate the financial position of the collection fund and declares whether there is a surplus, where additional income has been collected in comparison to budget, or a deficit, where the income collected is less than budgeted. This amount is then carried forward into the following year's budget. In recent years the Council has been able to declare a surplus position due to the level of business growth within the City. However, due to C-19 the estimated position on the collection fund at 31 March 2021 is a deficit.

In Phase One the Council was expecting a more severe position on the collection fund due to a significant fall in collection rates and an increasingly fragile local economy. However, a thorough review of the NNDR assumptions has been undertaken with the overall impact on the collection fund better than previously anticipated. The Council has considered the risk of non-collection along with the greater number of appeals to be mitigated against through contributions to the provision (covered in the following points). However, despite the challenging economic conditions Peterborough has still experienced business growth within the city. This growth has led to income base increase that helps to off-set other pressures putting a strain on the collection fund balance.

Bad Debt Provision - following a review of the outstanding balances in respect of NNDR the Council has estimated the increase in its bad debt provision required to mitigate the financial risk of non-collection in the future. The current levels of NNDR income collection are 17.3% lower than the levels achieved in the same period during 2019/20. The reduction in collection rates is illustrated in Graph 3.

Appeals - there has been a national rise in the levels of appeals received by the Valuation Office Agency (VOA). This reflects a significant number of Material Change in Circumstance (MCC) appeals. These have been raised by businesses which have been significantly affected by the C-19 pandemic, and which did not qualify for the 100% relief scheme. The VOA is yet to make a decision on the outcome of these claims, and it is speculated that a decision may be made which will cover whole sectors, such as offices. This was leaked in the media in December (link to article). Nationally, local authorities (LA's) are expecting the VOA to publish an outcome before the 31 March 2021, when the Statement of Accounts are drafted and the NNDR3 Government return is due. This would enable LA's to make accurate provisions to reflect the financial risk, or without a decision this could reflect a contingent liability, which attracts a different accounting treatment. In the absence of a decision, it its thought that MHCLG may have to intervene by extending the Tax Loss guarantee scheme to ensure LA's are able receive compensation for the lost NNDR income once a decision is made. The Council has ensured that the current level of appeals raised in Peterborough has been provided for within the budget, and will keep all developments under review with estimates refreshed in advance of 31 March. To demonstrate the scale of the risk, offices represent 15% of the Rateable Value within Peterborough.

The current 100% retail relief scheme which also covers leisure hospitality and nurseries is due to end on 31 March 2021. The government has not announced any plans to extend this into 2021/22. However, a strong indication has been made that a scheme for 2021/22 may be announced. On 3 February a ministerial written statement, urged billing authorities to consider postponement to issuing 2021/22 business rates bills until after the Chancellor has set out his plan in the Budget on 3 March. If further relief schemes are announced, and these are at no financial cost to the Council, it will look to adopt as local discounts under S47 of the Local Government Finance Act, and be in line with the schemes and qualifying criteria outlined by Central government.

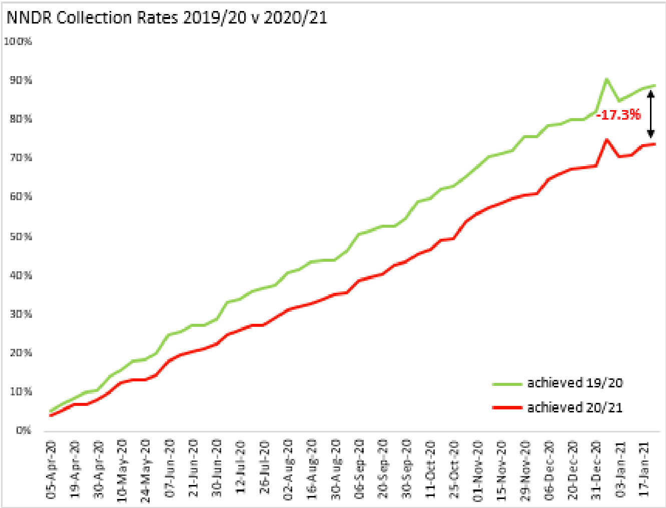
Empty Property Relief - the Council has incorporated within its NNDR forecast an increase in empty property relief. This follows a report published by Savills which outlined that 12.5% of retail space nationally was now vacant, and it has been publicised that a number of well-known high street stores such as Debenhams, Arcadia, Paperchase and Peacocks have entered into administration. All of these businesses have properties within Peterborough and once vacated will attract relief for a short period of time.

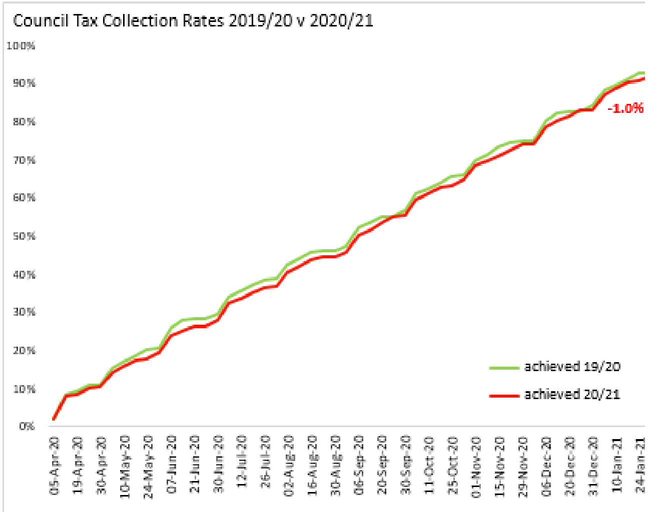
Growth - within the SR20 the Chancellor announced a multiplier freeze, which means business rates will be frozen at the 2021/22 rate, compared with in ordinary times where business rates would have risen in line with CPI.

Despite these additional risks the Council is forecasting growth in its NNDR income, as a result of business growth within the city. This includes a number of warehouses and distribution centres on the Roxhill Site, which have created hundreds of jobs in 2021/22, the new Premier Inn in the city centre and a number of stores including Home Bargains, Aldi and Iceland.

The NNDR1 return outlines the Councils forecast in respect of NNDR income for 2021/22. This was submitted to MHCLG on 31 January 2021.

Graph 3: NNDR and Council Tax Collection Rates 2019/20 v 2020/21





Grants

Revenue Support Grant (RSG) - as announced within SR20, and later confirmed within the Local Government Provisional Finance Settlement, the Council is to receive an inflationary increase based on CPI at 0.5% to its level of RSG, an increase of £0.058m in comparison to 2020/21.

Lower Tier Services Grant - this is a new grant totalling £111m, which was announced within the LG Provisional Finance Settlement, of which the Council's allocation has been confirmed at £0.3m. This grant has been allocated to Local Authorities with lower tier functions (districts and unitary authorities) to ensure that no authority suffers a loss of Core Spending Power in comparison to 2020/21. This grant is evidence of an inequality and shift in resource allocation within the Local Government sector, and a sign that the requirement to 'level up' funding is becoming more apparent to ministers.

Social Care Grant and Improved Better Care Fund (IBCF) - the levels of IBCF in 2021/22 remain unchanged in comparison to 2020/21. The Social Care Grant has increased by £1.0m in 2021/22 as a result of the additional Social Care Grant announced within the SR20, totalling £300m nationally. This funding forms part of a package alongside the ability for Local Authorities to raise an ASC precept. As such 80% of this grant distribution was equalised to take account of the levels of ASC precept to be generated at each Local Authority and 20% based on the ASC relative needs formula. This distribution methodology is welcomed by the Council as it supports Councils with a lower rate of Band D or council tax base, to ensure a fairer allocation of resources.

New Homes Bonus - is a funding scheme where Councils are incentivised and rewarded for housing growth within their area, and more so when homes are affordable or empty homes are brought back in to use. It was originally anticipated that New Homes Bonus would be phased out with a new scheme being introduced. This was to be consulted in within 2020/21, however due to the C-19 pandemic, the consultation has been delayed until Spring 2021. In light of this delay the government has confirmed allocations which included payments in respect of the years 2018/19 and 2019/20 and a new allocation for 2021/22. The 2021/22 allocation is one off, as a result of the delay, and has meant the Council has been able to factor this additional funding in to the budget for 2021/22.

Public Health grant - levels are expected to be confirmed in February. The MTFS assumes the grant will remain at the same level as 2021/22 at £11.1m.

C-19 Specific Grants (one-off)

C-19 Response Fund Tranche 5 - the £1.55bn of funding was originally announced in SR20, with the Councils allocation of £6.3m being confirmed in the Local Government Provisional Settlement. This grant is one off, and is only a third of the £18.7m response funding received in 2020/21. Indications from MHCLG are that they assume business as usual will resume in summer 2021.

LCTS Grant - within the SR20 the Chancellor confirmed £670m of grant funding for Local Authorities to compensate them for the additional costs associated with the increase in LCTS caseloads. The grant is one off for 2021/22. It will be distributed based on the working age LCTS caseloads within each billing authority area, with the Council's allocation being confirmed at £1.6m.

Sales Fees and Charges (SFC) Income Compensation Scheme - the scheme which has been in place in 2020/21, which sees Councils compensated for 75% of their lost SFC Income, has been extended in to the first 3 months of 2021/22. This is indication again that MHCLG are working to a business-as-usual assumption come the summer 2021. The Council has not factored the loss of income or the resulting income compensation into the budget. This means the Council is carrying a level of financial risk within its budget as a result of this, which is noted on the risk register.

Further details of the grants the Council expects to receive in 2021/22 are outlined within Appendix D - Grant Register.

As outlined within section 9.3, the Fairer Funding Review is expected to take place in 2022/23. However, no guarantees are given about local government funding reform. Within the Final Settlement written statement published on 4 February it committed to *"revisit the priorities for finance reform in time for the next Spending Review". Ministers will take into account "wider work on the future of business rates and how best to organise and finance adult social care".*

5.4 **Fees Charges and Inflation**

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 Council is expecting to generate additional income of £0.75m in relation to fees and charges changes. Table 9 outlines which service areas the additional income will come from:

Table 9: Fees and Charges Summary

Fees and Charges Summary by Service Area	**2021/22 £**
Asset Management	4,000
Business Regulations - Hackney Carriages	6,000
City Centre Operations	2,500
Peterborough Cemeteries - Interment Fees & rights of burial	8,905
Peterborough Crematorium - Cremation Fees - Main Fee inc Env surcharge	44,766
Peterborough Crematorium - Memorial Sales	5,058
Peterborough Highway Services	4,000
Trading Standards	300
Total	**75,529**

Further detail on the Council's fees and charges are set out in Appendix F and on the Council's website.

A review of the Council's inflationary budget assumptions has been conducted by officers. This includes reviewing budget assumptions in relation to the Council's key contracts, pay, rates and utilities.

Following the SR20 announcement made by the Chancellor, the Council has updated budget assumptions to reflect the freeze on the Business Rates multiplier. This means the business rates due on the Council's properties will be at the same rate as 2020/21. This has allowed the Council to release a saving of £0.085k, from this budget in 2021/22, and reduce the future years budgets as a result of the freeze and the lower forecast levels of CPI.

There have been other minor amendments to the inflationary assumptions as a result of the lower levels of forecast RPI/CPI. Table 10 summarises the overall inflationary budget and the associated saving expected.

Table 10: Inflation Summary

Inflation Summary	2021/22 £000	2022/23 £000	2023/24 £000
2021/22 Inflation requirement	2,045	2,045	2,045
2022/23 Inflation requirement		2,169	2,169
2023/24 Inflation requirement			2,247
Inflation Required	**2,045**	**4,214**	**6,461**
Inflation Built in to 2020/21 MTFS	**2,141**	**4,362**	**6,583**
Inflationary Saving*	**(96)**	**(148)**	**(122)**

**Total of the inflation budget proposal*

5.5 **Cambridgeshire and Peterborough Combined Authority - Transport Levy**

The Cambridgeshire and Peterborough Combined Authority (CPCA) Order 2017 (SI 2017/251) conferred the local transport planning powers to CPCA as the local transport authority. Cambridgeshire County Council (CCC) and Peterborough City Council (PCC) remain the local highway authorities. The Transport Levying Bodies (Amendment) Regulations 2018 came into force on the 1 October 2018 and enabled the CPCA to levy CCC and PCC for the cost of delivering the transport functions.

Until 31 March 2021 CPCA has opted to delegate Passenger Transport powers to both Cambridgeshire County Council and Peterborough City Council. This included the functions:

(a) The role of Travel Concessionaire Authority

(b) The funding and management of bus services including the ability to let contracts and enter into Advanced Quality Partnership Schemes and Enhanced Partnership Schemes

(c) Provision of socially necessary bus services

(d) Provision of bus information, including Real Time Passenger Information.

From 1 April 2021 the delegation will end and CPCA will deliver the undertaking directly. CPCA will continue to levy PCC for the cost of the provision of these services (a sum of around £3.8m in 2021/22) and PCC will no longer hold funding for the provision of these services which were previously accounted for within the Place and Economy directorate.

5.6 **Capital Programme**

The Council's Capital Programme is viewed over a three-year period to ensure correct stewardship of assets and efficient use of budgets, with the first three years forming part of the MTFS. The Council is proactive in attracting external funding for as many schemes as possible. An officer-led Capital Review Group oversees the Council's capital requirements. The Capital Programme includes estimated project costs and profiling of expenditure whilst detailed business cases and due diligence is completed on individual schemes.

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. Business cases for future proposals are required to demonstrate how the cost of borrowing will be covered, e.g. through income generation, reduction in service costs. Invest to save is shown separately due to the projects only proceeding where they lead to savings which cover the associated capital financing costs in the year they occur, and the capital financing costs are recharged to service budgets. Further information on the Invest to Save programme is included with the Council's Capital Strategy.

The £22m for IFRS16 transition is excluded as this is not new capital spend, but a change in accounting treatment. Under the previous accounting rules leases that did not account for substantially for all of an assets useful economic life were treated as off balance sheet and charged to revenue. The new accounting rule brings these leases (unless under a year in duration or for assets below a de minimum value) onto the balance sheet as capital expenditure. On transition, the remaining value of these existing leases is treated as capital expenditure incurred on 1 April 2022.

The Capitalisation Direction is disclosed separately due to materiality and its exceptional support nature. Additional investment schemes that have been added to the previous MTFS for approval are summarised in Table 11.

Table 11: New Capital budgets for approval within Phase Two

Directorate	Project and Funding Source*	2020/21 £000	2021/22 £000	2022/23 £000
Corporate	Capitalisation Direction (Borrowing)	4,800	20,000	-
Corporate	Community Leadership Fund Allocations	60	-	-
People & Communities	Greater Peterborough University Technical College - Year 7 Places (Borrowing)	-	200	-
People & Communities	Transfer of Vivacity assets	525	-	-
Place & Economy	Fletton Quays Access Road (£326k Third Party funding, £100k borrowing – funded from within existing budgets)	426	-	-
Place & Economy	Pothole Challenge Fund (Third Party funding)	2,352	-	-
Place & Economy	Dodson House Surfacing and Drainage Improvements (Borrowing)	-	178	-
Place & Economy	Highways Enhancements	150	150	150
Place & Economy	Towns Fund (£28.3m Third Party Funding, £1.79m borrowing)	-	12,175	17,915
Resources	Purchase 62-66 Bridge Street (£10m Third Party Funding, £7m borrowing)	4,000	3,000	10,000

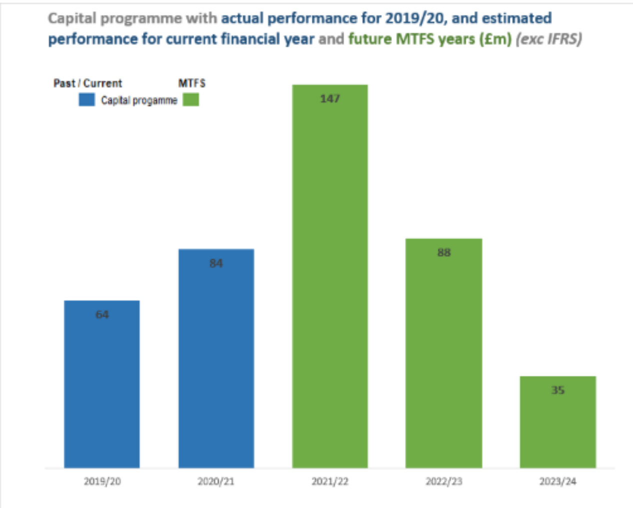
** to note no new schemes are profiled for the 3rd year of the MTFS - 2023/24*

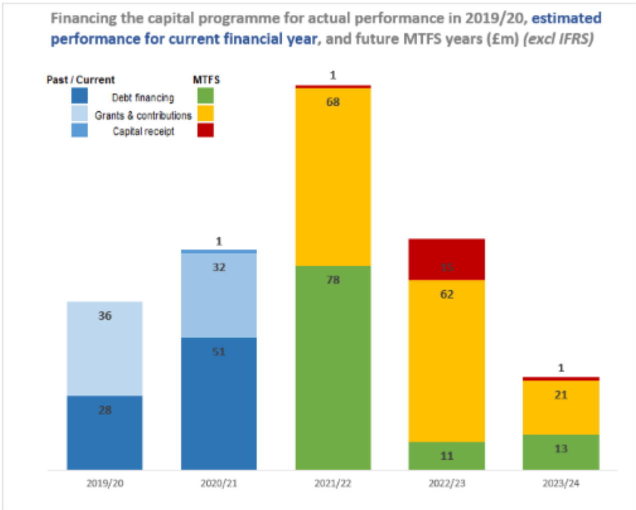
Table 12 provides a summary of the capital programme over the MTFS period. The full list of schemes is detailed in Appendix G - Capital Programme Schemes 2021/22-2023/24. The tables include the changes to the programme listed above and those agreed by 21 September Cabinet and as part of the Phase One budget proposals.

Table 12: The Capital Programme 2021/22- 2023/24 Summary

Capital Programme	2021/22	2022/23	2023/24
	£000	£000	£000
Customer & Digital Services	2,500	3,000	3,000
People & Communities	46,128	13,147	16,453
Place & Economy	46,604	53,258	13,813
Resources	18,152	12,056	2,045
Total Capital Programme	**113,384**	**81,461**	**35,311**

Grants & Third-Party Contributions	67,764	61,975	20,631
Capital Receipts repayment of loans	1,079	15,488	1,219
Borrowing	44,541	3,998	13,461
Total Capital Financing	**113,384**	**81,461**	**35,311**
Invest to Save	13,500	6,575	-
Capitalisation Direction	20,000	-	-
Invest to Save and Other Borrowing	**33,500**	**6,575**	-
IFRS16 Transition (estimated)	-	22,000	-
Total Capital Programme	**146,884**	**110,036**	**35,311**





6.0 ROBUSTNESS (SECTION 25) STATEMENT

6.1 Requirement

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.

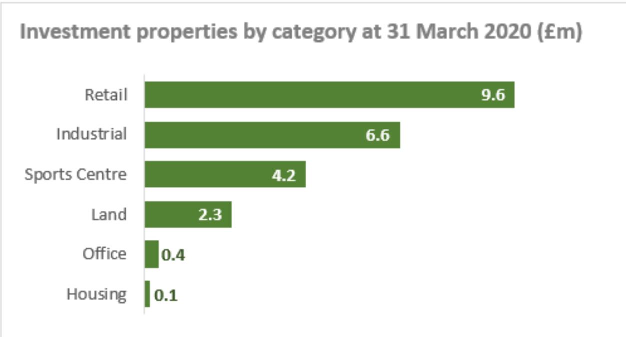
This report has been prepared by the CFO as part of fulfilling this duty and gives the required advice relating to the Councils current and future years financial position, including a consideration of the proposed budget as a whole and all the financial risks facing the Council. It identifies the Council's approach to budget risk management and assesses the risks associated with the current year and 2021/22 budget to inform the advice on robustness.

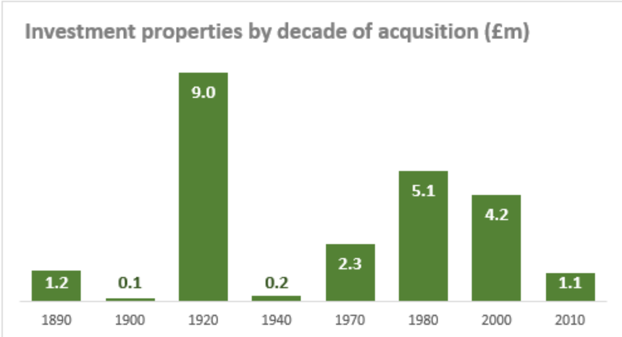
6.2 Overall Financial Position

As this document demonstrates, the Council is operating in a challenging financial environment, with additional uncertainties and significant risk factors from the impact of the C-19 pandemic and the resultant national and local responses to control the virus as well as support the City in its recovery efforts. Previous MTFS Robustness Statements have highlighted the fragility of the Council's financial resilience through a reducing reserves position leaving little recourse if savings were not delivered as planned or unforeseen events materialised. It is for these latter reasons that as part of the budget planning the 2020/21 financial year the Council sought, and successfully received the Capitalisation Direction to fund the transformational change that was required to delivery an ongoing and sustainable budget.

In order to achieve balanced budgets in the past, the Council has utilised one-off funding solutions, such as using capital receipts, reviewing the Council's Minimum Revenue Provision (MRP), delivering years of extensive saving plans and maximising its Council Tax and Business Rates income. Strategically the approach has also reviewed:

- It's asset base and listed assets available for disposal, see Appendix K Capital Strategy. It should be noted that these assets may require complex negotiations at a period of national economic uncertainty as a result of the pandemic and as recovery commences.
- It's modest portfolio of investment assets, valued at £23.1m at the 31 March 2020, to ensure it limits exposure to property related commercial risk. The charts below illustrate the mix of assets and external a recent external review concluded that the assets held were:





"to the extent and level that I would expect to see in a long-established City like Peterborough. Most of these assets have been part of the Council for many years, and income associated with them is hard wired into Council budgets. This is not a Council that has entered in any great extent into the purchase of investment purely for yield using cheap PWLB loan finance. Accordingly, its exposure to commercial risk is no more and probably less than would have anticipated".

- The funding risk profile of the Council and how this has changed over time so that there is now greater reliance placed on council tax and business rates as the Council's core funding resource. This exposes the Council to greater levels of risk inherent in these funding streams, which have been experienced as a result of the C-19 pandemic and are anticipated to continue as the nation recovers.

The Council has been proactive in managing its financial strategy whilst continually being exposed to additional financial risks through funding reductions and lack of certainty in funding settlements. As part of the previous financial strategy the Council undertook an intensive six-week period of investigative and service review work to be used to inform the development of a new model of service delivery in order to operate within its financial envelope. However, as a direct result of responding to the national emergency created by the C-19 pandemic the savings identified from this review were impaired from £11.9m of new savings to an estimated £3.6m for 2021/22 and further possible opportunities of £4.0m for the following financial years. Management of the local response and recovery to the pandemic has seen redeployment of teams, and the management capacity required to deliver such transformational change severely reduced.

In Phase One of this MTFS it was identified that without additional funding from government, or the ability to use some of the alternative financial solutions (as suggested to MHCLG but with permission denied), the Council was forecasting to use most of the useable reserves to fund the additional C-19 challenges forecast in the current financial year. As a result, the Council, in accordance with the CIPFA modifications, contacted MHCLG in October 2020 to enable the further explorations of alternatives to issuing a s114 notice. Since Phase One of the MTFS was published additional national and local lockdowns were implemented, and further general and specific grant funding from Government has been received to mitigate some of the additional C-19 pressures, outlined in Table 4.

The Council has explored further funding opportunities with MHCLG, to ensure that local services continue to meet statutory and legal obligations, and the Council is able to respond to, and recover from, the challenges of C-19 both now and in the future for residents and businesses of the City. Disclosures have already been made how MHCLG have acknowledged that the Council is in requirement of exceptional support in order to set a legal balanced budget for 2021/22 and to protect the existing low level of reserve balances to maintain some financial resilience in 2020/21. However, at the time of drafting this MTFS the offer of exceptional support is in the form of an agreement in principle to a capitalisation direction that is conditional on a series of scrutiny actions from MHCLG for 2021/22.

For Phase Two, the opinion of the CFO is that the 2021/22 budget estimates contain risk due to the level of uncertainty in the Council's operating environment, making it problematic to develop meaningful assumptions on which to base income receipt levels and demand-led expenditure budgets. Whilst it is important that MHCLG has recognised that the Council is in need of exceptional support, the 2021/22 commitment from the Ministry is in principle and conditional only, and relates to additional borrowing to fund revenue costs which will attract an additional 1% on top of the PWLB rate available to other Councils. This solution is unsustainable. It adds additional future budget burdens in form of repayment of debt. The funding of the Council in the medium to long term remains problematic and uncertain without further, ongoing government funding, see section 10 on the strategic factors to develop a viable Council.

To set a legal balanced budget the Council is reliant on the receipt of exceptional support from Government. Approval of this strategy is recommended due to the underlying funding deficit inherent in the Council's resource envelope that in turn means alternative options to fund the budget gap to the value presented are absent. **The Council has no recourse to alternative options. Without receipt of the exceptional support, the Council is not able to set a legal budget in 2021/22 which is the requirement of Full Council.**

6.3 **Robustness of the 2021/22 budget estimates**

The revenue budget and capital programme have been formulated having regard to several factors including:

- Funding availability
- Risks and uncertainties
- Inflation
- Priorities
- Demography
- Service pressures
- Emerging opportunities
- Response to C-19 pandemic
- Recovery from the C-19 pandemic
- Conditional capitalisation direction

The MTFS highlights that the current financial position is untenable without additional ongoing funding. Whilst a balanced budget for 2020/21 was approved in March 2020, the Council is currently forecasting a £5.4m pressure as a result of the additional demands placed on it from responding to the C-19 pandemic. Additional grant funding has been received throughout the year and the Council forecasts to mitigate further C-19 pressures through the application of the new income support schemes such as the Sale, Fees and Charges Compensation scheme, and tax receipts through the irrecoverable Council Tax and Business Rates schemes. In order to protect its already weaken financial resilience from low reserve balances the Council has also been provided with a conditional offer for exceptional support in 2021/22. This additional funding demonstrates the importance of the Council to deliver the locally the national response to C-19 but also the risk exposure to non-government funding to delivery core statutory services.

For this MTFS it has proven problematic to find surety in the development of realistic assumptions due to the significant uncertainty inherent in the Council's operating environment. These uncertainties include:

- long-term increases in demand for council services
- market sustainability of key service providers
- the inability to forecast with any certainty the future profile of recovery for income generators such as car parking
- uncertainty with how to profile business rate income given the reduction in government support, appeals, non-collection of rates and associated closures of businesses due to C-19

- uncertainty with the increase to Local Council Tax Support scheme with the continuation of Lockdown 3.0 and unknown timing for economic recovery
- continued uncertainty from the overall impact in funding of the local government sector from central government
- unknown financial and demand impact from the continuation of the current national C-19 related lockdowns
- unknown indirect impacts from any future global recession with no previous experience to base it on
- limited resources to implement any recovery or transformational activity.

Given all the uncertainty which encapsulates this MTFS budget, the assumptions have been based on the best available information to the Council at this time, with Phase One assumptions updated for the latest Government announcements, new income support schemes and with the knowledge that *"the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £20m"* for 2021/22.

6.4 **Adequacy of Reserves**

Reserves are set aside to fund risks and one-off pressures over several years. Where reserve balances are low, future financial planning and financial resilience is hampered. It should be noted that reserves can only be spent once and the possibility of creating new reserves is currently unlikely.

The Council broadly categorises reserves as follows – in line with Local Government accounting practice:

- A working balance to manage in year risks – the General Fund Balance
- Usable Reserves– these are reserves for available for future commitments such as transformational investments and have been used to balance the budget
- Ring Fenced Reserves – to meet known or predicted requirements.

The Council's General Fund working balance is forecast to be £6.0m, usable reserves at £32.5m and ring-fenced reserves at £4.4m. The latter reserve type includes the actuarial assessed £3.5m insurance reserve and £0.8m of reserves held on behalf of schools for future capital expenditure, with the usable reserves including £20.2m of section 31 grant in respect of the NNDR C-19 retail reliefs applied in 2021/22. This will be fully utilised in 2021/22 to smooth the impact of the collection fund deficit.

The General Fund

The General Fund is usually held at a balance of £6.0m but was temporarily reduced in 2019/20 due to the identification of a timing difference in Business Rates, which meant income from Section 31 grants, was £0.9m lower than budgeted. The income has been received in 2020/21 and the General Fund replenished. In the opinion of the CFO, given

- the current significant economic uncertainty
- the lack of multi-year settlements in order to facilitate adequate financial planning
- a structural deficit which requires ongoing government support
- any unknown emergent risks

The balance of funds within the General Fund is at inadequate level as it does not reflect the level of financial risk the Council is inherently exposed to and is unlikely to mitigate and fund a significant emergent risk. This amount would equate to less than 3.2% of the Council's forecast net service expenditure.

Usable Reserves

Reserves are the only source of financing to which the Council has access to fund risks and one-off pressures. 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 currently highly unlikely.

The balance shown for the Capacity Building Reserve includes an element for investment required to enable transformational change and implementation of the service saving proposals. This balance is insufficient for the investment which would be required to deliver the magnitude of savings required in the future.

Departmental reserves are amounts set aside by departments, during the closure of the accounts and is in accordance with financial guidance to minimise risk exposure to the Council in the following financial year. These reserves are currently anticipated to reduce significantly in 2020/21 due to several specific grants being used to fund expenditure. These funds have been received for specific projects covering multiple years, and include:

- Family Safeguarding Innovation Programme
- Integrated communities Strategy
- Controlled Migration Fund (CMF).

It is expected at the end of this year further specific grants, will be included within the departmental reserve balances. These relate to grants associated with C-19 response and recovery activities, which will continue in to 2021/11, such as Test and Trace, Containment Outbreak Management, and the Winter Grant Scheme.

COVID-19 reserve relates to the first tranche of C-19 response funding from MHCLG and was an unringfenced grant received on 27 March 2020. Following the application of the accounting rules this was put into reserves at the end of 2019/20 for use in 2020/21.

The COVID-19 NNDR Section 31 Grant reserve reflects the grant received in 2020/21 to compensate the Council for the additional cost of providing 100% business rates relief to businesses in retail, leisure, hospitality and nurseries. Section 31 grants are accounted for through the General Fund, whereas business rates income is accounted for through the Collection Fund. The estimated balance on Collection Fund at the end of 2020/21 is exceptionally low as a result of the additional discounts applied to business rate payers. This grant will be drawn down in 2021/22 to smooth the budgetary effect of this deficit. This action has been factored into the Council's budget position.

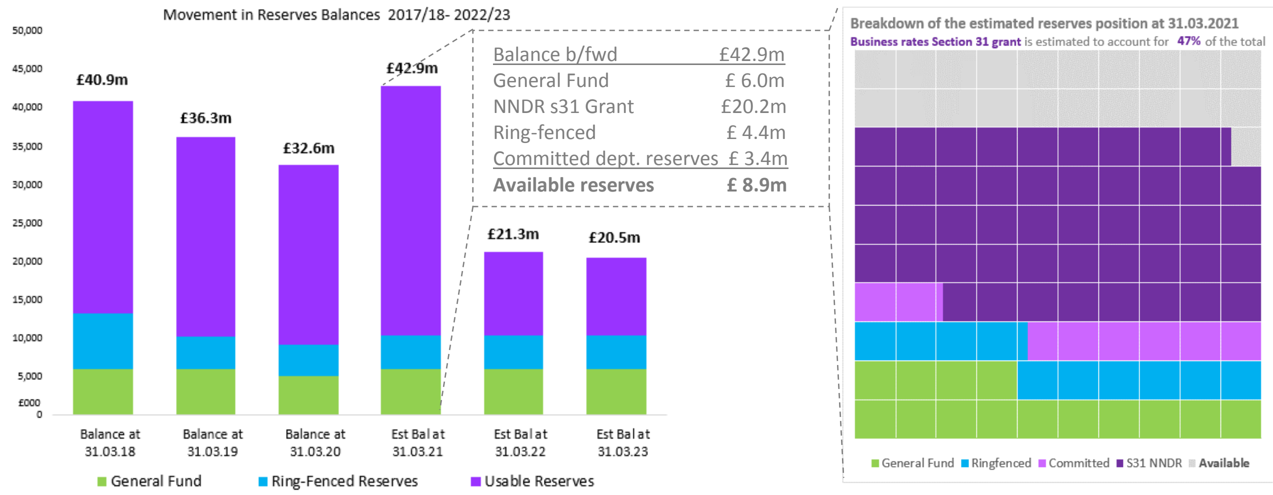
Table 13 outlines the forecast position on the General Fund (unallocated reserve), the usable and ring-fenced reserves (earmarked reserves).

Table 13: The Reserves Position 2019/20 to 2022/23

Summary of Reserves	**2019/20 Balance at 31.03.20 £000**	**2020/21 Est Bal at 31.03.21 £000**	**2021/22 Est Bal at 31.03.22 £000**	**2022/23 Est Bal at 31.03.23 £000**
General Fund	**5,111**	**6,000**	**6,000**	**6,000**
Usable Reserves:				
Capacity Building Reserve	12,992	9,018	8,906	8,906
Departmental Reserve	5,077	3,258	1,936	1,147
COVID-19 NNDR Section 31 Grant	-	20,205	-	-
COVID-19 reserve	5,332	-	-	-
Usable Reserves	**23,401**	**32,480**	**10,842**	**10,053**
Ring-Fenced Reserves:				
Insurance Reserve	3,073	3,459	3,459	3,459
Schools Capital Expenditure Reserve	752	752	752	752
Parish Council Burial Ground Reserve	56	56	56	56
Hackney Carriage Reserve	173	173	173	173
Ring-Fenced Reserves	**4,063**	**4,440**	**4,440**	**4,440**
TOTAL Earmarked and General Fund Balance	**32,575**	**42,920**	**21,282**	**20,493**

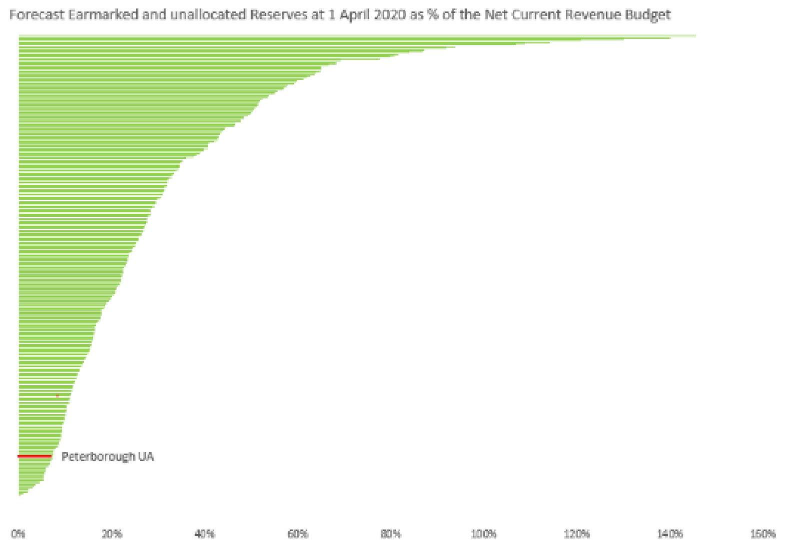
note to the table - this includes the assumption that the projected 2020/21 overspend of £3.6m is funded via capitalisation direction and any of the budget gap in 2021/22 is funded via reserves.

The following charts show the forecast balance of the reserves from the end of 2017/18 to an estimated end position for 2022/23. The reserve balances at the end of 2019/20 appears relatively high due to the inclusion of the £5.4m of C-19 response fund, then greater again in 2020/21 due to the inclusion of the NNDR Section 31 grant, with both being fully utilised in 2020/21 and 2021/22 respectively. Although in principle there is exceptional support available to the Council in 2021/22 which ensures a balanced budget, a significant challenge still remains in 2022/23. Of these reserves balances only **£8.9m is uncommitted, un-ringfenced and available for use**, which would only cover 33% of the £26.8m budget gap in 2022/23.



Risk, Resilience and Reserves

6.5 The following chart shows the Council's reserve balances in comparison to other local authorities. This shows the Council has one of the lowest reserve balances in the Country, with the ratio of reserves to net revenue expenditure in 2020/21, equating to only 7.4%.



Source- Revenue Account Budget data- 2020/21

A Council's reserve balances should safeguard the Council against future unknown risk. The Council is exposed to greater levels of risk now when compared to 2013/14 as a result of further pressure on budgets as the rise in demand continues, and the exposure to volatility caused by the Council's total funding being highly geared towards local tax collection. Chart 6 outlines this change in the Councils funding make up.

7.0 BUDGET VIREMENTS

7.1 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.

7.2 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.

7.3 The virement limits for 2021/22 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

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

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

7.5 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

7.6 In the event that this applies to virements, it will be reported to the next relevant meeting in line with the limits in 7.3 above.

8.0 FINANCIAL RISK

8.1 Local government has become increasingly exposed to risk and instability within the system. It has become financially stretched following a decade of funding cuts and austerity measures, and the uncertainty around future funding and wider public sector reforms causes' added difficulty for strategic planning. The Council assesses financial risks as part of its annual budget setting process and regular Budgetary Control process.

The Council also has a Risk Management Board, led by the Corporate Director of Resources, which is set up to challenge and support risk management across the Council and partner organisations. The output from this Board is considered regularly at Audit Committee. The last meeting of this board was held on 25 January 2021.

The Board ensures that risk management is aligned with the overall organisational approach and that the identification of key issues is 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 to provide assurance in relation to the Council's overall governance and control environment.

Most of the financial risks identified are inherent, including the requirement to deliver savings plans, management of budgets, which relate to demand led services and assumptions in respect of the level of resources receivable through Council Tax, Business Rates and Government grants.

An additional risk log has been developed to identify C-19 specific risks. This is reviewed by the Joint Management Team (CMT that covers both the Council and Cambridgeshire County Council). This includes operational and finance risk, some of which exacerbate the financial risks already identified. These exacerbated risks include the assumptions around the levels of income and collections rates in respect of Council Tax and Business Rates and the levels of short term and ongoing Government grant received to support the additional costs and new responsibilities taken on by the Council such as Test and Trace. In addition to this estimating the levels of sales, fees and charges, income and expenditure levels, remains incredibly difficult, especially while the country remains in Lockdown 3.0, and lasting operational and economical effects on the pandemic remain unknown.

Ernst and Young (EY), the Council's external auditors, have undertaken an in-depth assessment of the Council's arrangements to secure economy, efficiency and effectiveness, commonly known as Value for Money. This included reviewing the Council's budget assumptions, the financial strategy and savings plans. The modelling undertaken by EY concluded the Council's budget assumptions over the MTFS were both reasonable and appropriate, however recognised that the financial challenges facing the authority could be more severe, with the Council's current levels of reserves and financial resilience hindering the Councils ability to overcome these challenges.

Reasonable mitigating actions have been made where possible to the identified and managed risks. Appendix H details the budget risks and identifies how C-19 has increased these risks. Cabinet and Council should consider when reviewing the Phase Two budget proposals.

9.0 NATIONAL FUNDING CONTEXT

9.1 Financial Impact of C-19

Nationally, C-19 has had a significant impact on Council finances. The latest C-19 financial management information analysis published by MHCLG, identified additional pressures and lost income was **c£11bn.** This included:

- **c£5.5bn** of Cost pressures including Adult Social Care, Homelessness, supporting residents that are shielding, lost savings opportunities
- **c£3bn** Income losses in respect of Business Rates and Council Tax
- **c£3bn** Lost 'Sales Fees and Charges' and commercial income. MHCLG have launched a scheme which will partially compensate Councils for lost Sales Fees and Charges income, this scheme will run until 30 June 2021.

Some of these cost pressures and reduced income generation will have lasting effects for councils and will impact base budgets in the medium term. This makes it ever more important that clarity on the longer-term funding position for Local Government is confirmed.

9.2 Spending Review 2020 (SR20) and Final Local Government Finance Settlement 2021/22

The SR20 was announced by the Chancellor on 25 November. The SR20 was dominated by the effects of C-19, with a significant rise in expenditure. The SR20 outlined the total managed expenditure increasing from £883bn in 2019/20, to £1.164bn in 2020/21, before reducing to £1.011bn in 2021/22. The announcement provided local government with some short-term certainty and resources for 2021/22, to ensure the continuation of vital services and the response to the C-19 pandemic can be delivered.

The announcement outlined funding for C-19 pressures, additional Social Care funding and Council Tax flexibilities, all confirmed within the final Local Government settlement. On the face of it the government outlined a potential 4.6% increase in Core Spending Power. However, the final settlement documents outline that this increase was over 85% dependant on Councils raising the levels of Council Tax. This leaves Councils like Peterborough, who are in need of additional funding to protect services, little choice but to raise Council Tax by the maximum allowable amount.

Highlighting the increase in CSP portrays a position of 'new' funding being made available to Local Authorities. This is misleading to the sector and public, and creates difficulties for the Council in justifying and explaining Council Tax rises to the local taxpayer.

The final settlement confirmed a change in approach, whereby unused New Homes Bonus was used to fund other 'new' grants, instead of returning it back to local government like in previous years. These actions create turbulence in the funding system, making it difficult for Councils to financially plan due to unpredictability in approaches applied and reducing confidence in the system. These are all concerns the Council has outlined in its consultation response to the Local Government Provisional Settlement.

Overall, the Council will receive additional funding of £12.7m in 2021/22 and £3.1m from 2022/23 onwards as a result of the announcements, this is outlined within Table 14. It highlights that over 70% of additional funding was one-off expected for 2021/22 only.

Table 14: Funding as a result of Local Government Final Settlement

	2021/22 £000	2022/23 £000	2023/24 £000

£1.55bn of C-19 Funding (Tranche 5)	6,366	-	-
RSG- Inflationary increase (CPI-0.5%)	58	58	58
£300m Social Care Funding	993	993	993
New Homes Bonus (additional year)	988	-	-
Council Tax- 3% ASC precept and 1.99% general Council Tax (total 4.99%)- MTFS originally assumed 2.99%	1,674	1,675	1,675
£670m Local Council Tax Support Grant	1,590	-	-
Lower Tier Services Grant	281	281	281
Tackling Troubles Families	753	-	-
Total Budget Impact	**12,703**	**3,007**	**3,007**

Other items announced include the continuation of the Sales, Fees and Charges income compensation scheme until June 2021. Based on Jan-Mar 2021 forecasts this could be worth £1.1m, however the Council would have corresponding pressures which would mean there would be no beneficial budgetary impact.

A £762m tax loss guarantee scheme has been confirmed which will support authorities with 75% of Council Tax and NNDR losses. The Council estimates that it will receive a grant of £2.1m, based on current data. Following the CIPFA Code of Accounting Practice this would need to be accounted for in 2020/21. This has been factored into the December 2020 Budgetary Control Report (also presented to this Cabinet).

Other funding headlines within the SR20 and the final settlement include the following items, where the Council is waiting for further details to be released:

- Additional funding of £254m has been announced to reduce rough sleeping and homelessness, (£103m announced earlier this year)
- £98m of additional funding for domestic abuse, bringing total funding to £125m
- £1.7bn in 2021/22 for local roads maintenance and upgrades to tackle potholes, includes £500m for the Potholes Fund and £310m for upgrades to larger local roads
- £257m for cycling routes
- £621m to regenerate high streets, town centres and communities through the Towns Fund
- Public sector Pay freeze
- A major new £4bn "Levelling Up Fund", which will be open to all local areas and will prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less government investment in recent years. The government will set out further details on how to support levelling up across the UK in the New Year

MHCLG announced within the final settlement which Councils are receiving exceptional support. The Council was amongst 4 Councils (including Bexley, Luton and Eastbourne DC) receiving support within this round, and will continue to work closely with MHCLG on the Council's financial strategy to ensure the delivery of a sustainable future.

Longer Term Local Government Funding Reform

9.3 For a number of years the Local Government sector has been anticipating the implementation of major structural changes within the funding system, to reflect changes in relative need, resources and the continuing pressures, such as those most noticeable within Adults and Children's Social Care budgets.

As a result of the scale of the changes required, and then the C-19 pandemic, the Fairer Funding Review (FFR) has been postponed into future years. MHCLG and ministers have set out a broad timescale, which will follow other major government funding announcements (these are outlined in the following paragraphs). However, it is important that these announcements cover a multi-year period. In recent years Local Authorities have only been given one-year funding settlements leaving them to operate under increased levels of uncertainty, experience difficulties setting a strategic financial plan due to nature of short-term budgeting.

This makes it difficult for the Council to plan how best to allocate resources and provide services. After a decade of funding reductions, austerity measures, and the effects of an outdated funding system the Council is left with a funding deficit and greatly reduced financial resilience to manage budget risks.

For the Council to remain viable it requires sustainability and certain long-term funding, reflective of the needs within Peterborough. This would ensure the continuation of vital services at existing levels and support the recovery of the economy following the impact of the pandemic.

High Level Funding Reform Timeline

9.4

(*) "When there is a clearer path ahead, we will work with the sector and Members across the House to seek a new consensus for broader reforms to local government, including the fair funding review and the business rates reset, and we will ensure that councils are set on a long-term trajectory of sustainable growth and fair resources. We all would agree that we need an updated and fairer method for distributing public funds within local government. This year would have been the wrong time to bring that forward, I think. This is a one-year settlement in a period of almost unique instability in the sector. <u>There might be an opportunity to do it next year</u>, and my Department will work with the Treasury to review that." - Robert Jenrick, 17 December 2020

Council Tax Review

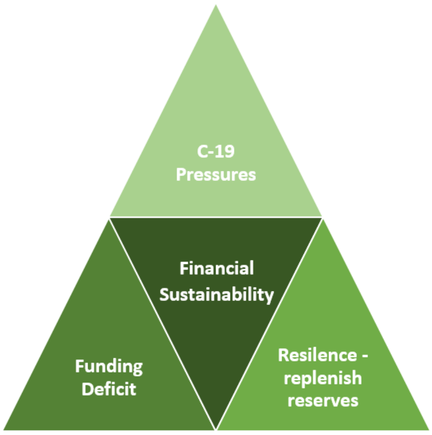
9.5 The case for reforming council tax is become increasingly apparent, with it is being <u>reported</u> that HM Treasury has commissioned research into the impact of removing both council tax and stamp duty and replacing them with a single property value tax. It is not clear from the report whether it would remain a locally collected and spent tax, or if the impact on council finances will be considered. The rationale for combining stamp duty with council tax is to remove barriers for older people downsizing and families moving into bigger homes.

Council tax is the only locally set tax, although this is within restrictive referendum limits determined by central government. Since 2012 there has been a significant shift in the source of councils resources. Central government has increased councils reliance on council tax income, to deliver local services, by significantly reducing its core funding to them over the same period (this is illustrated within *section 4.3 Chart 5: Change in Core Funding from 2013/14 to 2021/22)*.

With the greater reliance on Council Tax as a key funding source across the sector this has created a disproportionate resource distribution that sees councils with higher tax bases or higher band D rates, having an advantageous position when it comes to generating local tax income. This is something which is not equalised within the current funding system. This inequality in the funding system is an issue which the Council has raised with its discussions with MHCLG, and welcomes the review into council tax, as it demonstrates that there is finally recognition that funding reform is required.

10.0 A VIABLE COUNCIL – FUTURE FINANCIAL STRATEGIC FACTORS

10.1 There are three core elements which when addressed would enable the Council to manage the unprecedented financial challenges resulting from the C-19 pandemic. Addressing these core elements would provide future viability, financial sustainability, and rebuild financial resilience which would enable the continuation of service development and innovation, in additional to better reflecting the Council's risk profile.



As outlined in section 4.1, there is an inequality of funding across Local Government, as a result of the current funding formula not keeping up with the changes in demographic make-up across the Country, and the ability for Councils to raise local taxes. Service users across the Country receive differing levels of service, reflecting different levels of VFM. The Council has demonstrated that it is already at the lower scale of the spectrum in terms of service spend, has low levels of resources and has weak financial resilience. To make significant unplanned reduction in services, would only increase risk further and create a more costly surge of demand in the medium to longer term.

The Council has suggested the following alternative options which could assist with the bridging of the funding gap and achieve a sustainable position for the Council and wider Local Government, prior to addressing the underlying medium- long term funding shortfall:

Option	Short term	Long term	Advantage	Disadvantage	Indicative value
One-year holiday on the repayment of **debt** (MRP)	✓	✗	Enables transformational activity	Increased revenue costs through interest payments in the short and longer term	**£15m**
One-year holiday on the contribution to past **pension** liabilities	✓	✗	Enables transformational activity	Increased revenue costs in the short and longer term	**£14m**
Remove the penalty on **PWLB loans** to allow Council to renegotiate the loan rates (refinancing)- *also included within the structural deficit solutions*	✓	✓	Benefits are spread over the short to long term time frame Precedence exists for such activity	Impact on national economics Immediate benefits smaller	**£4.3m**
Use PWLB borrowing to fund the **pension** deficit	✓	✓	Maximise the benefit of gilts to fund a longer-term liability	Impact on national economics	**£12.5m**
For current financial year reduce the **business rate** contribution to the central share	✓	✗	Assists with the council's cash flow Risk transferred to central government	Impact on the wider local government funding mechanism	**£10m**
Maintain the **New Homes Bonus** and not phase in the grant reduction	✓	✓	Reduction in the funding gap Reward for policy decisions	Impact on the wider local government funding mechanism	**£3m**
Capitalisation direction for C-19 costs	✓	✗	Cash injection for revenue funding	Future generations burdened with non-asset related debt	**No limit**

These options were ruled out by Alex Skinner (director of Finance, MHCLG) saying *"the department has been approached on a number of occasions about whether it could give accounting flexibilities, which it has carefully considered. However, the conclusion we have reached today is that actually we are much better off providing the support we have rather than accounting flexibilities because of the risk accounting flexibilities [involve of kicking the can down the road".*

Funding reforms could significantly improve the Council financial situation, and ensure that resource allocation reflects the level required to ensure the Council can continue to meet the need for services within Peterborough. The Council has identified and evidenced that a combination of the following options could provide the Council with adequate levels of resources in the longer-term. This would allow it to become financially sustainable:

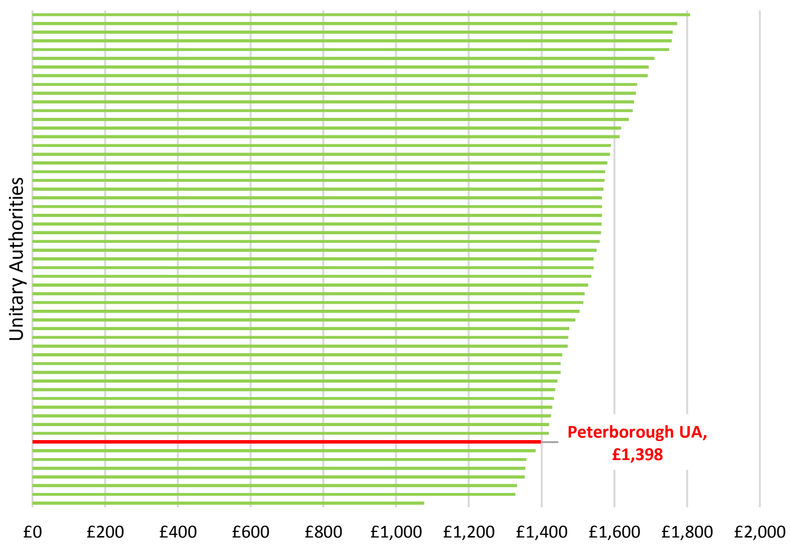
- **Fairer Funding Review** – including within the formula full Council Tax Equalisation, population projections and a greater weighting for deprivation.
- **Appropriate levels of capital funding** - for schools, infrastructure and reduced reliance on 'match funding'
- **Adult Social Care funding** - to recognise the growing demand in this area which requires additional support each year.
- Additional local **Council Tax flexibility** - with protection from excessive increases for those households falling within the 'JAMS' category.
- Local Government funding - **annual uplift to all funding** in line with CPI/RPI to recognise the increasing cost of services, supplies and the pay award
- Confirmation of **multi-year settlements** to support strategic service and financial plans.

The Council has identified £4.0m of savings opportunities categorised as 'amber' which could be developed with a view to implementing in 2022/23. However, even with the delivery of these the budget gap remains well in excess of £20.0m. The scale of the challenge remains significant, and the Council will continue to work closely with MHCLG on the delivery model which provides financial sustainability for the future.

10.2 **Council Tax and Funding**

Although Peterborough is a high growth area, it has a low council tax base which impacts the Council's ability to raise local council tax income. For Peterborough there is a large proportion (over 65%) of properties that fall within Bands A and B. Peterborough has the 8th lowest average Band D council tax rates when compared to other unitary authorities. The 2020/21 Band D rate is £1,398. If Peterborough was able to move to the average unitary council tax rate for 2020/21 of £1,534 **(a difference of £136 – 9.7%)** and applied to the tax base of 59,093 band D equivalents, this would generate an additional **£8m per year**.

Chart 5: 2020/21 Council Tax Band D Charge

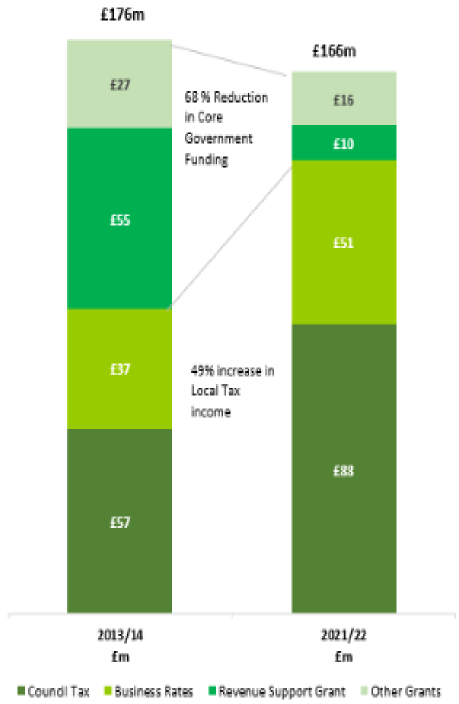


The Council Tax referendum limit restricts the Council's ability to raise the level of its total resources. Since the local tax lock, introduced in 2012/13, Councils have been encouraged to receive a Council Tax Freeze Grant or apply a minimal capped increase to council tax. This at the same time Council core funding has been significantly reduced.

Since 2013/14 the Council has experienced a 68% reduction in the level of core grant funding, and over the same time has relied on council tax increases and business rates growth to bridge the resultant funding gap. This has been partially achieved leaving a £10m difference. It would take increases in council tax greater than 12% to bring total resources up to historic levels. Chart 6 illustrates this shift in core funding and increased reliance on two funding streams more exposed to economic fluctuations.

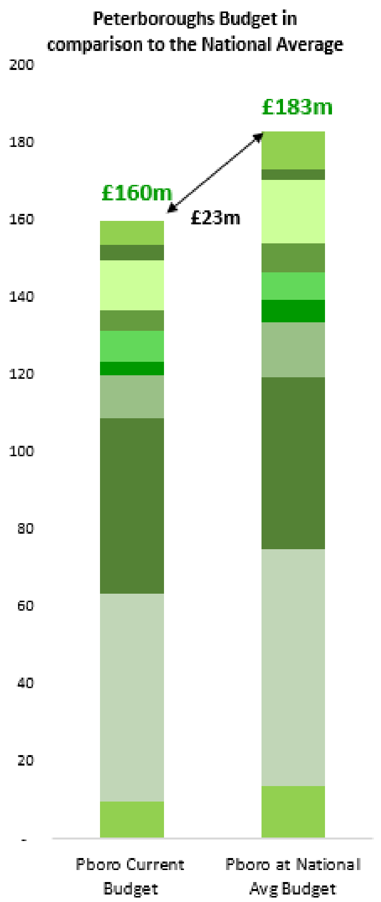
The reliance placed on council tax and business rates as the Council's core resource exposes the Council to greater levels of risk inherent in these funding streams. For 2020/21 and future years this risk increased as a result of the C-19 pandemic. The Council is experiencing rises in Local Council Tax Support claimants, reductions in collection rates and lower income from growth. The change in risk profile for funding highlights the importance of the Council's financial resilience reflected in the level of reserve balances it is these funds that the Council would resort to provide temporary stability and mitigate the immediate cost of risk materalisation.

Chart 6: Change in Core Funding from 2013/14



**the chart does not include one off C-19 funding or the assumed Capitalisation direction*

10.3



Low Unit Cost Benchmarking (2020/21)

Over the years the Council has been proactive in pursuing 'Value for Money' and low spend by implementing savings plans and ensuring spend remains low for the cost of service delivery. The Council maintains a strong awareness of comparison to other Local Authorities cost performance. The most recent benchmarking report demonstrates that the Council's expenditure, in comparison to other authorities across England, is 13% lower than average, and ranked 98th highest out of 119 comparable authorities - **the lowest 20% in the Country.**

The chart and table outline the Council's position, demonstrating that in almost every service the Council has some of the lowest costs in the sector

.

Service Area	Pboro Current Budget	Pboro at National Avg Budget
Education (exc. schools)	10	14
Adults' Social Care	53	61
Children's Social Care	45	44
Public Health	11	14
Highways & Transport	4	6
Housing (General Fund)	8	7
Cultural & Related Services	5	7
Environmental & Regulatory Services	13	16
Planning & Development Services	4	3
Central Services	6	10
Total	**160**	**183**

The following points provide context as to what these rankings mean in terms of funding differences in local government:

- If the Council had funding up to the equivalent of national average it would equate to an **improvement of £23m** for the Council's budget.
- If the Council had total resources equivalent to the expenditure level at the 60th percentile, this would give the Council an overall budget of £192m, a **£32m improvement** on the current level.
- Furthermore, if it had resources equivalent to that of the 80th percentile the Council could have had an overall budget of £228m, which equates to **£68m improvement**.

10.4

Capital

Servicing the capital programme accounts for a nearly 20% of the Council's revenue budget. As a growing city, capital expenditure is vital to the provision of many Council services and this includes:

- Schools and Education, including a University - to enhance skills attainment
- Infrastructure - to support housebuilding, to attract businesses and new investment
- Regeneration - to keep the local economy thriving, encourage a productive labour market and to keep poverty low.

The cost of capital financing is the cumulative position of past capital investment decisions. When these decisions were made, they were done so with a long-term vision based on the financial and operational circumstances at the time. These decisions have been affected by recent factors including the years of austerity, the removal of funding schemes such as building schools for the future, and the introduction of new policies and strategies such as right to buy.

The Council has a significantly reduced resource base to fund services but at the same time has a requirement to continue investing in services and the regeneration of the City, in addition to carrying the cost of financing from previous years. The Council has rigorously reviewed the Capital Programme and reduced its expenditure where safe and possible, however decisions taken in previous years place a burden on the budget. There is minimal flexibility to reduce these costs making it difficult to deliver savings in the short-term - a high cost of debt reduces the Council's financial resilience.

11.0 OTHER FINANCIAL REPORTING REQUIREMENTS

11.1 Value for Money – Qualified Conclusion

At Audit Committee held on 25 January, and update to the Audit results report for the year to 31 March 2020, was presented by the Council's external auditors, Ernst and Young (EY). The report outlines a qualified conclusion in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources. The following paragraphs are an extract from this report:

*"**Whilst we have found that the Authority has responded appropriately to its deteriorating financial position**, we have **serious concerns about the Authority's current and future financial resilience** and ability to remain viable following the C-19 outbreak. **Without a comprehensive package of additional government funding support or a significant unplanned reduction in services**, the Authority's weak financial resilience has a pervasive and fundamental impact on the Council's ability to put in place the appropriate arrangements to secure Value for Money in its use of resources."*

11.2 Going Concern – Statement of Accounts

In response to the strain C-19 has put on Local Government finances, external auditors have requested Local Authorities to incorporate a 'going concern' statement within their Statement of Accounts (SoA). The Council's auditors, EY have requested the inclusion of this disclosure within the SoA for 2019/20 reflecting the Council's challenging financial position.

The concept of 'going concern' assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of 'going concern' reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a 'going concern' basis of accounting. However, if an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a 'going concern' basis.

Providing a statement on the 'going concern' status of the authority is made challenging due to the uncertainty surrounding the levels of government funding beyond 2020/21. The annual audit letter and final SoA's were issued in advance of the Audit Committee meeting on 16 November, which was in advance of the Local Government Finance Settlement announcement 2021/22. Therefore, this statement has been based on current funding levels at the end of October 2020, and will not materially change following the more recent funding announcements.

11.3 Financial Management Code

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively. The FM Code introduces a framework of assurance, which is built on existing successful practices and sets explicit standards of financial management.

Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance (section 151) officer and their professional colleagues in the leadership team. The first full year of compliance will be 2021/22. The FM Code establishes an approach based on six principles of good financial management, which are:

1. **Organisational Leadership** demonstrating a **clear strategic direction** based on a vision in which financial management is embedded into organisational culture.
2. **Accountability** based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
3. **Transparency** at the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
4. **Professional Standards** promoted by the leadership team, with adherence evidenced.
5. **Assurance** recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.
6. **Long-Term Sustainability** at the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

The Council's Finance Team is in the process of reviewing processes, procedures and governance arrangements, to understand where the Council is compliant with the FM Code and to identify any areas of improvement and enhancement. A register has been established to monitor and report on the Council's compliance and actions

A report (appendix) went to Cabinet on 30 November which contains further details on the FM Code. It is expected that the results of this assessment and an action plan will be reported to the Cabinet in no later than summer 2021.

12.0 CONSULTATION

12.1 Cabinet have presented the budget proposals in a meeting with the Cross-Party Budget Working Group on the 5 February to seek views, including the opportunity to make alternative suggestions.

There will be no formal public consultation for this Tranche of the budget, due to the nature of the proposals, as there is no impact on service users. Section 14 gives more details about consultation requirements.

13.0 ANTICIPATED OUTCOMES OR IMPACT

13.1 The release of Phase Two of the 2021/22 MTFS, outlines budget proposals to address the financial gap and the financial challenges facing the Council as a result of years of austerity measures and C-19 pandemic.

The Council must legally set a balanced budget for 2021/22 within the financial resources it will have next year. Cabinet will review the proposals and the MTFS at this meeting on 23 February 2021, before making a final recommendation to Council on 3 March 2021.

14.0 REASON FOR THE RECOMMENDATION

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

15 ALTERNATIVE OPTIONS CONSIDERED

15.1 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.

16.0 IMPLICATIONS

Elected Members

16.1 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.

16.2 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

16.3 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.

16.4 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.

16.5 When it comes to making its decision on 3 March 2021, 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.

16.6 The principle of fairness applies to consultation on the budget proposals, both consultations 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 considered in finalising any statutory proposals.

16.7 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.

16.8 It should be noted that a public consultation would not be undertaken for Tranche Two due to the nature of the proposals, as there is no impact on service users.

16.9 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.

Modifications to the Guidance

In June 2020, the Chartered Institute of Public Finance and Accountancy (CIPFA) confirmed amendments to the guidelines in wake of the C-19 pandemic to allow Councils under budgetary pressure as a result of the pandemic time and space to explore alternatives to freezing spending via issuing a s114 notice.

The temporary modifications to guidance proposed by CIPFA would mean that it should not normally be necessary for a s114 notice to be issued while informal discussions with government are in progress. The modifications include the following two additional steps:

- At the earliest possible stage, a CFO should make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming s114 requirement.
- The CFO should communicate the potential unbalanced budget position due to C-19 to MHCLG at the same time as providing a potential a s114 scenario report to the Cabinet and the external auditor.

16.10 **Human Resources**

In order to deliver Phase Two of the budget, it is anticipated that there will be less than 5 FTE reductions. It is always the aim of the Council to try and minimise compulsory redundancies and the impact on our service delivery. This will be achieved, wherever possible, by seeking redeployment opportunities, the deletion of vacant posts, restrictions on recruitment (considering service delivery), natural wastage / turnover and reducing or eliminating overtime, (providing service delivery is not compromised). Where staff are affected, the Council will seek voluntary redundancies as appropriate to minimise compulsory redundancies and where this is unavoidable, appropriate outplacement support will be considered.

16.11 **Equality Impact Assessments**

All budget proposals published in Phase Two of the budget process have been considered with regards to equalities issues. There are no equalities implications arising from the recommendations in the report.

16.12 **Carbon Impact Assessments**

All budget proposals published in Phase Two of the budget process have been considered with regards to the carbon impact and where appropriate carbon impact assessments have been completed. These have been included within Appendix J – Carbon Impact Assessments.

17.0 BACKGROUND DOCUMENTS

17.1 Medium Term Financial Strategy- 2020/21- 2022/23
Budget Setting Process: (Item 9a, Cabinet Report, Appendix A)
COVID-19 Financial Update: 11 May Cabinet, Item 5
Final Outturn Position20219/20: 22 June 2020 Cabinet, Item 6
Budgetary Control Report April 2020: 22 June 2020 Cabinet, Item 8
Budgetary Control Report May 2020: 13 June 2020 Cabinet, Item 6
Budgetary Control Report July 2020: 21 September 2020 Cabinet, Item 8
Budget Setting Process: (Item 9a, Cabinet Report, Appendix A)
COVID-19 Financial Update: 11 May Cabinet, Item 5
Final Outturn Position20219/20: 22 June 2020 Cabinet, Item 6
Budgetary Control Report April 2020: 22 June 2020 Cabinet, Item 8
Budgetary Control Report May 2020: 13 June 2020 Cabinet, Item 6
Budgetary Control Report July 2020: 21 September 2020 Cabinet, Item 8
Budgetary Control Report August 2020 – 26 October 2020 Cabinet, Item 5
Budgetary Control Report October 2020: 30 November 2020 Cabinet, Item 8
Medium Term Financial Strategy 2021/22 TO 2023/24 - PHASE ONE: 30 November 2020 Cabinet, Item 6
Budgetary Control Report November 2020- 18 January 2021 Cabinet Item 6
Council Tax Base and Collection Fund Cabinet Report , Appendix A, Supplementary Report
Budgetary Control Report December 2020- 23 February 2021 Cabinet

18.0 APPENDICES

18.1
- Appendix A – 2021/22-2023/24 MTFS Detailed Budget Position Phase Two
- Appendix B – Budget Proposal Detail
- Appendix C – Phase one and Phase Two Budget Proposal Summary
- Appendix D – Grant Register
- Appendix E – Council Tax Information
- Appendix F – Fees and Charges
- Appendix G – Capital Programme Schemes 2021/22-2023/24
- Appendix H – Financial Risk Register
- Appendix I – Carbon Impact Assessments
- Appendix J – Treasury Management Strategy
- Appendix K – Capital Strategy
- Appendix L – Asset Management Plan

Appendix A – 2021/22-2023/24 MTFS Detailed Budget Position Phase Two

	2021/22	2022/23	2023/24
	£000	£000	£000
NNDR	(50,566)	(51,776)	(53,091)
Revenue Support Grant	(10,471)	(10,471)	(10,471)
Council Tax	(88,260)	(91,545)	(95,495)
New Homes Bonus	(3,054)	(1,461)	-
Business Rates Pool	-	-	-
Improved Better Care Fund	(7,260)	(7,260)	(7,260)
Social Care Grant	(5,673)	(5,673)	(5,673)
Lower-Level Services Grant	(281)	(281)	(281)
C-19 Response Fund	(6,366)	-	-
Local Council Tax Support Grant	(1,590)	-	-
Capitalisation Direction	(13,734)	-	-
TOTAL CORPORATE FUNDING	**(187,255)**	**(168,467)**	**(172,271)**
Chief Executives			
Chief Executive	162	162	162
Human Resources	1,057	1,057	1,057
Total Chief Executives	**1,219**	**1,219**	**1,219**
Governance			
Director of Governance	140	140	140
Constitutional Services	2,039	2,039	2,039
Legal Services	1,807	1,807	1,807
Performance & Information	181	181	181
Total Governance	**4,167**	**4,167**	**4,167**
Place & Economy			
Development and Construction	(68)	(76)	(85)
Director, OP & JV	107	107	107
Peterborough Highway Services	4,282	4,523	4,774
Sustainable Growth Strategy	1,519	1,519	1,519
Waste, Cleansing and Open Spaces	15,838	16,002	16,235
Westcombe Engineering	26	26	26
Director Place & Economy	14	14	14
Growth & Regeneration	(105)	(105)	(104)
Service Director Environment & Economy	602	602	602
Director of Housing	1,724	1,725	1,727
Total Place & Economy	**23,940**	**24,338**	**24,815**
People & Communities			
Director	2,175	2,261	2,351
Education	6,331	6,531	6,331
Adults - Commissioning	46,498	48,381	51,030
Adults - Operations	9,866	9,822	9,792
Children's & Safeguarding	294	294	294
Children's - Operations	10,814	12,267	12,267
Children's Commissioning	18,009	18,009	18,009
Commissioning Team & Commercial Operations	500	469	438
Communities - City Centre Management	293	292	291
Communities - Cohesion and Integration	18	18	18
Communities - Community Safety	(21)	(40)	(62)
Communities - Think Communities	3,047	2,850	2,902
Communities - Regulatory Services	1,714	1,714	1,714
DSG	0	0	0

	2021/22	2022/23	2023/24
	£000	£000	£000
Total People & Communities	**99,537**	**102,867**	**105,373**
Public Health			
Children 0-5 Health Visitors	4,074	4,074	4,074
Children 5-19 Health Programmes	941	941	941
Sexual Health	1,999	1,999	1,999
Substance Misuse	2,218	2,218	2,218
Smoking and Tobacco	292	292	292
Miscellaneous Public Health Services	1,427	1,427	1,427
Public Health Grant	(11,139)	(11,139)	(11,139)
Total Public Health	**(188)**	**(188)**	**(188)**
Resources			
Director's Office	272	272	272
Financial Services	3,937	3,187	3,187
Corporate Items	4,144	5,009	6,021
Peterborough Serco Strategic Partnership	8,051	8,393	8,736
Energy	478	478	478
Cemeteries, Cremation & Registrars	(1,525)	(1,533)	(1,540)
Corporate Property	1,782	1,810	1,839
COVID-19	-	-	-
Total Resources	**17,140**	**17,617**	**18,993**
Customer & Digital Services			
Director Customer & Digital Services	75	75	75
ICT	6,606	6,775	6,946
Marketing & Communications	409	409	409
Resilience & Health & Safety	266	266	266
Total Customer & Digital Services	**7,356**	**7,525**	**7,696**
Business Improvement			
Programme Management Office	722	722	722
Total Business Improvement	**722**	**722**	**722**
NET SERVICE EXPENDITURE	**153,894**	**158,268**	**162,797**
Corporate Expenditure	5,367	5,403	5,440
Capital Financing Costs	27,994	31,589	32,943
TOTAL PLANNED EXPENDITURE	**187,255**	**195,260**	**201,181**
REVISED DEFICIT/(SURPLUS)	**0**	**26,793**	**28,910**

Appendix B – Budget Proposal Detail

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
Budget Pressure & Service Demand	**Business Improvement**	Engagement Manager	This role was created during 2020 to develop a service engagement plan which supports delivery of transformation and savings initiatives, monitoring and, where possible, mitigating the impact of Covid-19. This proposal seeks to make the role permanent. The Engagement Manger works closely with senior managers and staff to set up management forums which share best practice and support staff engagement to identify, implement and monitor areas where efficiencies and savings can be made.				62	62	62	62	62	62
	Capital Financing Costs	Exceptional support from MHCLG (Capitalisation Direction - cost of borrowing)	Discussions are ongoing with MHCLG, however the Council has received confirmation that MHCLG are minded to approve a Capitalisation Direction of up to £20m in 2021/22. Once confirmed this will enable the Council to take on additional debt through borrowing to fund revenue expenditure for that year. This reflects the annual cost of borrowing £20m from a Capitalisation Direction.				150	1,150	1,151	150	1,150	1,151
	People & Communities	Adult Social Care-Cost Drivers and Demography review	Nationally, Adult Social Care is facing unprecedented financial pressures resulting from reducing budgets, rising costs of care, increasingly complex needs and an ageing population, exacerbated further by the Covid-19 pandemic. The council has not escaped these pressures, which are driven by a growing population and an increase in contract inflation and the cost of providing care.		2,314	4,628	1,300	500	500	1,300	2,814	5,128
		Adult Social Care-market sustainability	These pressures and recommended investment ensure the social care market continues to support service user's needs under the backdrop of continued financial pressures seen on a national and regional scale as a result of Covid-19. The vast majority of external funding for social care which had been available during phase one of Covid-19 will no longer be available in 2021/22. The budget required under this proposal would enable the Council to continue to support providers with the costs of direct intervention. Measures include: *Continuing to fund the additional c. 104 beds commissioned by the Council for patients discharged from hospital into other care settings during phase one of Covid-19 *Continuing to support providers with infection control measures associated with Covid-19, for example PPE and professional support *Supporting providers to cover the cost of the largest increase to the National Living Wage seen in 20 years.	5,147	4,480	4,815	(363)	637	637	4,784	5,117	5,452
		Care Homes Team investment	Across Cambridgeshire and Peterborough there are 167 registered residential and nursing homes (131 in Cambridgeshire and 36 in Peterborough). Compared to other areas, a higher percentage of homes are rated good or better, however, there are a small number of homes which require focus to address and respond to quality and practice	73	30					73	30	0

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			issues. This proposal involves the establishment of a dedicated Care Home Support Team across Cambridgeshire and Peterborough for two years to support homes where systemic issues are identified, in order to reduce the risk of provider failure and/or large-scale safeguarding concerns. This dedicated team of staff could provide practical support to the homes for a concentrated period to bring practice and documentation up to the required position. They could also work with providers where early involvement is likely to provide a preventative benefit. This support will include: Talking to residents and staff to gather their concerns and provide advice and reassurance Ensuring care and support documentation is up-to-date and meets the needs of all Supporting adherence to Mental Capacity Act and Deprivation of Liberty Safeguards statutory duties across the home Liaising with safeguarding teams as appropriate Celebrating and sharing good practice Checking the clinical needs of each resident are met and infection control measures are in place and appropriate Identifying opportunities for use of technology to support practice throughout the home as opposed to a resident by resident basis Work alongside home management to ensure they understand what is required and are able to take the changes forward positively. To resource this new team, a manager and five social workers would need to be recruited. The resource would be shared across Cambridgeshire and Peterborough so that it can be deployed where needed. The costs of this service would be shared by Peterborough City Council (26%) and Cambridgeshire County Council (74%).									
		Children's- Family Safeguarding	Family Safeguarding was implemented in Peterborough with the support of a grant from the Department for Education in 2017/18. This grant met the initial set-up costs and additional staffing costs for operating the model. It has now been fully utilised. Family Safeguarding is an approach to working with children living in families where issues affecting parents place them at the greatest risk of harm. These parental factors are substance and/or alcohol misuse, parental mental ill-health and domestic abuse and in the most complex family situations, parents may be struggling with all these issues. In Family Safeguarding, practitioners with expertise in supporting adults to address these difficulties are seconded into teams of children's social workers. Those practitioners support adults to address the difficulties they are facing, leaving the children's social workers to ensure that those changes are having a positive and sustainable impact for the children in the family. This approach is associated with fewer children coming into care as more families are supported to make permanent positive changes and is why Peterborough has fewer children in care than our statistical neighbours.	700	700	700	(700)			0	700	700

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			Having fewer children in care more than offsets the additional staffing costs for the adult practitioners, which are £900,000 per annum. Part of this cost is met by the public health grant, because successfully addressing substance, alcohol and domestic abuse and improving mental health are all core public health priorities. This reduces the staffing pressure to £700,000 per year from 2022/23									
		Children's Placements	While the council's overall number of children in care remains significantly below the average of its statistical neighbours, we have seen a small increase during the Covid-19 pandemic, partly as a result of families struggling to continue to look after children with very complex needs at a time when other forms of support including help from extended family was less available to them. Prior to Covid-19, the council had been reducing its placement costs and was set to achieve a £300,000 saving in 2020/21 and a further £500,000 saving in 2021/22. The costs of specialist placements for young people with complex social and emotional needs and for children and young people with complex disabilities are often as much as £5,000 per week per child or young person and can be significantly higher. This means that there can be an increase in placement costs of £1million resulting from an additional four children and young people with complex needs coming into care. The council is concerned that the impact of Covid-19 will continue to affect families and children and young people with the most complex needs, resulting in a continuing small increase in the numbers needing specialist care and placements over the remainder of the current financial year and into 2021/2. It is therefore prudent to assume a potential pressure of up to £2million in additional placement costs over the coming years.	2,000	2,000	2,000				2,000	2,000	2,000
		Think Communities Investment	The Peterborough and Cambridgeshire Think Communities approach brings together local authorities across the county, the voluntary and faith sector, community groups, housing providers, business, health, police and fire services to coordinate place-focused people-centred support. The approach was first developed in 2019, but since the start of the Covid-19 pandemic the coordinated Hub response implemented in Peterborough and Cambridgeshire has proven how the concept works in real time, supporting tens of thousands of residents to protect themselves, and as such not overload the NHS or other statutory services. This way of working achieved some outstanding outcomes and is something the council and Cambridgeshire County Council want to take experience from and to build on. Targeted preventative work will be delivered to ensure that people who might need help and support - for example, if they are lonely and isolated, or if they struggle with their household bills, or who are an informal carer - are able to get that support from within their own community first and foremost, either through a stronger and more	247						247	0	0

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			resilient set of community-led services or through council and other staff working more closely within and alongside communities. The council is proposing an initial 18-month investment to build on our existing core-funded infrastructure, embed many of the features developed during the Covid-19 pandemic, and deliver highly practical outcomes across all services. After the 18 months of transformation investment, it is expected that this approach and way of working will be embedded in the organisation and that ongoing work will be part of core budgets.									
	Place & Economy	Aragon Direct Services(Peterborough Ltd)	Since 2019, the council has operated a local authority trading company Peterborough Limited, through which a range of services are delivered under the name Aragon Direct Services. These include refuse collection, recycling, street cleansing, parks, trees and open spaces and other services. Since these services were insourced from the previous contract with Amey (Enterprise Managed Services Ltd), operations and costs have been reviewed to ensure high quality standards are maintained for the future. This review has identified that the cost base upon which the original contract was established was insufficient to sustain the required service levels in the long-term. The impact of the coronavirus pandemic has also led to additional financial pressures. Additional investment is required in several areas, including the replacement and updating of refuse vehicles, street sweepers, transport fleet and other equipment.	1,500	1,500	1,500				1,500	1,500	1,500
		Reduction in Income from sale of electricity from Energy from Waste plant Energy from Waste	The council is able to sell electricity produced by its Energy Recovery Facility and as a result a predicted income is built into the council's budget. However, energy prices have been lower than previous years and the amount of power generated by the facility has fluctuated, meaning it is expected to generate a reduced income. Therefore, a pressure of £500,000 needs to be reflected within the council's budget for 2021/22, reducing in future years in anticipation of an improved market.	500	400	300				500	400	300
		Specialist Technical Support for ERF Changes	This proposal is to secure specialist technical support pertaining to contractual arrangements with the operator of the Energy Recovery Facility, relating to changes in maintenance and operational requirements of the plant in line with developing industry best practice.				25	15	15	25	15	15
	Public Health	Agenda for Change	The increase in the level of the public health grant received in 2020/21 included an amount to pay the providers that TUPED across Agenda for Change (A4C) staff. This covered the cost of a pay award uplift which the Council is legally obliged to pay. This pressure has only started from 2020/21 onwards as in previous years Public Health England paid this cost directly.				308	308	308	308	308	308
	Resources	External Audit Fees	The audit procedures now required, and the risk and complexities involved in an organisation such as the Council have led to our external				100	100	100	100	100	100

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			auditors indicating a final fee estimate of around £185,000, some £100,000 higher than the current scale fee. This compares to a commercial benchmark of £250,000.									
		Increase in Sundry Bad Debt Provision- due to the economic impact of the C-19 Pandemic	Due to the economic impact of Covid-19 the council is anticipating that a high level of provision may be required at the end of the financial year. This is to reflect a higher than anticipated level of sundry debt outstanding, resulting from businesses, organisations and individuals struggling to pay for new and historic debt.	500			200			700	0	0
		Pay Award- 2.75% in 2020/21	In August 2020 an agreement was reached between the National Employers and the NJC Trade Union on rates of pay applicable from 1 April 2020, which included an increase of 2.75%. The council's budget had assumed a lower level of pay award, therefore an adjustment is required to ensure the full cost of this is covered.	725	725	725				725	725	725
		Pay Increments	The Council, like most other Local Authorities, pays staff based on Spinal Column Points (SCP). As part of the Council's pay policy staff move up an SCP, providing this is within their salary grade, on the 1 April each year. For a number of years, the Council has absorbed the cost of this within budget, but as funding has reduced and the cost of services has increased this is no longer possible. This proposal factors in the cost of pay increments for 2021/22.				621	621	621	621	621	621
		Peterborough Serco Strategic Partnership- Budget adjustment	This budget adjustment reflects amends to the original contract with Serco to provide a range of frontline and back-office services to the Council. Initially, the contract included a £500,000 'growth rebate' to be paid to the council after five and ten years, this was later adjusted to a £100,000 payment in each year of the ten-year contract. However, an error meant the second £500,000 payment was left in the 2021/22 budget, which is why this adjustment is required.	500	500	500				500	500	500
Budget Pressure & Service Demand Total				**11,892**	**12,649**	**15,168**	**1,703**	**3,393**	**3,394**	**13,595**	**16,042**	**18,562**
Collection Fund Losses: Council Tax & NNDR	**Funding**	Business Rates (NNDR) Collection Fund Deficit- Spread over three years	Each year the Council must evaluate the financial position of the collection fund and declare whether there is a surplus, where additional income has been collected in comparison to budget, or a deficit, where the income collected is less than budgeted. This amount is then carried forward into the following year's budget. For years the Council has declared a surplus position due to the level of business growth within the city. However due to Covid-19 the estimated position on the collection fund at 31 March 2021 is a deficit. On 1 December, new regulations came into effect which meant that a deficit arising in 2020/21 would need to be spread over three years. The Council has followed the proforma set by the Government to implement this approach. In Phase One the Council was expecting a more severe position on the collection fund due to a significant fall in collection rates and a fragile economy. However, during a thorough review of the NNDR assumptions, the overall impact on the collection fund is better than anticipated. The	2,389	2,389	2,389	(1,496)	(1,701)	(1,701)	893	688	688

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			Council has ensured the risk of non-collection and the higher level of appeals has been mitigated by contributions to the provision, but despite the struggling economy Peterborough has still seen business growth within the city. This growth has meant that the income base has grown, off-setting the other pressures putting a strain on the collection fund balance. Further information is included within the main MTFS report.									
		Council Tax Collection Fund Deficit- Spread over three years	Each year the Council must evaluate the financial position of the collection fund and declare whether there is a surplus, where additional income has been collected in comparison to budget, or a deficit, where the income collected is less than budgeted. This amount is then carried forward into the following year's budget. For years the Council has declared a surplus position due to the level of housing growth within the city. However due to Covid-19 the estimated position on the collection fund at the 31 March 2021 is a deficit. On 1 December, new regulations came into effect which meant that a deficit arising in 2020/21 would need to be spread over three years. The Council has followed the proforma set by the government to implement this approach. In Phase One the original estimates for the Council Tax Collection Fund were worse due to the high numbers of Local Council Tax Support (LCTS) claimants and the lower collection rates. Unlike business rates the council tax collection rates have improved significantly and are less than 1% behind target. The rise in the levels of LCTS claimants has also plateaued. The key driver for the estimated deficit on the collection fund is in relation to a delay in the house building, in comparison to the assumptions included within the original budget. This is a result of the restrictions which were in place in the first lockdown. The Council has also had to increase the level of bad debt provision to mitigate the risk of carrying higher levels of council tax debt. Further information is included within the main MTFS report.	934	934	934	(890)	(376)	(376)	45	559	559
Collection Fund Losses: Council Tax & NNDR Total				**3,323**	**3,323**	**3,323**	**(2,386)**	**(2,077)**	**(2,077)**	**938**	**1,247**	**1,247**
Funding Changes	**Funding**	Additional Social Care Funding	An additional £300m of social care grant funding was announced at the Spending Review and the Council's allocation of £0.993m was confirmed in the Local Government (LG) Provisional Finance Settlement. This funding forms part of a package alongside the ability for Local Authorities to raise an Adult Social Care precept, to support the additional costs of providing social care services.				(993)	(993)	(993)	(993)	(993)	(993)
		Business Rates (NNDR) Income Base	Within Phase One of the MTFS it was assumed that the Council's NNDR income base would be significantly impacted by the damaged economy, caused by Covid-19. This assumption was prudent and based on a 2% reduction, however after detailed review and analysis of the NNDR, the Council's position is much more positive than initially anticipated. The following factors have been considered in reaching this estimate: • An increase in the provision for appeals in respect of potential changes	1,005	1,005	1,005	(3,482)	(3,702)	(4,728)	(2,477)	(2,697)	(3,723)

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			to the rateable value of properties • An increase in the provision for bad debts which has been increased due to the high levels of non-collected NNDR (outlined separately) • NNDR Relief for empty properties as a result of well publicised instances of business administration and solvency (Arcadia, Paperchase, Debenhams etc) • An increase in expected income as a result of significant business growth within the city. This includes a number of warehouses and distribution centres on the Roxhill Site, which have created hundreds of jobs in 2021/22, the new Premier Inn in the city centre and a number of stores including Home Bargains, Aldi and Iceland.									
		C-19 Response Fund Tranche 5	This additional funding of £1.55bn was originally announced in the Spending Review with the Council's allocation of £6.366m being confirmed in the LG Provisional Finance Settlement. This grant is one-off and is intended to support local authorities with the continued pressures caused by Covid-19.				(6,366)			(6,366)	0	0
		Council Tax Base Reduction	In Phase One the Council was anticipating the rise in the levels of LCTS claimants to continue and be at a much higher level that the current trajectory, in addition to the levels of housing growth being much lower than those included within the Council Tax Base assumptions. In December the Council Tax Base was reviewed, and reported to Cabinet on 18 January (link to report) This identifies a Council Tax Base of 59,714.72 Band D equivalent properties for 2021/22, an increase of 621.25 in comparison to 59,093.47 in 2020/21. The Council's base budget assumption is that the tax base increases by roughly 780 Band D equivalent properties each year, which equates to around 1,000 properties. Although the increase is positive in light of the current economy and is a sign of continued growth it does fall short of the original budget forecasts, albeit the position is an improvement of that included within Phase One.	1,304	1,360	1,360	(1,071)	(1,120)	(1,113)	233	240	247
		Council Tax Increase-3% Adult Social Care precept and 1.99% General Council Tax increase (total 4.99%)	Within the 2020/21 MTFS, the Council had assumed a 2.99% Council Tax increase within its budget assumptions. The Government has now confirmed that local authorities have the flexibility to raise council tax by up to 4.99%, which includes a 3% Adult Social care precept and a 1.99% General Council Tax increase. The Government's expectation is that all councils will maximise this flexibility and included this within the Local Government Core Spending Power (CSP) documents published alongside the LG Provisional Finance Settlement. Therefore, the Council is proposing a total increase of 4.99%. This proposal reflects the change required to update the Council's budget assumptions.				(1,674)	(1,747)	(1,822)	(1,674)	(1,747)	(1,822)
		Increase in Bad Debt Provision as a result of reduced Business	Following review of the outstanding debt in respect of NNDR the Council has estimated an increase in its bad debt provision required. This is the result of the current levels of NNDR income collection being 17% lower than the targeted levels.	1,000	750	500	271	(264)	(303)	1,271	486	197

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		Rates (NNDR) Collection										
		Increase in Bad Debt Provision as a result of reduced Council Tax Collection	In Phase One the Council anticipated there would be a much higher rise to the level of bad debt provision needed in respect of council tax. The Council has increased this provision in 2020/21, however the impact of this is reported within the 'Council Tax Collection Fund Deficit- Spread over three years' proposal, with the impact of this being spread over three financial years.	500	400	300	(500)	(400)	(300)	0	0	0
		Local Council Tax Support Grant	Within the Spending Review the Chancellor confirmed £670m of grant funding for Local Authorities to compensate them for the additional costs associated with the increase in Local Council Tax Support caseloads. This is a one-off grant, with the Council's grant allocation confirmed at £1.590m.				(1,590)			(1,590)	0	0
		Lower Tier Services Grant	This is a new grant totalling £111m, which was announced within the LG Provisional Finance Settlement, of which the Council's allocations have been confirmed at £0.281m. This grant has been allocated to local authorities with lower tier functions (districts and unitary authorities) to ensure that no authority suffers a loss of Core Spending Power in comparison to 2020/21.				(281)	(281)	(281)	(281)	(281)	(281)
		New Homes Bonus	New Homes Bonus is a funding scheme which incentivises and rewards councils for housing growth within their area, and more so when homes are affordable or empty homes are brought back in to use. It was originally anticipated that New Homes Bonus would be phased out with a new scheme introduced. This was to be consulted on within 2020/21, however due to Covid-19, the consultation has been delayed until Spring 2021. In light of this delay, the Government has confirmed allocations which include payments in respect of the years 2018/19 and 2019/20 and a new allocation for 2021/22. The 2021/22 allocation is one-off, as a result of the delay, and has meant the Council has been able to factor this additional funding in to the budget for 2021/22.				(988)			(988)	0	0
		Revenue Support Grant (RSG)- Inflationary increase	As announced within the Spending Review and then confirmed within the LG Provisional Finance Settlement the Council is to receive an inflationary increase, based on Consumer Price Index (CPI) at 0.5% to its level of RSG.				(58)	(58)	(58)	(58)	(58)	(58)
	People & Communities	Tackling Troubled Families grant extension	The Council has received notification that the Tackling Troubled Families Programme will continue in 2021/22, when it was originally assumed the grant funding would cease.				(753)			(753)		
Funding Changes Total				**3,809**	**3,515**	**3,165**	**(17,485)**	**(8,565)**	**(9,598)**	**(13,676)**	**(5,050)**	**(6,433)**
Non- Delivery of Savings Plans	**Business Improvement**	Impairment of Business Improvement saving budgeted from April 2021	A savings target has been reduced by £68,000 as there is no longer has a sound basis for delivery due to the increased complexity and volume of data and insight required for COVID response and recovery.				68	68	68	68	68	68

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
	Customer & Digital Services	Communications- Saving and income adjustment	A savings target of £30,000 has been reduced, as an original plan to sell spare capacity within the communications team to partner agencies has not been implemented due to high demands placed on the team by the support required for Covid-19 communications activity. A planned increase in target value of £24,000 related to sponsorship income has been removed due to market conditions created by Covid-19.	80			(26)	54	54	54	54	54
	People & Communities	Adult Social Care- Care Suites	The additional demands placed on the Council's Adult Social Care Services by Covid-19 has resulted in these savings, which were proposed prior to the pandemic, becoming unachievable. Nationally, Adult Social Care has and is continuing to face unprecedented financial pressures resulting from reducing budgets, rising costs of care, increasingly complex needs and an ageing population, exacerbated further by the pandemic. The Council has not escaped these pressures, which are driven by a growing population and an increase in contract inflation and the cost of providing care. The increase to the National Living Wage has added additional pressure on the Council due to additional staff resource required to deliver services throughout the pandemic.	100	100	100				100	100	100
		Adult Social Care- Demand		328	328	328				328	328	328
		Adult Social Care- Demography		600	600	600				600	600	600
		Adult Social Care- National Living Wage		300	300	300				300	300	300
		Adult Social Care- Self Funders		50	50	50				50	50	50
		Deprivation of Liberty Standards (DoLS) Assessments	The delivery of this MTFS saving is no longer achievable due to a national delay in the implementation of the Liberty Protection Safeguards (LPS). The scheme was designed to replace Deprivation of Liberty Standards (DoLS) in October 2020 but has been confirmed to be put back to April 2022, due to Covid-19. It is expected that there may now be further changes to the standards and the need for further consultation before implementation.	159	159	159				159	159	159
		Home to School Transport - Catchment area review	These relate to savings identified within the MTFS in 2020/21 and prior years, which were proposed through a review of the Council's Home to School transport services including improved procurement and ensuring that routes were used to optimum levels. Due to Covid-19, the Council has had to implement additional vehicles to ensure national restrictions including social distancing are complied with, meaning that savings as a result of sharing transport were not achievable.	21	21	21				21	21	21
		SEN and Home to School Transport		246	246	246				246	246	246
		HR Controls- Agency Saving	The Council included a saving within the 2020/21 MTFS in respect of a reduction in agency staff expenditure, which was highlighted within a review of the Council's HR processes and controls. This saving was allocated across the directorates based on current agency budgets, and there has been a considerable reduction in agency staff expenditure in the last year. However due to the reliance on these budgets within People and Communities, to ensure there are adequate levels of social care workers and care staff, £447,000 of this saving will be unachievable.				447	447	447	447	447	447

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
	Place & Economy	Impairment of Place & Economy Saving increase budgeted from April 2021	The Place and Economy saving target has been increased by £56,000 from 2020/21 to 2021/22. This includes £38,000 which is now required for the new Assistant Director for Growth & Regeneration post.				38	38	38	38	38	38
	Resources	Business Support Services	This relates to a savings target which had been included in the 2021/21 MTFS to be achieved through the redesign of the Council's business support function. Work had started on this review prior to Covid-19, however due to the additional support required due to increased demand on services as a result of the pandemic, the business support function is as lean as it can be at this point in time and therefore the saving will not apply for this financial year. Work will resume on the new model when capacity allows.	1,882	1,882	1,882	146	146	146	2,028	2,028	2,028
		Internal Audit	This refers to the removal of a saving target which was included within the MTFS in 2020/21. This saving was based on a proposal by Grant Thornton to outsource the Internal Audit function, replacing all in-house posts with a budget to buy only 578 external audit days at an assumed cost of £415 per day. Further interrogation of the proposal showed that the scale and breadth of the work undertaken by the current in-house team could not be delivered for this cost and the proposal did not demonstrate best value. This team also covers work on corporate internal investigations, external blue badge misuse, staff disciplinary and misconduct cases, Stage 2 central complaints reviews, and joint working with DWP on benefits cases.	102	102	102				102	102	102
		Procurement	Removal of saving target which was included within the MTFS in 2020/21. This saving was expected to be delivered from 2021/22 on the basis of a proposal being developed to bring the procurement service in-house and reduce it, or to remain outsourced but reduce activity by 35%. Such a proposal has not been developed and the budget needs re-instating in order to fund the service as currently contractually specified.	240	240	240				240	240	240
		Sand Martin House	In 2019 the Council decided to lease the 2nd floor of Sand Martin House to the Construction Industry Training Board (CITB) which generates an ongoing income of £2.4m per annum. There was also a proposal to lease another part of the building to generate further annual income but in light of Covid-19 and current market conditions, the potential to achieve this income has been so severely curtailed as to require removing this saving target from the budget.	950	950	950				950	950	950
Non- Delivery of Savings Plans Total				**5,058**	**4,978**	**4,978**	**673**	**753**	**753**	**5,731**	**5,731**	**5,731**
Savings and Income	**Capital Financing Costs**	Capital Financing Capital Programme Review- Reduction in Capital Financing Costs	This is the impact to the capital financing budget following amendments to the Council's capital programme for 2020/21 onwards, resulting in lower borrowing requirement and lower associated revenue costs.	(367)	(367)	(367)	(1,492)	(356)	(1,373)	(1,859)	(723)	(1,740)

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
		Re-deeming Debt with Capital Receipts	The Council has undertaken a review of all its assets held for disposal. The profile of receipts, which is based on when we expect to be able to sell each asset, reflects the impact of economic uncertainty caused by Covid-19 and the additional work required to follow the correct processes for disposing of former educational land.				(2,433)	(2,603)	(233)	(2,433)	(2,603)	(233)
	Customer & Digital Services	Changes within the ICT Service	The managed IT contract with Serco came to an end during 2020 with IT staff and services transferring back to the Council generating savings totalling £311,000. An additional £50,000 saving should be possible from consolidating and sharing the Council's IT service structure with Cambridgeshire County Council as outlined in the Joint IT Strategy. Savings amounting to £300,000 have also been identified within business systems, including removal of entire systems where these are either no longer required, have been replaced or where the functionality can be provided through an existing or cheaper alternative. As part of the sharing of services with Cambridgeshire County Council, the Council will host its IT systems in the Peterborough DataCentre. This will provide Peterborough City Council with an income of £50,000 per annum and represents the first step towards becoming a more commercial IT service.	(711)	(711)	(711)				(711)	(711)	(711)
	Governance	Increased Income and Staffing, Supplies and Services Savings in the Governance Directorate	Reductions of spend on supplies and services throughout the directorate can provide a further £25,000 of savings. Legal services has reviewed its pricing model and can increase its income target by £50,000. Following successful recruitment to all vacant legal services roles and no further reliance on locums, the salary budget for legal services can be reduced by £60,000.				(135)	(135)	(135)	(135)	(135)	(135)
		Sharing Data Protection role with Cambridgeshire County Council	The Council's Data Protection role is now shared with Cambridgeshire County Council, which will generate a saving totalling 50% of the cost of this post.				(38)	(38)	(38)	(38)	(38)	(38)
	People & Communities	Blue badges	The Council is proposing to investigate and implement a joint Blue Badge service with Cambridgeshire County Council. Which will enable Peterborough City Council to generate a saving on staffing costs.				(13)	(13)	(13)	(13)	(13)	(13)
		Disability Forum infrastructure	There are regular provider forums in place and a more robust communication and support channel with the provider market which offer alternative solutions for those requiring the support previously offered.	(32)	(32)	(32)				(32)	(32)	(32)
		Public Health – Removal of Head of Public Health Intelligence post	As part of a realignment of the Public Health directorate, which works across Cambridgeshire and Peterborough, the Head of Public Health Intelligence post was made redundant at the end of August 2020. This post was employed by Cambridgeshire County Council, but because the team is jointly funded, a proportion of the cost of this post is a saving for Peterborough City Council.	(15)	(15)	(15)				(15)	(15)	(15)

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			This saving has been taken early and so also has a part year effect in the second half of 2020/21.									
		Public Health Falls Prevention Funding	As part of a new contract for the Integrated Lifestyles Service across Cambridgeshire and Peterborough, which started on 1 October 2020, the service is now fully funded by the Public Health Grant. This saving has been taken early and so also has a part year effect in the second half of 2020/21.	(40)	(40)	(40)				(40)	(40)	(40)
		Reduce spend on virtual School	Peterborough virtual school for children in care works in partnership with schools and other agencies in order to improve standards of achievement for this group of children and young people. It has a focus on improving educational outcomes and accelerating learning from early years to the end of Year 13. Following an Ofsted review in 2015, it was noted that the virtual school lacked sufficient capacity to monitor and improve educational outcomes for looked after children, including those in post-16 education. A substantial investment was made to increase capacity and in 2018 Ofsted noted that the quality of planning and support for children in care and care leavers provided by the virtual school had improved following investment in key new posts. Since then, the Council has received further grant funding from the Department for Education to support the core functions of the virtual school	(80)	(80)	(80)				(80)	(80)	(80)
		Reduction in grade of Financial Investigator in Communities team	The proposal relates to changing the scope of responsibilities of a Trading Standards post following the retirement of an officer, which has resulted in a lower grade for the post following job evaluation.				(4)	(4)	(4)	(4)	(4)	(4)
		Reduction of Posts within Adults and Safeguarding	This proposal looks to delete three part-time non-essential vacant posts from Adults and Safeguarding, within the People and Communities directorate. In April 2020 new financial assessment software was implemented following an upgrade of the Council's electronic care record system. This new way of working has led to more automation of several aspects of the work and therefore the need for less staffing resource. As a result, voluntary redundancy was agreed for one post and there is now the opportunity to delete a full time equivalent (FTE) Financial Assessment Officer role from the team. There is also the opportunity to remove the post of Early Help Prison Support Worker (0.5 FTE). The previously outsourced care act assessment and support planning functions within the prison were transferred back to the Council last year and further review of the function and duties undertaken has established that this now vacant role is no longer required.	(59)	(59)	(59)				(59)	(59)	(59)
		Registered Managers Network	The Council made an initial investment to help support the establishment of the Registered Managers Network, which is now self-sufficient. We				(10)	(10)	(10)	(10)	(10)	(10)

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			continue to work collaboratively with external providers and managers of social care services through a range of established forums and networks.									
		Reorganisation of City Centre Management	The Council is undertaking a review and restructure of the management of the Prevention and Enforcement Service across the following areas city centre, market, strategic parking and parking enforcement. The changes will allow for more resilience and co-ordination across service areas in the Prevention and Enforcement Service, which will result in the identified saving.				(50)	(50)	(50)	(50)	(50)	(50)
		Re-profiling of the PFI insurance Rebate	A PFI Insurance rebate is received bi-annually. Therefore, this proposal seeks to re-profile this saving accordingly, to minimise the volatility within the Council's budgets.				(100)	100	(100)	(100)	100	(100)
		Reorganisation of Communities and Partnerships Management	This saving will result from a review and restructure of the extended management team across the service directorate in response to new ways of working and changing priorities.				(49)	(49)	(49)	(49)	(49)	(49)
		Reviewing Dedicated Schools Grant (DSG) expenditure	In 2018, the Department for Education removed the Education Service Grant which funded services provided by local authorities to maintained schools, trusts and academies. Some of the responsibilities previously held by the Council for all schools including attendance, work with excluded pupils, child employment and the statutory oversight of education, we're transferred into the Dedicated Schools Grant (DSG) as additional funding. The Council has undertaken a review of its spend across these areas and as a result we are able to charge more costs, previously met by core council funding, against the centrally retained schools block in the DSG. This will lead to £250,000 being saved by the Council, providing the DSG continues to provide funding for these activities.	(250)	(250)	(250)				(250)	(250)	(250)
	Place & Economy	Housing Service	The Council's housing service is working towards becoming a national leader in customer service, efficiency and performance. A number of proposals are being put forward to support these aims. Firstly, it is proposed to establish a new permanent housing assistant director role at an annual cost of £127,000. An interim appointment covering the same scope of work has already been successful in achieving key objectives such as ending the use of B&B accommodation, reducing the backlog of homelessness and housing register cases and reducing the number of new homelessness cases requiring temporary accommodation. This post would enable the continuation of this work, supporting the Council to deliver a range of additional savings and manage demand. There is also a proposed project to establish a housing management and repairs service within the Housing Service. This would take responsibility for all repairs, asset management, compliance and housing management functions using a fit-for-purpose information system making a saving of £160,000 in comparison to the current contract costs.	(238)	(238)	(238)				(238)	(238)	(238)

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
			In addition, there are proposed improvements to temporary accommodation and traveller sites income collection, and debt collection more generally, in the Housing Service which would generate a saving of £205,000.									
		Increase fees for provision of Brown Bin garden waste collections, £5 increase from £45 to £50 (Income)	The Council runs an opt-in garden waste (brown bin) collection service for all residents across the city since 2014 there has been a charge for this. This proposal is to increase the current subscription fee for the scheme, from £45 to £50 per year, to reflect the fact that the existing budget does not allow for back-office software improvements, the impact on vehicle costs, or officer time. This would be the first increase to the charge since 2018/19. The Council is also proposing to introduce a £25 charge for a second (or any subsequent) brown bin to further mitigate the costs outlined above. The limit on the number of brown bins any one household has would be removed where operational demand allows.	(190)	(190)	(190)				(190)	(190)	(190)
		Peterborough Highways Services	Peterborough Highway Services is a partnership between Peterborough City Council and Skanska. The contract covers the improvement and maintenance of Peterborough's highway network and maintains 550 miles of carriageway, 718 miles of footways and 366 structures. A review has been undertaken to identify any elements of the services provided which can be stopped, amended or reduced or, where income could be increased or new income streams identified. This proposal includes a number of options where savings can be delivered. These include: *Changes to street lighting across the city, options include altering lighting levels or switching off some lights altogether between midnight and 5am, which could generate a £100,000 annual saving. *Adapting intervention standards on roads by allocating £150,000 of capital funding to allow whole areas of highway to be improved, rather than one-off patching, to enhance the asset, which would generate £150,000 revenue saving. *A review of fee levels to ensure that costs are recovered in relation to S38 (construction of new estate roads) and S278 (works to an existing highway) applications this would increase income by £50,000. *A fee increase to street naming which will cover costs in this area and generate additional income of £6,000. *A budget adjustment of £5,000 to reflect maintenance work at Junction 3A (Ikea) being absorbed within the wider maintenance budget and another for £5,000 to reflect that the activity of the Accessibility and Travel team has been absorbed as part of a wider programme of work.	(316)	(316)	(316)				(316)	(316)	(316)
		Sustainable Growth restructure	A restructure of the Sustainable Growth Team, resulting in the merger of roles across the Council and Cambridgeshire County Council is expected to save £20,000 per year.				(20)	(20)	(20)	(20)	(20)	(20)

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
		Sustainable Growth Strategy Savings	The Council has contracts with several other local authorities to deploy its staff to provide planning policy service support. There is increasing demand for this, so the Council is proposing to increase the target for income achieved through such contracts over the coming years. In addition, the Council plans to reduce its budget for the examination of planning policy documents, for example the inspection fees for the Local Plan. For the next few years, less examinations/inspections are programmed in and therefore the budget can be reduced accordingly.	(100)	(100)	(100)				(100)	(100)	(100)
		Westcombe Engineering	Westcombe Engineering is a sheltered employment scheme that manufactures engineering components for external sale. It has recently secured new long-term work orders, which, with associated capital investment has enabled additional income to support the budget, releasing a saving of £100k per year.	(100)	(100)	(100)				(100)	(100)	(100)
	Resources	Commercial Property Portfolio	This proposal reflects an uplift of commercial rents for properties within the council's portfolio which are due for review, including the Eco Centre and units at Saville Road and Alfric Square.	(35)	(35)	(35)				(35)	(35)	(35)
		Core Property Contract	NPS Peterborough Limited is a joint venture with Peterborough City Council which was set up in 2016. The team provides estate services including asset management and rural estates, estate management, property agency, rating and valuation and consultancy services. As with all other outsourced contracts and joint ventures, the Council has reviewed the service level agreement with NPS Peterborough Limited and the services delivered to identify potential savings. As a result, an 11.5% reduction is proposed to the budget over the next three years by making efficiencies around our strategic estates management function and the management of capital works.	(96)	(96)	(96)				(96)	(96)	(96)
		Reduction in Security	This proposal reflects changes in security arrangements following alterations in the usage of Council buildings, enabling a saving to be made. This includes maintaining the number of security officers employed at Peterborough Central Library at one, rather than the two that were budgeted for to reflect a lower than expected usage of the conference facilities which security is required for.	(30)	(30)	(30)				(30)	(30)	(30)
		Review of inflation and Fees and Charges	The Council annually reviews its inflationary assumptions and its levels of fees and charges. During this review, fees and charges increases totalling £0.075m were identified, as outlined within section 5.4 of the main MTFS report and Appendix H. These were largely in line with budget assumptions, therefore having a minor impact on the budget. This saving is mainly the result of a freeze on the Business Rates multiplier as announced by the Chancellor in the Spending Review. This means the business rates due on Council properties in 2020/21 will be at the same rate as 2021/22, and at lower rates in future years due to the lower forecast levels of CPI.				(96)	(148)	(122)	(96)	(148)	(122)

Category	Directorate	Budget Proposal	Description	P-One 2021/22 £000	P- One 2022/23 £000	P- One 2023/24 £000	P- Two 2021/22 £000	P- Two 2022/23 £000	P- Two 2023/24 £000	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
Savings and Income Total				**(2,659)**	**(2,659)**	**(2,659)**	**(4,440)**	**(3,326)**	**(2,147)**	**(7,099)**	**(5,985)**	**(4,806)**
Exceptional support from MHCLG (Capitalisation Direction)	**Funding**	Exceptional support	In accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) modifications the Council has contacted MHCLG as an alternative to issuing a S114 notice and to enable a balanced legal budget to be set. A review of the Council's financial position, and available options available to it to balance the budget has been undertaken by MHCLG. This review has recommended that the Council be considered for 'exceptional support' from MHCLG. Discussions are ongoing with MHCLG, however the Council has been notified that exceptional support for 2021/22 in the form of a capitalisation direction has been agreed in principle. This will enable the Council to take on additional debt through borrowing to fund revenue expenditure for that year (see above for inclusion of additional costs from borrowing).				(13,629)			(13,629)	-	-
Exceptional support from MHCLG (Capitalisation Direction) Total							**(13,629)**			**(13,629)**	**-**	**-**
Grand Total				**21,423**	**21,806**	**23,975**	**(35,668)**	**(9,821)**	**(9,674)**	**(14,245)**	**11,985**	**14,301**

Appendix C – Phase one and Phase Two Budget Proposal Summary

Directorate	Budget Proposal	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
Business Improvement	Engagement Manager	62	62	62
	Impairment of Business Improvement saving budgeted from April 2021	68	68	68
Capital Financing Costs	Capital Financing Capital Programme Review- Reduction in Capital Financing Costs	(1,859)	(723)	(1,740)
	Exceptional support from MHCLG (Capitalisation Direction - cost of borrowing)	150	1,150	1,151
	Re-deeming Debt with Capital Receipts	(2,433)	(2,603)	(233)
Customer & Digital Services	Changes within the ICT Service	(711)	(711)	(711)
	Communications- Saving and income adjustment	54	54	54
Funding	Additional Social Care Funding	(993)	(993)	(993)
	Business Rates (NNDR) Collection Fund Deficit- Spread over three years	893	688	688
	Business Rates (NNDR) Income Base	(2,477)	(2,697)	(3,723)
	C-19 Response Fund Tranche 5	(6,366)	0	0
	Council Tax Base Reduction	233	240	247
	Council Tax Collection Fund Deficit- Spread over three years	45	559	559
	Council Tax Increase- 3% Adult Social Care precept and 1.99% General Council Tax increase (total 4.99%)	(1,674)	(1,747)	(1,822)
	Exceptional support	(13,734)	0	0
	Increase in Bad Debt Provision as a result of reduced Business Rates (NNDR) Collection	1,271	486	197
	Increase in Bad Debt Provision as a result of reduced Council Tax Collection	0	0	0
	Local Council Tax Support Grant	(1,590)	0	0
	Lower Tier Services Grant	(281)	(281)	(281)
	New Homes Bonus	(988)	0	0
	Revenue Support Grant (RSG)- Inflationary increase	(58)	(58)	(58)
Governance	Increased Income and Staffing, Supplies and Services Savings in the Governance Directorate	(135)	(135)	(135)
	Sharing Data Protection role with Cambridgeshire County Council	(38)	(38)	(38)
People & Communities	Adult Social Care- Care Suites	100	100	100
	Adult Social Care- Cost Drivers and Demography review	1,300	2,814	5,128
	Adult Social Care- Demand	328	328	328
	Adult Social Care- Demography	600	600	600
	Adult Social Care- market sustainability	4,784	5,117	5,452
	Adult Social Care- National Living Wage	300	300	300
	Adult Social Care- Self Funders	50	50	50
	Blue badges	(13)	(13)	(13)
	Care Homes Team investment	73	30	0
	Children's- Family Safeguarding	0	700	700
	Children’s Placements	2,000	2,000	2,000
	Deprivation of Liberty Standards (DoLS) Assessments	159	159	159

Directorate	Budget Proposal	Total 2021/22 £000	Total 2022/23 £000	Total 2023/24 £000
	Disability Forum infrastructure	(32)	(32)	(32)
	Home to School Transport - Catchment area review	21	21	21
	HR Controls- Agency Saving	447	447	447
	Public Health – Removal of Head of Public Health Intelligence post	(15)	(15)	(15)
	Public Health Falls Prevention Funding	(40)	(40)	(40)
	Reduce spend on virtual School	(80)	(80)	(80)
	Reduction in grade of Financial Investigator in Communities team	(4)	(4)	(4)
	Reduction of Posts within Adults and Safeguarding	(59)	(59)	(59)
	Registered Managers Network	(10)	(10)	(10)
	Reorganisation of City Centre Management	(50)	(50)	(50)
	Reorganisation of Communities and Partnerships Management	(49)	(49)	(49)
	Re-profiling of the PFI insurance Rebate	(100)	100	(100)
	Reviewing Dedicated Schools Grant (DSG) expenditure	(250)	(250)	(250)
	SEN and Home to School Transport	246	246	246
	Tackling Troubled Families grant extension	(753)		
	Think Communities Investment	247	0	0
Place & Economy	Aragon Direct Services(Peterborough Ltd)	1,500	1,500	1,500
	Housing Service	(238)	(238)	(238)
	Impairment of Place & Economy Saving increase budgeted from April 2021	38	38	38
	Increase fees for provision of Brown Bin garden waste collections, £5 increase from £45 to £50 (Income)	(190)	(190)	(190)
	Peterborough Highways Services	(316)	(316)	(316)
	Reduction in Income from sale of electricity from Energy from Waste plant Energy from Waste	500	400	300
	Specialist Technical Support for ERF Changes	25	15	15
	Sustainable Growth restructure	(20)	(20)	(20)
	Sustainable Growth Strategy Savings	(100)	(100)	(100)
	Westcombe Engineering	(100)	(100)	(100)
Public Health	Agenda for Change	308	308	308
Resources	Business Support Services	2,028	2,028	2,028
	Commercial Property Portfolio	(35)	(35)	(35)
	Core Property Contract	(96)	(96)	(96)
	External Audit Fees	100	100	100
	Increase in Sundry Bad Debt Provision- due to the economic impact of the C-19 Pandemic	700	0	0
	Internal Audit	102	102	102
	Pay Award- 2.75% in 2020/21	725	725	725
	Pay Increments	621	621	621
	Peterborough Serco Strategic Partnership- Budget adjustment	500	500	500
	Procurement	240	240	240
	Reduction in Security	(30)	(30)	(30)
	Review of inflation and Fees and Charges	(96)	(148)	(122)
	Sand Martin House	950	950	950
Grand Total		**(14,245)**	**11,985**	**14,301**

Appendix D- Grant Register

Dept	Fund Provider	Grant Name	Grant Amount 2021/22	2021/22 Grant Confirmed Yes/No/Est
Chief Executives	DfE	Greater Cambridgeshire Social Work Teacher Partnership	Unknown	No
Governance	MHCLG	Transparency Code	(13,071)	Est
Governance	MHCLG	Property Searches new burdens	(24,327)	Est
Governance	HO	Police & Crime Panel	(60,000)	Est
People & Communities	Arts Council	Music Education Hubs	(360,861)	No
People & Communities	Cambridgeshire Police & Crime Commissioner	Drug Intervention Grant - DIP Main	unknown	No
People & Communities	Cambridgeshire Police & Crime Commissioner	Youth Services	(136,000)	Yes
People & Communities	MHCLG	PFI	(4,731,169)	Yes
People & Communities	MHCLG	Extended Rights to free travel and general duty to promote sustainable travel	(41,500)	No
People & Communities	DfE	Universal Infants Free School Meals	(1,000,000)	Est
People & Communities	DfE	School Improvement Monitoring and Improvement Grant	unknown	No
People & Communities	DfE	Extension of the Role of Virtual School Heads to Certain Previously Looked after Children Implementation Grant	unknown	No
People & Communities	DfE	Personal Advisor Grant	(48,462)	No
People & Communities	DfE	Staying Put	(123,517)	No
People & Communities	DoH	Local Reform & Community Voices	(113,731)	No
People & Communities	DoH	Social Care in Prisons Grant	(161,376)	No
People & Communities	DoH	War Pension Scheme Disregard	(40,264)	No
People & Communities	EFA	Primary PE and Sport Premium	(460,000)	Est
People & Communities	EFA	COVID19 catch up premium	(347,000)	Y
People & Communities	EFA	The 16 to 19 Bursary Fund	(50,000)	Est
People & Communities	EFA	Sixth Form Funding from the Education Funding Agency (EFA)	(1,300,000)	Est
People & Communities	EFA	Dedicated Schools Grant	(93,000,000)	Est
People & Communities	EFA	Pupil Premium Grant	(8,700,000)	Est
People & Communities	EFA	16-19 programme funding (City College)	(1,500,000)	Est
People & Communities	ESFA	Skills funding grant (City College)	(400,000)	Est
People & Communities	Foundations Independent Living Trust (FILT)	Gas Safe Scheme	(6,000)	Est
People & Communities	HO	Syrian Refugee Resettlement Programme	(120,200)	Est
People & Communities	HO	Syrian Refugee Resettlement Programme	(37,000)	Est
People & Communities	HO	Tackling Troubled Families Grant	(814,000)	Est
People & Communities	MoJ	Children on Remand	unknown	No

Dept	Fund Provider	Grant Name	Grant Amount 2021/22	2021/22 Grant Confirmed Yes/No/Est
People & Communities	YJB	Youth Justice Board Attendance Centre	(22,034)	Yes
People & Communities	YJB	Youth Justice Board Grants	(435,934)	Yes
People & Communities		Independent Living Fund	(116,885)	No
People & Communities/ Public Health	DfE	Wellbeing for Education Return Grant	unknown	No
Place & Economy	DfT	Bikeability	(20,000)	Est
Place & Economy	DWP	Mandatory Rent Rebates outside HRA: subsidy	Unknown	No
Place & Economy	MHCLG	Rough Sleeping Initiative	(809,761)	Yes
Place & Economy	MHCLG	Homelesness Prevention Grant	(1,337,187)	Yes
Public Health	DoH	Public Health grant	(11,124,000)	Est
Public Health	PHE	Rough Sleeping Drug & Alcohol Treatment grant scheme	Unknown	
Public Health	DHSC	Test and Trace grant	Unknown	
Resources	DWP	Discretionary Housing Payments (DHPs)	Unknown	No
Resources	DWP	Mandatory Rent Allowances: subsidy	Unknown	No
Resources	DWP	Housing Benefit Subsidy Admin Grant	(625,911)	No
Resources	DWP	Localised Council Tax Support Admin Subsidy grant	Unknown	
Resources	MHCLG	New Homes Bonus	(3,054,107)	Yes
Resources	MHCLG	Revenue Support Grant	(10,470,613)	Yes
Resources	MHCLG	S31 Business rate SBRR grant	(2,493,386)	Est
Resources	MHCLG	S31 Business rate SBRS grant	(188,000)	Est
Resources	MHCLG	S31 Rural rate relief	(7,792)	Est
Resources	MHCLG	S31 Business rate capping grant net of tariff adj	(2,434,943)	Est
Resources	MHCLG	S31 Rate bill cap for small bus (£600 cap)	(2,130)	Est
Resources	MHCLG	Council Tax Discount for Family Annexes	(8,763)	Est
Resources	MHCLG	Social Care Support Grant	(5,672,575)	Yes
Resources	MHCLG	Improved Better Care Fund	(7,259,937)	Yes
Resources	MHCLG	COVID-19 Funding Tranche 5	(6,365,751)	Yes
Resources	MHCLG	Sales Fees and Charges Income Support Grant (estimate)	(1,086,000)	Est
Resources	MHCLG	Local Council Tax Support Grant	(1,589,889)	Yes
Resources	MHCLG	Lower Tier Services Grant	(281,543)	Yes

Appendix E – Council Tax Information

ASC Precept and general Council Tax increase assumptions within the MTFS:

Summary	2020/21	2021/22	2022/23	2023/24
Council Tax increase	1.99%	1.99%	2.99%	2.99%
ASC precept increase	2.00%	3.00%	0.00%	0.00%
Council Tax Band D	1,371.11	1,425.82	1,511.65	1,556.85
Council Tax Band D - ASC precept	26.89	41.94	-	-
Total Band D	**1,398.00**	**1,467.76**	**1,511.65**	**1,556.85**
Council Tax Base - Band Ds	59,093.47	59,714.72	60,494.72	61,274.72
Council Tax Requirement (Band D x Council Tax Base)	**82,612,670**	**87,646,878**	**91,446,843**	**95,395,548**
Parish Precept	697,807	657,300	657,300	657,300
Collection Fund Surplus/(Deficit)	662,000	(44,782)	(558,727)	(558,727)
Total Council Tax (as per Appendix A)	**83,972,477**	**88,259,396**	**91,545,415**	**95,494,120**

Break down of the ASC Precept and general Council Tax:

	2020/21 Band D	2021/22 Band D	2022/23 Band D	2023/24 Band D
Basic Council Tax	1,249.67	1,276.41	1,304.23	1,348.12
Increase	26.74	27.82	43.89	45.20
General Council Tax	**1,276.41**	**1,304.23**	**1,348.12**	**1,393.32**
ASC precept 2016/17	22.56	22.56	22.56	22.56
ASC precept 2017/18	35.19	35.19	35.19	35.19
ASC precept 2018/19	36.95	36.95	36.95	36.95
ASC precept 2019/20	-	-	-	-
ASC precept 2020/21	26.89	26.89	26.89	26.89
ASC precept 2021/22		41.94	41.94	41.94
Total ASC Precept	**121.59**	**163.53**	**163.53**	**163.53**
Total	**1,398.00**	**1,467.76**	**1,511.65**	**1,556.85**

Breakdown of the Council Tax across the valuation bands:

	Valuation Bands							
	A £	**B £**	**C £**	**D £**	**E £**	**F £**	**G £**	**H £**
2021/22Total Non-Parished Areas	978.51	1,141.59	1,304.68	1,467.76	1,793.93	2,120.10	2,446.27	2,935.52
2020/21 Non-Parished Areas	932.00	1,087.33	1,242.67	1,398.00	1,708.67	2,019.33	2,330.00	2,796.00
Multipliers (which are applied to the Band D rate)	*0.6667*	*0.7778*	*0.8889*	*1.0000*	*1.2222*	*1.4444*	*1.6667*	*2.0000*

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Appendix F – Fees and Charges

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Customer and Digital Services	Business Regulations	Construction, Design and Management Fees	0.0%	Statutory
Governance	Mayoralty/Civic	Civic Room Lettings	1.3%	Council Lead
People and Communities	Business Regulations	Other Environmental Health Licensing	0.1%	Council Lead
People and Communities	Business Regulations	Trading Standards	0.5%	LACORS (Local Authority Coordination of Regulated Services
People and Communities	Business Regulations	Street Trading Consents (Non Pedestrian Area)	3.9%	Council Lead
People and Communities	Business Regulations	Other charges	0.5%	Council Lead/Statutory
People and Communities	Children & Families	Accommodation charges	0.0%	Council Lead
People and Communities	Childrens Social Care	Unauthorised absence penalty notice	0.0%	Statutory
People and Communities	City Centre Services	City Services Street Trading	1.0%	Council Lead
People and Communities	Community Protection	Environmental Protection Act	0.0%	Statutory
People and Communities	Community Protection	Environmental Enforcement	0.0%	Statutory
People and Communities	Education	Parental contribution to Bus Passes issued	11.6%	Council Lead
People and Communities	Enforcement	Houses of Multiple Occupation License	0.0%	Statutory
People and Communities	Housing & Healthy Living - Housing	Selective Licensing	0.0%	Council Lead
People and Communities	Independent Sector Placements	Extra Care Schemes	0.0%	Council Lead
People and Communities	Independent Sector Placements	Day services	0.0%	Council Lead
People and Communities	Independent Sector Placements	Direct payment rates	0.0%	Council Lead
People and Communities	Independent Sector Placements	Respite	Assessed charge	Council Lead
People and Communities	Licensing	Gambling Act Licensing	0.0%	Statutory
People and Communities	Licensing	Hackney Carriage Licensing	2.4%	Council Lead
People and Communities	Licensing	Animal Welfare Licensing	0.0%	Council Lead
People and Communities	Licensing	Lottery Licensing	0.0%	Statutory
People and Communities	Parking Services	PCN's - Off Street Parking	0.0%	Statutory
People and Communities	Parking Services	PCN's - On Street Parking	0.0%	Statutory
People and Communities	Parking Services	On Street Parking	0.0%	Council Lead
People and Communities	Parking Services	Off Street Parking	0.0%	Council Lead
People and Communities	Parking Services	Off Street Parking Season tickets	0.0%	Council Lead

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
People and Communities	Parking Services	Staff Parking	0.0%	Council Lead
People and Communities	Parking Services	Residential Parking	1.1%	Council Lead
Place and Economy	Archaeology Service	Archaeology Services	0.0%	Council Lead
Place and Economy	Asset Management	Street naming & numbering information	10.7%	Council Lead
Place and Economy	Passenger Transport	Queensgate Bus Station	0.0%	Council Lead
Place and Economy	Planning	Planning Fees and Charges	0.0%	Council Lead/Statutory
Place and Economy	Street Works	Licenses and permits	0.0%	Council Lead
Place and Economy	Tourism	Tickets sold on behalf of event organisers	0.0%	Council Lead
Place and Economy	Trans and Development	Highways Development	6.2%	Council Lead
Resources	Bereavement Services	Crematorium fees	3.2%	Council Lead
Resources	Bereavement Services	Memorial Sales	0.3%	Council Lead
Resources	Bereavement Services	Cemetery fees	3.0%	Council Lead
Resources	Registration Services	Private Citizenship Ceremonies	4.6%	Council Lead
Resources	Registration Services	Approved Premises/Registration Office	1.0%	Council Lead
Resources	Registration Services	Baby Naming/Renewal of Vows	2.1%	Council Lead
Resources	Registration Services	Registration Services – Statutory fees	0.9%	Statutory
Resources	Strategic Property	Property Rents	Varies - Increases in rent are dictated by the terms of the leases	Council Lead

Appendix G – Capital Programme Schemes 2021/22-2023/24

Project	2021/22	2022/23	2023/24	2021/22 Funding		2022/23 Funding		2023/24 Funding	
	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Strategic Plans									
New Primary Provision	100	100	100	100	-	100	-	100	-
New School Provision in Great Haddon	-	900	10,000	-	-	-	900	-	10,000
Housing for Vulnerable People	799	-	-	799	-	-	-	-	-
People & Communities Total	**899**	**1,000**	**10,100**	**899**	**-**	**100**	**900**	**100**	**10,000**
Operation Can Do	-	200	-	-	-	200	-	-	-
Rail Station Western Access	-	-	3,000	-	-	-	-	1,000	2,000
Place and Economy Total	**-**	**200**	**3,000**	**-**	**-**	**200**	**-**	**1,000**	**2,000**
North Westgate Development	3,000	-	-	3,000	-	-	-	-	-
Crematorium Relining	88	-	-	88	-	-	-	-	-
Strategic Property Portfolio capital maintenance and minor works	1,470	-	-	1,470	-	-	-	-	-
Further s106 / CLF	60	-	-	60	-	-	-	-	-
Resources Total	**4,618**	**-**	**-**	**4,618**	**-**	**-**	**-**	**-**	**-**
Total Strategic Plans	**5,517**	**1,200**	**13,100**	**5,517**	**-**	**300**	**900**	**1,100**	**12,000**
Rolling Programmes									
ICT Projects	2,500	3,000	3,000	2,500	-	3,000	-	3,000	-
Customer & Digital Services Total	**2,500**	**3,000**	**3,000**	**2,500**	**-**	**3,000**	**-**	**3,000**	**-**
Capital expenditure incurred by Peterborough Schools	458	458	458	-	458	-	458	-	458
Off Street Car Parks - Structural Works & Resurfacing	100	100	100	100	-	100	-	100	-
School capital maintenance, minor works and overall programme costs	2,090	2,100	2,110	890	1,200	900	1,200	910	1,200
Social Care property adaptations and equipment	4,847	3,650	3,685	2,247	2,600	1,450	2,200	1,485	2,200
People & Communities Total	**7,495**	**6,308**	**6,353**	**3,237**	**4,258**	**2,450**	**3,858**	**2,495**	**3,858**
Extreme Weather Network Improvements	500	500	500	500	-	500	-	500	-
Footway Slab Replacement Programme	230	230	230	230	-	230	-	230	-
Highways	4,351	4,071	4,071	985	3,366	705	3,366	705	3,366
Highways Capitalisation	250	250	250	250	-	250	-	250	-

Project	2021/22	2022/23	2023/24	2021/22 Funding		2022/23 Funding		2023/24 Funding	
	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Integrated Transport Programme	1,407	1,407	1,407	-	1,407	-	1,407	-	1,407
Parkways Five Year Maintenance programme	1,500	1,000	500	1,500	-	1,000	-	500	-
Play Areas Improvement Programme	317	185	185	285	32	185	-	185	-
Refurbishment of Traffic Signal Sites Nearing End of Life	100	120	120	100	-	120	-	120	-
Roads And Bridges	330	330	330	330	-	330	-	330	-
Safety Fencing Network	2,057	1,400	1,400	1,836	221	1,400	-	1,400	-
Street Lighting Cables and Feeder Pillar Upgrade	500	500	500	500	-	500	-	500	-
Street Signage	30	30	30	30	-	30	-	30	-
Surface Treatments	630	630	630	630	-	630	-	630	-
Wheelie Bins	160	160	160	160	-	160	-	160	-
Place and Economy Total	**12,362**	**10,813**	**10,313**	**7,336**	**5,026**	**6,040**	**4,773**	**5,540**	**4,773**
Corporate costs	223	-	-	400	(177)	-	-	-	-
Cost Of Disposals	500	-	-	500	-	-	-	-	-
Leisure Trust Property capital maintenance and minor works	459	350	350	459	-	350	-	350	-
Strategic Property Portfolio capital maintenance and minor works	2,250	1,706	1,695	2,250	-	1,706	-	1,695	-
Resources Total	**3,432**	**2,056**	**2,045**	**3,609**	**(177)**	**2,056**	**-**	**2,045**	**-**
Total Rolling Programmes	**25,789**	**22,177**	**21,711**	**16,682**	**9,107**	**13,546**	**8,631**	**13,080**	**8,631**
Business Cases in Development									
Heltwate - expansion and refurbishment	5,758	-	-	3,958	1,800	-	-	-	-
Manor Drive (Paston Reserve) Primary - new 2FE primary	6,326	-	-	-	6,326	-	-	-	-
Manor Drive (Paston Reserve) Secondary - new 6FE secondary	13,000	5,839	-	-	13,000	-	5,839	-	-
St John Henry Newman Catholic School	12,300	-	-	-	12,300	-	-	-	-
Greater Peterborough University Technical College sports facilities	200	-	-	200	-	-	-	-	-
People & Communities Total	**37,584**	**5,839**	**-**	**4,158**	**33,426**	**-**	**5,839**	**-**	**-**
Peterborough University Access	700	1,280	-	-	700	-	1,280	-	-
A1260 Nene Parkway Junction 15 improvements	6,226	-	-	-	6,226	-	-	-	-
Eastern Industries Access Phase 1 - Parnwell Way	600	4,200	-	-	600	-	4,200	-	-

Project	2021/22	2022/23	2023/24	2021/22 Funding		2022/23 Funding		2023/24 Funding	
	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Apv Baker Footbridge	450	750	-	300	150	750	-	-	-
A1260 Nene Parkway Improvement Jn 32 to Jn 3 (Fletton Parkway)	1,118	6,000	-	-	1,118	-	6,000	-	-
A16 Norwood Dualling	730	12,000	-	-	730	-	12,000	-	-
New Towns Fund	12,175	17,915	-	-	12,175	1,790	16,125	-	-
Dodson House Surfacing and Drainage improvements	178	-	-	178	-	-	-	-	-
Norwood Lane Improvements	15	-	-	15	-	-	-	-	-
Place and Economy Total	**22,191**	**42,145**	**-**	**493**	**21,699**	**2,540**	**39,605**	**-**	**-**
IFRS 16 Transition	-	22,000	-	-	-	22,000	-	-	-
Resources Total	**-**	**22,000**	**-**	**-**	**-**	**22,000**	**-**	**-**	**-**
Total Business Cases in Development	**59,776**	**69,984**	**-**	**4,651**	**55,125**	**24,540**	**45,444**	**-**	**-**
Active Schemes									
Barnack Primary School Capital Works	150	-	-	-	150	-	-	-	-
People & Communities Total	**150**	**-**	**-**	**-**	**150**	**-**	**-**	**-**	**-**
ADS Fleet Renewal	9,399	-	-	9,399	-	-	-	-	-
Nene Bridge Bearings	1,378	-	-	1,378	-	-	-	-	-
Crescent Bridge Refurbishment	95	-	500	35	60	-	-	500	-
Strategic Network Review	125	100	-	125	-	100	-	-	-
A47/AA15 Lincoln Road Junction 18 Improvements	228	-	-	228	-	-	-	-	-
Allotments & Neighbourhood Parks	31	-	-	-	31	-	-	-	-
A605 Whittlesey Access Phase 2 – Stanground Access	500	-	-	500	-	-	-	-	-
Peterborough Integrated Renewables Infrastructure (PIRI)	209	-	-	-	209	-	-	-	-
Westwood Footbridge Pier Top Concrete Refurb	85	-	-	3	82	-	-	-	-
Place and Economy Total	**12,050**	**100**	**500**	**11,668**	**382**	**100**	**-**	**500**	**-**
Housing Joint Venture	7,102	-	-	7,102	-	-	-	-	-
62-66 Bridge Street	3,000	10,000	-	-	3,000	3,000	7,000	-	-
Capitalisation Direction	20,000	-	-	20,000	-	-	-	-	-
Resources Total	**30,102**	**10,000**	**-**	**27,102**	**3,000**	**3,000**	**7,000**	**-**	**-**
Total Active Schemes	**42,302**	**10,100**	**500**	**38,770**	**3,532**	**3,100**	**7,000**	**500**	**-**

Project	2021/22	2022/23	2023/24	2021/22 Funding		2022/23 Funding		2023/24 Funding	
	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Capital Programme	**133,384**	**103,461**	**35,311**	**65,620**	**67,764**	**41,486**	**61,975**	**14,680**	**20,631**
Active Schemes									
Hilton Hotel - Fletton Quays	11,500	-	-	11,500	-	-	-	-	-
Total Active Schemes	**11,500**	**-**	**-**	**11,500**	**-**	**-**	**-**	**-**	**-**
Strategic Plans									
Provision of Housing	2,000	6,575	-	2,000	-	6,575	-	-	-
Total Strategic Plans	**2,000**	**6,575**	**-**	**2,000**	**-**	**6,575**	**-**	**-**	**-**
Total Invest to Save	**13,500**	**6,575**	**-**	**13,500**	**-**	**6,575**	**-**	**-**	**-**

Appendix H – Financial Risk Register

Risk Area	Detail	Action	C-19 Impact
Level of Reserves	As set out in this report (Section 6) the Robustness statement, sets out that the Council has limited recourse in reserves and balances. This presents a risk to the financial sustainability of the organisation over the medium term. . The council has very little recourse available if savings are not delivered as planned, pressures resulting from a rise in demand and C-19 continue or increase, or unforeseen events occur. A risk assessment of the general fund level is outlined within Section 6, the robustness statement.	Robust financial control within 2021/22 and future years will continue to be exercised through regular budget monitoring, tracking of the delivery of approved savings plans through the Corporate Programmes and Finance Board and the development of further savings proposals, which will be progressed through CMT. The use of available specified reserves will be closely managed and controlled to ensure that only required and approved use of these funds takes place, to ensure that the council maintains a level of resilience. Reserves and balances will be reviewed regularly, within the monthly Budgetary Control Reporting (BCR), and reported weekly within a budget update to CMT, to ensure that they remain adequate in light of the Council's overall financial position. They will also be reviewed to ensured that any commitments are: • Essential and necessary to deliver future financial benefit • Represent value for money As outlined within the report. The Council received approval from MHCLG for a capitalisation direction, this will ensure the council is able to balance its budget in 2021/22 and protect reserves balances in 2020/21.	The C-19 pandemic has meant that the Council is forecasting an overspend in 2020/21 and had a remaining budget gap of £13.7m in 2021/22, which would have utilized the reserve balances, had a capitalisation direction not been secured. The Council will continue to work closely with MHCLG to seek funding solutions and a delivery model to achieve sustainability in the future.
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 previous years and within the proposed 2021/22-2023/24 MTFS. The Council is aware this is not a sustainable approach, but it has enabled Council to set legal and balanced budget.	Although the Council has been aiming to reduce the use one-off budget savings in recent years, table 3, within the report sets out that the Council plans to use £25.1m on one off-resources from various sources to balance the 2021/22 Budget. The table also outlines that this has been practice for a number of years now, which has temporarily resolved the financial position creating a cliff edge in future years. The Council had embarked on implementing structural organisational change in 2021/22, to ensure a sustainable future, and to provide services within its funding envelope. Work had already started on the development of this, however this work was unable to be progressed due to the outbreak of the pandemic and the savings identified in the early stages of this have been significantly impaired.	Mitigating action has been impacted by C-19 in 2020/21 and sustainable savings identified have been significantly impaired. The Council will work closely

Risk Area	Detail	Action	C-19 Impact
		The Council has been in discussions with MHCLG and secured approval for a capitalisation direction, this will ensure the council is able to balance its budget in 2021/22 and protect reserves balances in 2020/21. The Council will work with MHCLG on a delivery model to achieve financial sustainability.	with MHCLG on a delivery model to achieve sustainability.
Service Delivery- Demand Led Services	The Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness. 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. 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. Regular reporting to the CMT will continue to take place throughout the course of the year.	✓ Demand for Council services in particular adults and children's social care and housing have been significantly impacted by C-19, and this risk has been heightened as a result.
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 of new plans. A number of ambitious savings plans had previously been agreed which have creates structural budget problems, leading to in year forecast overspends.	The Corporate Programmes and Finance Board monitor the delivery of programmes and savings. This group meets on a monthly basis to report, monitor and challenge the delivery of savings to ensure are on track as per the original plan. If within this group savings, are being reported as not deliverable or as high risk and remedial action is not effective, those items are escalated to CMT where final debates and future actions are agreed. Delivery of savings are also monitored on a regular basis within the monthly BCR, this is also reported to the Corporate Programmes and Finance Board, CMT and Cabinet. Scrutiny of savings plans was highlighted as an area for improvement within the financial controls review (2019), and the finance team have scrutinised the proposals and assumptions within this budget. This together with the new governance structure for financial reporting and monitoring have enhanced the level of integrity and confidence within the Councils financial reporting.	✓ The delivery of existing savings plans has been made more challenging, and in some cases unachievable due to C-19. In order for the Council respond to the pandemic, staff have been redeployed, volunteers used and work reprioritised to ensure policies and actions as set out be the Government were delivered and residents and businesses

Risk Area	Detail	Action	C-19 Impact
			within Peterborough were supported. Therefore, the resource required to deliver these programmes was not available.
Income	Cost of provision of service outstrips returns or a reduced level of sales.	Delivery of planned income generation (and savings) is tracked through monthly BCR, and reported to CMT and Cabinet. Programme and project governance will require recovery plans to be prepared where projects are identified as varying adversely from plan.	✓
	Debt There is a risk from the non-payment of invoices from our suppliers.	The C-19 pandemic has increased the risk around debt, and an assessment of the Councils current debt levels has identified the need to increase the bad debt provision by £0.7m in 2020/21 and £0.7m in 2021/22, to mitigate the risk of the Council being unable to recover this debt in full in the future. The Council will continue to closely monitor the debt position and take required action to ensure payment of invoices are received.	Income levels have been significantly impacted by C-19. The Council has now completed the second Sales Fees and Charges compensation form and expects to receive £4.1m in grant funding to compensate the Council for these losses. The income streams impacted including planning income, parking and leisure will be closely monitored and reviewed against the economic outlook.
	The Clinical Commissioning Group (CCG) currently accounts for 43.7% of the Councils general debtor. This is monitored regularly to CMT and separately within the Statement of accounts due to the significant value of the outstanding balance. This level of debt also provides a cash flow risk to the Council.	The Council continues to work closely with senior officers at the CCG to resolve this issue and manage the payments to allow the effective management of the Councils cashflow and debt levels. Issues have been escalated to the appropriate internal level at the CCG resulting in significant progress in early 2020, however this progress has slowed in the later part of the year and early 2021 as a result of the focused response from to the C-19 pandemic from both the CCG and the Council.	

Risk Area	Detail	Action	C-19 Impact
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 Appeals- Material Change in Circumstance appeals have been raised by businesses nationally and its anticipated that the Valuation Office Agency (VOA) could decide to reduce the Ratable Value of businesses across whole sectors. This represents a huge risk to past and future income levels. Business Rates Collection Rates	The finance team will align forecasts using a detailed approach with planning and revenue and benefit colleagues to monitor business growth as part of the budget setting process and at regular intervals during the financial year. On a monthly basis dashboard reports are made available to the s151 officer and the corporate finance team to monitor business rates income. The Council has reviewed the level of Business Rates provision it holds to mitigate the financial impact of valuation change and appeals. From this review the Council has been able to release some of this, due to: o An element being held in respect of the 2010 revaluation list, where a number of appeals have been withdrawn reducing the overall risk o A reduction in the overall % held in respect of the 2017 list. The national average was set at 4.7%, and the Council has been contributing at a rate of 4%, but on review this has been able to be reduced to 3.09% which is appropriate at this stage to the level of activity. This will continue to be monitored by officers. The Council is reliant on the VOA making a decision, on this and is aware the effect this could have on Local Authority income levels nationally has been raised with MHCLG. The Council has increased the provision in respect of those businesses which have raised claims and will monitor the developments of this in advance of 31 March to ensure this risk is provided for within the statement of accounts. Any increase in provision during 2020/21 the Council will be compensated in part, as part of the 75% Income tax loss guarantee scheme Business Rates collection rates have been dramatically effected by C-19 and are currently 17.3% lower than 2020/21, if the collection rate continues on this trajectory there would be a £10.6m shortfall. Officers are monitoring the debt levels and engaging businesses to ensure the payment of bills. There is a risk this could decline further in 2021/22 depending	✓ The Councils Business Rates income levels have been severely impacted by C-19, with collection rates currently standing at over 17.3% worse than 2019/20. In addition to the reduced collection rates there are a number of reliefs which have been provided this year by the government which may make the recommencement of collection next year challenging for Council. There have been a number of Material change in circumstance claims raised by businesses seeking a reduction in the ratable value, these are thought to be affected businesses which have not been eligible for the additional C-19 reliefs.

Risk Area	Detail	Action	C-19 Impact
	Business Rates 75% retention and Business Rates baseline reset have been further postponed, and a 'Business Rates Review call for evidence' consultation has now been issued by the treasury, as they plan to fully review the system. At present it is not clear how this could impact on the Councils funding levels.	on the speed of the economic recovery and the extension of any retail reliefs (which are expected to be announced by the chancellor within the budget on 3 March) 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 could mean additional savings would need to be achieved. At present the MHCLG has issued two of three consultations, however the implementation has now been postponed further.	Officers are continuing to monitor 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. This will include using the modelling tools which are available to us from PIXEL and the LGA.	✓ C-19 has delayed the FFR further, and it is now expected to be implemented no earlier than 2022/23.
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 scheme was changed in 2019/20, following approval at Council on 6 March 2019. elements of the changes were incremental and so there is a further change to the LCTS scheme in 2020/21, (increasing the rate from, 31% 2019/20 to 32% 2020/21 and to 33%	Officer monitor the collection rate monthly and monthly basis dashboard reports are made available to the s151 officer and the corporate finance team to monitor council tax income collection and tax base growth. The Council will take necessary action to ensure payment of bills, and has been mindful of challenges facing households over the height of the C-19 pandemic by adopting a softer approach temporarily. The Council will revise future year forecasts of council tax income accordingly. The LCTS case loads are being monitored monthly by officers and reported to MHCLG as part of the C-19 Financial Monitoring returns, in addition to the collection rate monitoring which already takes place.	✓ C-19 has escalated the level of LCTS claims the Council has received, due to an increase in the levels of unemployment. As the furloughing scheme ends, it is anticipated that this could

Risk Area	Detail	Action	C-19 Impact
	2021/22), this could also have an impact on collection rates.		increase further putting further strain on the Council Tax budget.
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, Aragon, and Skanska. There is a risk that the council could be subject to increased costs from these contracts due to inflation or alternatively have little flexibility 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 is also looking to put stronger contract management processes and associated specification management for the end to end procurement processes it runs and this will form a basis of the Operating Model review which will take place at the end of the 2019/20 financial year 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) policy allows the Council to repay its debt through the application of receipts from asset disposal to repay debt. This represent a risk to the final outturn position if those receipts are not achieved. If the legislation was to be changed to prevent the Councils current use of capital receipts, the council would look to use capital receipted flexibly to fund redundancy and transformation expenditure. **Capital Programme**	This is monitored monthly through Budgetary Control Reporting to Capital Review Group (CRG), CMT and Cabinet. The Finance team also receive the latest forecasts for sale completion, estimated receipt level and market environment operating under on a bi-weekly basis from out property partners NPS. The Council has included a Flexible use of Capital Receipts Policy within the Capital strategy 2021/22, and in the instance of the legislation changing will look to use this for redundancy and transformation expenditure, in line with the policy, in order to maintain a level of resilience in the reserves balances. The capital programme is closely monitored and reported by officers within the monthly budgetary control reporting. The council operates an officer led Capital Review Group	✓ The Councils 2020/21 budget included £4.5m in respect of capital receipts expected as a result of the sale of assets. However, as a result of the economy slowing and the impending deep recession the commercial property market has slowed, meaning the Council is carrying the risk of not being able to achieve these sales, putting

Risk Area	Detail	Action	C-19 Impact
	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 a risk associated with the management and maintenance v in relation to insufficient resources being available to maintain adequately the councils existing and planned infrastructure.	(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, such as that within a section 106 agreement, are to be realised in line with approved policy and legal agreement. Grant bids to be worked up by the budget/project managers in partnership with the finance team, in line with previous successful approach. A structural report produced in July 2019, that highlighted severe concerns around the structural integrity of one of the Councils assets, Northminster Car park. The Council has reviewed, and heightened the level of review, scrutiny around the condition and maintenance of the Council's assets. This will be coordinated by our partners, NPS and Aragon who have put in place programme of maintenance and review, which will be reported to an officer lead property group, and directly to the Chief Executive of the council.	additional strain on the revenue budget.
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) via the Council's treasury advisors. 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.	 The economic forecast still remains threatened by C-19, as the UK remains in a 'deep recession'. Interest rates are at 0.1%, an historic low. The

Risk Area	Detail	Action	C-19 Impact
		The Council will review the level and timing of the capital programme and debt portfolio if rates increase beyond forecast levels.	potential for a further lockdown if the virus rates continue to increase worsen these forecasts.
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 as a national measure. The MTFS report sets out the how the Council was approaching implementing change in 2021/22, to ensure that the Council has a sustainable future, and is able to provide services within its funding envelope. The £11.9m of savings which had been identified as part of this work have now been significantly impaired to £3.6m. Furthermore, as a result of C-19, the Council is now forecasting an in year overspend of £5.6m and has a projected £13.7m budget gap in 2021/22- which will exhaust all reserves. It approached MHCLG in October 2020 over additional funding. The Council's financial position is reviewed regularly by CMT and regularly reported to Cabinet (as outlined within the supporting documents). Adverse variances are clearly identified and actions, discussed at these forums and put in place to mitigate the financial impact as far as possible.	✓ It is projected that the additional cost and lost income generation as a result of C-19 would have outstripped the Councils reserves balances, leaving the Council with no financial resilience. The Council has been fortunate to secure approval for a Capitalisation Direction from MHCLG in 2020/21 and one in principle for 2021/22.
Brexit	Brexit carries a number of risks which could have a financial or operational 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: a) Procurement b) Regulatory services c) European Union (EU) funding d) Loss of staff, where staff are from the EU	High level impact assessment have been completed by officers within the Council Officers from Cambridgeshire County Council and Peterborough City Council 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. As the UK has now left the EU on 31 January 2020, with the withdrawal agreement becoming fully operational from 1 January 2021. Some immediate changes have meant the Councils Contract Procedure Rule have been updated, but it is now expected there will be reform to public sector procurement with the Transforming Public Procurement green paper being published by the cabinet office in December 2020. The Procurement and	

Risk Area	Detail	Action	C-19 Impact
	There is a wider risk to the economy, through importation/export delays and tariffs, price pressure on key commodities e.g. fuel and labour market which could place more demand on services or budgets.	Commercial Teams are monitoring these changes and working together to ensure CMT and Cabinet well informed and ready to implement any procurement policy updates.	
Public Sector Reform (change in the public sector infrastructure)	Public Sector Reform has been mentioned in previous years, but more so this year, as in many cases the public sector has pulled together in its response to C-19 and it has demonstrated where there are strengths, weaknesses and opportunities within the system. There are a number of differing potential options which include minimising the number of tiers in local government and implementing a structure of larger unitary authorities, reforming the NHS and social care, reviewing local and national tax systems such as Council tax and Stamp duty and reforms to business rates. Due to the uncertain nature and the scale of these changes this could present financial and operational risks for the Councils.	At present there is no set direction or plan laid out by government, however it is becoming more of a common topic, due to this it is difficult to pinpoint and put mitigating actions in place at this stage. Officers are continuing to monitor all announcements, publications and consultations from the government and will feedback to any consultations, to ensure all concerns are communicated and considered.	✓ C-19 act as a catalyst for these changes

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Appendix I – Carbon Impact Assessments

Budget Proposal	The council's energy consumption via buildings (electricity, gas, oil). Tick +ve if consumption will reduce.	The council's energy consumption via travel (eg petrol). Tick +ve if consumption will reduce.	The councils water usage (especially hot water). Tick +ve if consumption will reduce.	Creation of renewable energy. Tick +ve if it increases renewable energy production.	Carbon offsetting – will the proposal offset carbon emissions such as through tree planting. Tick +ve if yes.	Reducing carbon emissions through amending ongoing activities not covered above eg management of land, such as peat soils, in a way which reduces carbon dioxide emissions. Tick +ve if yes.	If the project involves the creation or acquisition of a building, has the energy rating been considered. Are / will measures be included to make the building energy efficient? Tick +ve if yes.	Embodied energy - does your project/proposal include construction of buildings or other significant infrastructure? If no, then tick neutral. If yes, have genuine efforts been made to minimise the embodied energy* in the materials being used for that construction, and the source of such materials?	Additional info	What information is available to help the environmental impacts identified above to be quantified?	Can any differences be justified as appropriate or necessary?	Are any remedial or mitigation actions required?	Once implemented, how will you monitor the actual impact?	Overall summary to be included in your covering report.
Engagement Manager	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Exceptional support from MHCLG (assumed in the form of a Capitalisation Direction - cost of borrowing)	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Specialist Technical Support for ERF Changes	Neutral	Neutral	Neutral	Positive	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Agenda for Change	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
External Audit Fees	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Pay Increments	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Impairment of Business Improvement saving budgeted from April 2021	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
HR Controls- Agency Saving	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Impairment of Place & Economy Saving increase budgeted from April 2021	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Capital Financing Capital Programme Review- Reduction in Capital Financing Costs	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Re-deeming Debt with Capital Receipts	Unknown	Neutral	Unknown	Unknown	Neutral	Neutral	Neutral	Neutral	Details of assets not known at this stage	In sufficient information available	Unknown	Unknown	TBC	Unknown impact as the assets to be sold are not available so the carbon implications of such sales cannot be assessed. The probability is that the sales will result in positive carbon implications, as the council will have less property which it manages and therefore reduces its associated heating and power requirements (though, of course, the purchaser will consequently increase their carbon footprint with the Council having no control over said emissions).
Increased Income and Staffing, Supplies and Services Savings in the Governance Directorate	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Sharing Data Protection role with Cambridgeshire County Council	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral

Budget Proposal	The council's energy consumption via buildings (electricity, gas, oil). Tick +ve if consumption will reduce.	The council's energy consumption via travel (eg petrol). Tick +ve if consumption will reduce.	The councils water usage (especially hot water). Tick +ve if consumptio n will reduce.	Creation of renewable energy. Tick +ve if it increases renewable energy production.	Carbon offsetting – will the proposal offset carbon emissions such as through tree planting. Tick +ve if yes.	Reducing carbon emissions through amending ongoing activities not covered above eg management of land, such as peat soils, in a way which reduces carbon dioxide emissions. Tick +ve if yes.	If the project involves the creation or acquisition of a building, has the energy rating been considered. Are / will measures be included to make the building energy efficient? Tick +ve if yes.	Embodied energy - does your project/proposal include construction of buildings or other significant infrastructure? If no, then tick neutral. If yes, have genuine efforts been made to minimise the embodied energy* in the materials being used for that construction, and the source of such materials?	Additional info	What information is available to help the environmental impacts identified above to be quantified?	Can any differences be justified as appropriate or necessary?	Are any remedial or mitigation actions required?	Once implemente d, how will you monitor the actual impact?	Overall summary to be included in your covering report.
Blue badges	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Reduction in grade of Financial Investigator in Communities team	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Registered Managers Network	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Reorganisation of City Centre Management	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Reorganisation of Communities and Partnerships Management	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Re-profiling of the PFI insurance Rebate	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Sustainable Growth restructure	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral
Review of inflation and Fees and Charges	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	N/A	N/A	N/A	N/A	N/A	Neutral

PETERBOROUGH
CITY COUNCIL

Treasury Management Strategy 2021/22 to 2023/24

Including:
Minimum Revenue Provision (MRP) Policy 2020/21 & 2022/23

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 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."

1.2. Reporting Requirements

1.2.1. **Capital Strategy**

1.2.2. The CIPFA revised 2017 Prudential and Treasury Management Codes requires 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 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 investments usually driven by expenditure on an asset. The Capital Strategy shows:

- 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 would be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to, see section 14 for further details.

1.2.7. The Council does not hold any non-treasury investment for purely yield and financial return purposes. However, if a loss is incurred on any non-treasury investment during the final accounts and audit process, the strategy and revenue implications will be reported through the budgetary control process.

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 Minimum Revenue Provision (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
- 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 2021/22**

1.4.1. The strategy for 2021/22 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
- 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. **IFRS16 - Leases**

1.5.1. A new International Financial Reporting Standard (IFRS) on leases is due to be adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) with effect from 1 April 2022. IFRS 16 defines a lease as a contract or part of a contract, which conveys the right to use as asset (the underlying asset) for a period in exchange for a consideration. The CIPFA/LASAAC Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 *Leases* until the 2022/23 financial year. This decision was taken in response to pressures on council finance teams as a result of the COVID-19 pandemic.

1.5.2. Under the standard the distinction between finance leases and operating leases under the previous leasing standard is removed and all leases are treated as finance leases. A 'right of use' asset is shown on the balance sheet with a corresponding liability of the discounted value of the future lease payments. There are exceptions for short-dated leases (under a year, or with less than a year remaining at transition) and low value leases (low value to be determined by the Council using its approach to determining de minimus items).

1.5.3. All leases that do not meet the exceptions will be treated as capital expenditure from 2022/23 and form part of the Capital Financing Requirement (CFR). An estimate of the impact of the transition to the new standard has been built into the relevant indicators. The full impact will not be known until the 2022 Code has been issued and the detailed assessment completed. If this has a material impact on the Prudential Indicators then a revised Treasury Management Strategy will be produced.

1.6. Training

1.6.1. 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 annually as part of the annual Performance Development Review (PDR) and monthly supervisions. This requirement also applies to Council members responsible for scrutiny.

1.7. Changes to the current Treasury Management Code and Prudential Code

1.7.1. CIPFA have released proposed changes to the current Treasury Management Code and Prudential Code.

1.7.2. The Treasury Management code was last updated in 2017, since then the landscape for public services has changed. The increasing profile of the role of treasury management as a result of the pandemic, the disciplines and skills required to meet the advances brought forward by issues such as the Markets in Financial Instruments Directive, known as MIFID II, and the increasing complexity of transactions in the sector all underline the importance of the Treasury Management Code and its guidance. In addition, the rise in commercial non-treasury investments is a contributing factor behind the need to strengthen its provisions to ensure that they are fit for the 21st century. The proposed changes to the treasury management practices guidance includes increased monitoring of training and skills, and a formal policy requirement for documenting training. CIPFA is also proposing new guidance for environmental, social and governance risk management, so that local authorities consider the ecological impact of the company they are looking to work with.

1.7.3. In response to the recommendation of the Public Accounts Committee and the substantial increase in commercial investment, CIPFA is proposing to strengthen the provisions within the Prudential Code of Capital Finance in Local Authorities, CIPFA 2017 (Prudential Code), and will require any local authority commercial investment undertaken to be consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice. The proposed revisions to the Prudential Code also strengthen the requirement to assess the affordability of commercial activity within local authorities' capital strategies.

1.7.4. The closing date for responding to the consultations is 12 April 2021 and the Council intends to respond to both.

1.8. Treasury Management Advisors

1.8.1. The Council uses Link Group, Treasury solutions as its external treasury management advisors who have a contract until September 2021.

1.8.2. 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.

1.8.3. 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.

1.9. Treasury Management Policy Statement

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

1.9.2. 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.

1.9.3. 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.

1.9.4. Investments cover all financial assets of the organisation, as well as other non-financial assets which the organisation holds and attracts a financial return such as existing historic 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. For the investment property portfolio this is incorporated in the Asset Management Plan.

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

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

1.10. **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 courses and conferences and joint working with the Link Group as treasury advisors
- 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

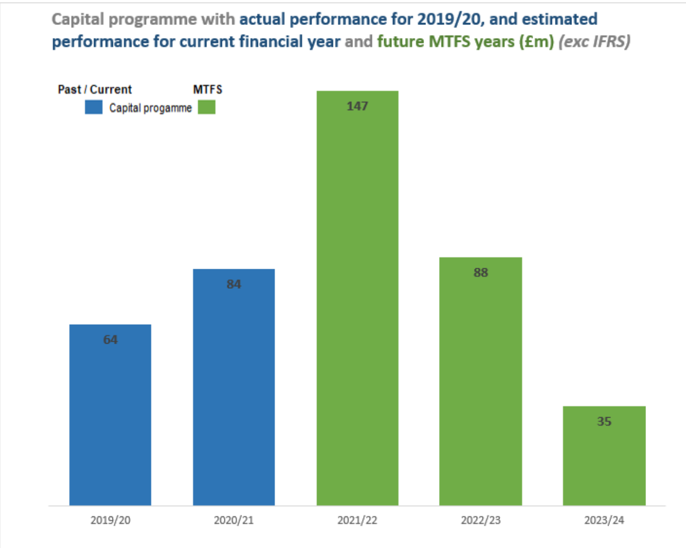
2. Capital Prudential Indicators 2021/22 to 2023/24

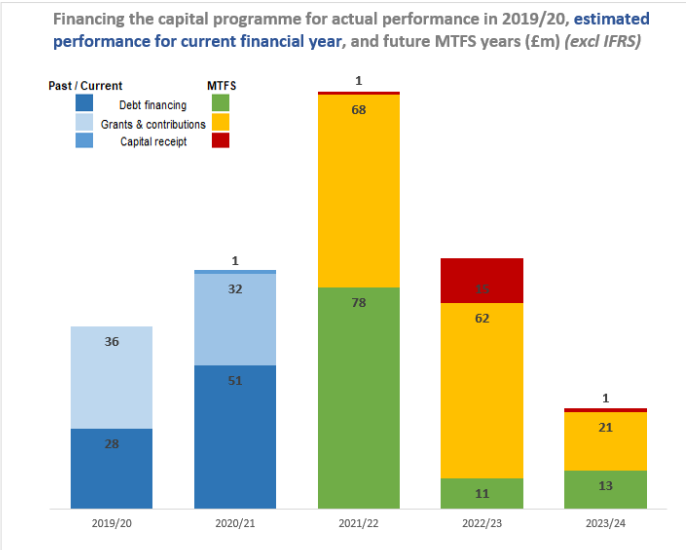
2.1. The Council's capital programme is the key driver of the treasury management activity. The output of the capital programme is reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.

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

Capital Expenditure	**2019/20 Actual £m**	**2020/21 Est £m**	**2021/22 Est £m**	**2022/23 Est £m**	**2023/24 Est £m**
Customer & Digital Services	3.0	4.6	2.5	3.0	3.0
People & Communities	21.0	20.6	46.1	13.1	16.5
Place & Economy	18.1	33.0	46.6	53.3	13.8
Resources	16.6	13.8	18.2	12.1	2.0
Capitalisation Direction	5.6	6.0	20.0	-	-
Invest to Save	-	5.9	13.5	6.6	-
Total	**64.3**	**83.9**	**146.9**	**88.1**	**35.3**
Financed by:					
Capital receipts (repayment of capital loans)	-	1.4	1.1	15.5	1.2
Capital grants & contributions	36.2	32.0	67.8	62.0	20.6
Net Financing Requirement	28.1	50.5	78.0	10.6	13.5
Total	**64.3**	**83.9**	**146.9**	**88.1**	**35.3**
IFRS16 Transition				*22.0*	

The below charts show the capital programme in visual form along with funding breakdown.





2.3. The capital receipts (repayment of capital loans) shown in the table relate to:

- 2020/21 - ECS Peterborough 1LLP – capital loan repayment - £1.0m and Vivacity £0.4m
- 2021/22 - ECS Peterborough 1LLP – capital loan repayment - £1.1m
- 2022/23 - ECS Peterborough 1LLP – capital loan repayment - £1.2m and Hotel £14.3m
- 2023/24 - ECS Peterborough 1LLP – capital loan repayment - £1.2m

2.4. The Invest to Save 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 asset's 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 three financial years for Council approval:

Capital Financing Requirement	**2019/20 Actual £m**	**2020/21 Est £m**	**2021/22 Est £m**	**2022/23 Est £m**	**2023/24 Est £m**
CFR brought forward	577.4	588.4	622.0	682.2	694.4
Borrowing / (Repayment)	5.4	27.7	26.7	(15.5)	(5.1)
Invest to Save	-	5.9	13.5	6.6	-
IFRS16 Transition adjustment & MRP	-	-	-	22.0	(0.8)
Capitalisation Direction & MRP	5.6	-	20.0	(0.9)	(0.9)
CFR carried forward	**588.4**	**622.0**	**682.2**	**694.4**	**687.6**
Movement in CFR	*11.0*	*33.6*	*60.2*	*12.2*	*(6.8)*
Net financing requirement	28.1	50.5	78.0	10.5	13.5
Lease Liability (*est IFRS16 adj)*	-	-	-	22.0	-
Less MRP & other financing	(17.1)	(16.9)	(17.8)	(20.3)	(20.3)
Movement in CFR	**11.0**	**33.6**	**60.2**	**12.2**	**(6.8)**

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	**2019/20 Actual**	**2020/21 Est**	**2021/22 Est**	**2022/23 Est**	**2023/24 Est**
Total Ratio	20.0%	16.1%	15.2%	17.0%	17.7%
Ratio with gross MRP charge (capital receipts to redeem debt not factored into financing)	22.0%	21.8%	16.5%	18.4%	17.9%
Relating to Capitalisation Direction	0.0%	0.2%	0.3%	0.8%	0.8%

3. **Minimum Revenue Provision (MRP) Policy Statement**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. Previous accumulated overpayments were fully utilised as at 31 March 2020.

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. During 2019/20 detailed discussions were held with MHCLG with regards to the Council's application of capital receipts to redeem debt. Following these discussions there remains a possibility that the government could amend legislation to provide additional clarity with regards to the use of capital receipts to redeem debt. At the time of drafting there has been no additional clarity provided and therefore the Council has not amended its approach and continues to use the receipt from asset sales to redeem its debt. Once clarity is provided the Council will review its application of receipts and amend its policy accordingly if it is deemed necessary with relevant reports presented to the member meetings.

3.6. There are other possible uses for capital receipts, as per the Capital Strategy, the level of capital receipts used to redeem debt will be at the discretion of the S151 officer and their judgements as to which option provides better value for money for the Council's financial strategy.

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

3.8. The following table summarises the MRP Policy.

Capital Expenditure Incurred	**MRP Policy Update 2020/21 & 2021/22**
Expenditure funded by unsupported borrowing	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 Chief Finance Officer (S151), taking into account forecasts for future expenditure, the generation of

Capital Expenditure Incurred	MRP Policy Update 2020/21 & 2021/22
	further receipts and alternative uses which may provide better value for money for the Council's financial strategy. 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	The MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) is brought onto the balance sheet, having previously been accounted for off- balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.
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 or remaining life of the asset, whichever is longer. Impairment relating to IFRS9 adjustments will attract the same treatment.
Secured loans to third parties repaid over the life of the loan.	MRP will be charged each year equal to the Annual Base Repayment Amounts profiled in the legal agreement. Where additional repayments are made by the borrower the Council will make voluntary MRP charges to match. In the event of default reliance will be placed on the capital receipt that will be generated on realisation of the security. If realisation of the security does not equate to the remaining balance of the loan the Council will recognise the associated impairment and charge MRP on this amount over the next MTFS period or remaining life of the asset, whichever is longer. Impairment relating to IFRS9 adjustments will attract the same treatment.

4. Current Treasury Position

4.1. The capital expenditure plans set out in Section 2 provides a summary 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, and 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 2020, and for the position as at at 8 February 2021, are shown in the following table for both borrowing and investment.

Treasury Portfolio	Actual 31.03.20 £000	Actual 31.03.20 %	Current 08.02.21 £000	Current 08.02.21 %
Treasury Investments				
Banks	9,700	100	13,800	58
DMADF (HM Treasury)	-	-	-	-
Money Market Funds	-	-	10,000	42
Total Treasury Investments	**9,700**	**100**	**23,800**	**100**
Treasury External Borrowing				
Local Authorities	(90,500)	19	(55,000)	12
PWLB	(369,587)	77	(369,587)	84
LOBOs	(17,500)	4	(17,500)	4
Total External Borrowing	**(477,587)**	**100**	**(442,087)**	**100**
Net Treasury Investment / (Borrowing)	**(467,887)**		**(418,177**	

4.3. **Indicator 4** - The Council's estimated treasury position at 31 March 2021, with estimates for future years, is summarised below. The table below shows the actual external borrowing (Gross Debt) against the estimated CFR.

Gross debt & capital financing requirement	2019/20 Actual £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
External Borrowing					
Market Borrowing	457.6	477.6	511.2	571.4	541.7
Repayment of borrowing	(17.5)	(110.5)	(49.6)	(12.1)	(5.0)
Expected change in borrowing	37.5	144.1	89.8	3.3	(0.2)
Capitalisation Direction	-	-	20.0	(0.9)	(0.9)
Other long-term liabilities	49.8	48.8	48.0	69.2	67.5
Gross Debt at 31 March	**527.4**	**560.0**	**619.4**	**630.9**	**603.1**
CFR	588.4	622.0	682.2	694.4	687.6
% of Gross Debt to CFR	**89.6%**	**90.0%**	**90.8%**	**90.8%**	**87.8%**

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 2021/22 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 Chief Finance Officer (S151) 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).

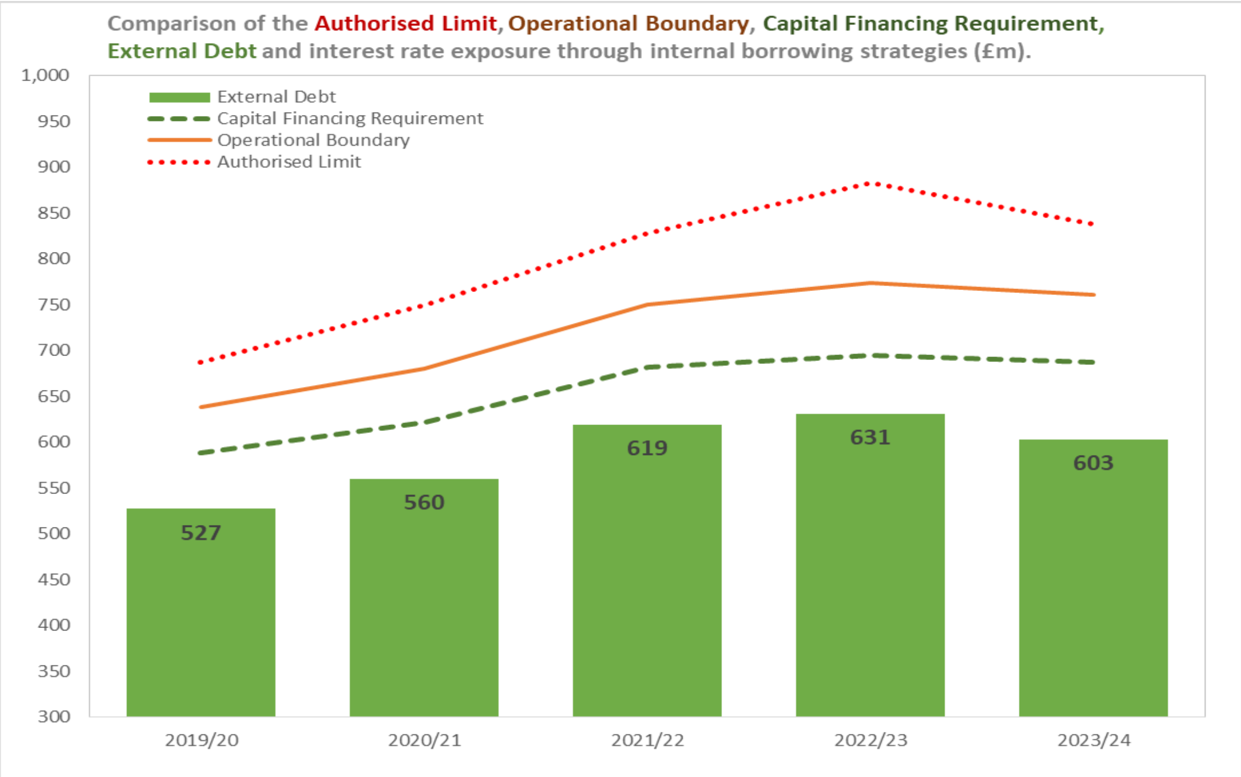
4.6. **Indicator 5** - The Operational Boundary - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit Committee with a full report taken to the next committee meeting. In the current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

Operational Boundary	**2019/20 Actual £m**	**2020/21 Est £m**	**2021/22 Est £m**	**2022/23Est £m**	**2023/24 Est £m**
Borrowing	477.6	632.0	702.2	724.5	734.4
Other long-term liabilities	49.8	48.8	48.0	69.2	67.5
Total	**527.4**	**680.8**	**750.2**	**793.7**	**801.9**

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	**2019/20 Actual £m**	**2020/21 Est £m**	**2021/22 Est £m**	**2022/23 Est £m**	**2023/24 Est £m**
Borrowing	477.6	700.8	780.2	833.7	812.0
Other long-term liabilities	49.8	48.8	48.0	69.2	67.5
Total	**527.4**	**749.6**	**828.2**	**902.9**	**879.5**

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 Group 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 Group forecast for bank base rate and PWLB new borrowing was updated on the 9th February 2021 as a consequence of the outcome of the Monetary Policy Report and 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**
Mar-21	0.10	0.90	1.30	1.90	1.70	1.50
Jun-21	0.10	0.90	1.30	1.90	1.70	1.40
Sep-21	0.10	0.90	1.30	1.90	1.70	
Dec-21	0.10	0.90	1.30	1.90	1.70	
Mar-22	0.10	1.00	1.40	2.00	1.80	
Jun-22	0.10	1.00	1.40	2.00	1.80	1.50
Sep-22	0.10	1.10	1.50	2.10	1.90	
Dec-22	0.10	1.10	1.50	2.10	1.90	
Mar-23	0.10	1.10	1.50	2.10	1.90	
Jun-23	0.10	1.20	1.60	2.20	2.00	1.60
Sep-23	0.10	1.20	1.60	2.20	2.00	
Dec-23	0.10	1.20	1.60	2.20	2.00	
Mar-24	0.10	1.20	1.60	2.20	2.00	

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 2020 to 31 October 2021. 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. When borrowing is undertaken an assessment of the prevailing interest rates is performed across the different period lengths and the debt taken will represent best value for money in accordance with the existing debt maturity profile and capital financing budget performance.

5.5. Link Group interest rate forecasts, are based on their views of the future economic climate, and below are some extracts taken from their economic forecasts:

- The Bank of England's Monetary Policy Committee (MPC) kept Bank Rate and quantitative easing (QE) unchanged on 4th February. However, it revised its economic forecasts to take account of a third national lockdown which started on 5th January, which is obviously going to delay economic recovery and do further damage to the economy. Moreover, it had already decided in November to undertake a further tranche of quantitative easing (QE) of £150bn, to start in January when the previous programme of £300bn of QE, announced in March to June 2020, finished. As only about £16bn of the latest £150bn tranche had been used towards the end of January, it felt that there was already sufficient provision for QE - which would be made to last to the end of 2021. This implied that the current rate of purchases of £4.4bn per week would be slowed during the year.
- Although its short-term forecasts were cut for 2021, the medium-term forecasts were more optimistic than in November, based on an assumption that the current lockdown will be gradually eased after Q1 as vaccines are gradually rolled out and life can then start to go back to some sort of normality. The Bank's main assumptions were:
  - The economy would start to recover strongly from Q3 2021.
  - £125bn of savings made by consumers during the pandemic will give a big boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays.

- The economy would still recover to reach its pre-pandemic level by Q1 2022 despite a long lockdown in Q1 2021.

- Spare capacity in the economy would be eliminated in Q1 2022.

- The Bank also expects there to be excess demand in the economy by Q4 2022.

- Unemployment will peak at around 7.5% during late 2021 and then fall to about 4.2% by the end of 2022. This forecast implies that 0.5m foreign workers will have been lost from the UK workforce by their returning home.

- CPI inflation was forecast to rise quite sharply towards the 2% target in Q1 2021 due to some temporary factors, (e.g. the reduction in VAT for certain services comes to an end) and given developments in energy prices. CPI inflation was projected to be close to 2% in 2022 and 2023.

- The Monetary Policy Report acknowledged that there were downside risks to their forecasts e.g. from virus mutations, will vaccines be fully effective, how soon can tweaked vaccines be devised and administered to deal with mutations? There are also issues around achieving herd immunity around the world from this virus so that a proliferation of mutations does not occur which prolong the time it takes for the global economy to fully recover.

- The Report also mentioned a potential upside risk as an assumption had been made that consumers would only spend £6bn of their savings of £125bn once restrictions were eased. However, the risk is that that consumers could spend a lot more and more quickly.
  - The Bank of England also removed negative interest rates as a possibility for at least six months as financial institutions are not ready to implement them. As in six months' time the economy should be starting to grow strongly, this effectively means that negative rates occurring are only a slim possibility in the current downturn. However, financial institutions have been requested to prepare for them so that, at a future time, this could be used as a monetary policy tool if deemed appropriate. (Gilt yields and PWLB rates jumped upwards after the removal of negative rates as a key risk in the short-term.)

  - Prior to 4th February, the MPC's forward guidance outlined that the sequencing of a withdrawal of monetary policy support would be that Bank Rate would be increased first: and only once it had reached a certain level, 'around 1.5%', before a start would be made on winding down the stock of asset purchases made under QE. However, the MPC decided at the February meeting that this policy should be reviewed as to whether a start should be made first on winding down QE rather than raising Bank Rate.

  - The MPC reiterated its previous guidance that Bank Rate would not rise until inflation was sustainably above 2%. This means that it will tolerate inflation running above 2% from time to time to balance out periods during which inflation was below 2%. This is termed average inflation targeting.

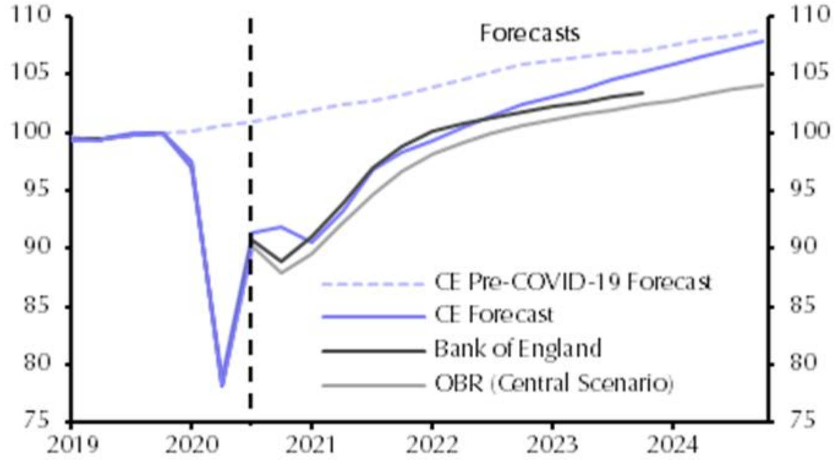
- Public borrowing was forecast in November 2020 by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery. It is now likely that total borrowing will probably reach around £420bn due to further Government support measures introduced as a result of further restrictions and the third national lockdown.

- Overall, the pace of recovery was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level. However, a strong recovery from a further contraction during quarter 1 2021 is expected in the second half of 2021 and is likely to mean that the economy recovers to its pre-pandemic level during Q1 2022.

- Vaccines – the game changer. The Pfizer announcement on 9th November of a successful vaccine has been followed by approval of the Oxford University/AstraZeneca and Moderna vaccines. The Government has set a target to vaccinate 14 million people in the most at risk sectors of the population by 15th February; it has made good, and accelerating progress in hitting that target. The aim is also to vaccinate all over 50s by May and all adults by September. This means that the national lockdown starting in early January, could be replaced by regional tiers of lighter restrictions, beginning possibly in Q2. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines have radically improved the economic outlook so that it may now be possible for GDP to recover to its pre-virus level as early as Q1 2022. These vaccines have enormously boosted confidence that life could largely return to normal during the second half of 2021. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for when life returns to normal.

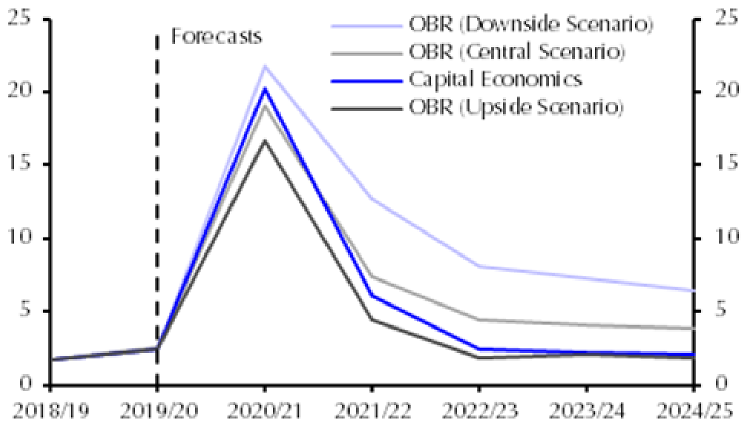
- Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The major concern though, is that new mutations of the virus might defeat the current batch of vaccines. However, work is already advanced to produce what may well become annual revaccinations each autumn with updated vaccines. In addition, countries around the world have ramped up vaccine production facilities and vastly improved testing regimes; they are therefore now much better equipped to deal effectively with any new outbreaks of mutations of this virus.

Chart: Level of real GDP (Q4 2019 = 100)



This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade, would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts in the graphs above and below, assumed that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



- There will still be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.
- Brexit. The final agreement of a trade deal on 24.12.20 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. However, it is evident from problems with trade flows at ports in January and February, that work needs to be done to smooth out the issues and problems that have been created by complex customs paperwork, in order to deal with bottle necks currently being caused.

- Fiscal policy. In December, the Chancellor made a series of announcements to provide further support to the economy: -
    - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
    - The furlough scheme was lengthened from the end of March to the end of April.
    - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).
- The Financial Policy Committee (FPC) report on 6.8.20 revised down the expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- The balance of risks to the UK:
    - The overall balance of risks to economic growth in the UK is now probably more to the upside but is subject to major uncertainty due to the virus - both domestically and its potential effects worldwide.
    - There is relatively little domestic risk of increases or decreases in Bank Rate in the near-term, nor significant changes in shorter-term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates anytime soon but increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates).

6. Investment and Borrowing Rates

6.1. Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

6.2. Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: Indeed, gilt yields up to six years were negative during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.

6.3. As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

6.4. On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme.

6.5. Borrowing for capital expenditure - greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

6.6. Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Chief Finance Officer (S151) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

6.7. 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 13. 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 – e.g. School Extensions
- Rolling Capital Projects e.g. 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 2021/22 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. 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) 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.

e) 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 realign the loan maturity profile with the rate of the existing CFR debt will be financed by taking out shorter term Local Authority Loans. In the current climate this will reduce interest costs in the short term.

8.2. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding at cheaper rates from financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates) and the Municipal Bonds Agency. The Council's advisors will keep us informed as to the relative merits of each of these alternative funding sources.

8.3. 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.

8.4. 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.

8.5. 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.

8.6. 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.

8.7. Link Group 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.

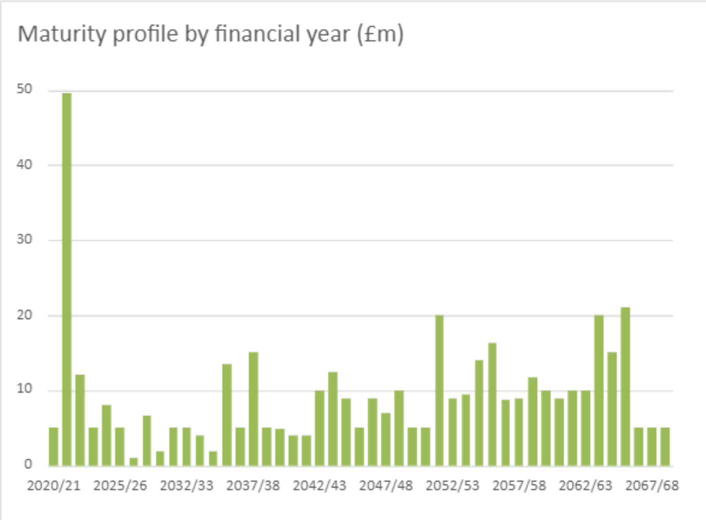
9.3. **Indicator 8** - Upper limit on variable rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

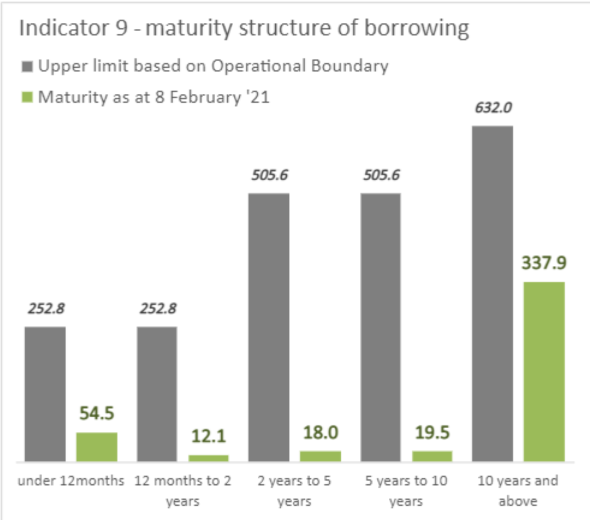
Interest Rate Exposure (Upper Limits)	2019/20 Actual £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
(7) Limits on fixed interest rate net debt	477.6	712.1	744.4	744.5	703.4
% of fixed interest rate exposure	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	-	178.0	186.1	186.1	175.9
% of variable interest rate exposure	0%	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 8 February 2021
Under 12 months	40%	12.33%
12 months to 2 years	40%	2.74%
2 years to 5 years	80%	4.07%
5 years to 10 years	80%	4.42%
10 years and above	100%	76.44%

9.5. The following chart shows the Council's debt maturity profile by financial year as at 8 February 2021, and the above indicator limits based on the Operational Boundary compared with current performance:





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. Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

12. Investment Strategy Principles

12.1. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

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).

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 Chief Finance Officer (S151) 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 2017.

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 Group 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 Group 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	AA+
Moody's	P-1	Aa1
Standard & Poor's	A-1	AA+

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

13.7. The Council does not place sole reliance on the use of Link Groups 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 Group

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 Group 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	100 days
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 10** - 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	**2019/20 Actual £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

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 Chief Finance Officer (S151).

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. Non treasury investments are disclosed in the Capital Strategy.

14.5. A facility for an unsecured loan to Peterborough Limited, a Council wholly own company, of £1.75m was agreed at the end of the 2019/20 financial year for a period of five years. As at 31 March 2020, the full £1.75m of this loan had been draw down, £0.15m of which was a capital loan.

14.6. 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 (Chief Finance Officer (S151))

- 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 (Chief Finance Officer (S151)) / 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

17. Housing Revenue Account (HRA)

17.1. The Regulator of Social Housing confirmed the Council as a Registered Provider on 2nd November 2020. This follows the Cabinet decision of September 2019 to explore the viability of opening an HRA and engaging in the supply of affordable housing. Discussions have taken place with Homes England to explore potential funding opportunities. An outline business case and project timetable are due to be presented at the March Cabinet where the strategic direction of this area will be decided. As detailed plans for its mobilisation will be dependent on this strategic decision, these plans have not been included in the current Treasury Management strategy.

17.2. If it is agreed to move forward with an HRA a revised Treasury Management Strategy will be produced which will include separately identified HRA capital expenditure and associated accumulated debt and further indicators relating to the affordability of this expenditure.

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 – once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity -, 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 Chief Finance Officer (S151).	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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PETERBOROUGH
CITY COUNCIL

Capital Strategy

2021/22 – 2023/24

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 that 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 overview 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 L) and the Treasury Management Strategy (TMS) (Appendix J) 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:

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.(the councils definition of Invest to Save is outlined in 5.12 below
- Making sure assets yield maximum return by ensuring that as much use as possible is gained from the asset, through effective ongoing asset management.

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.

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.

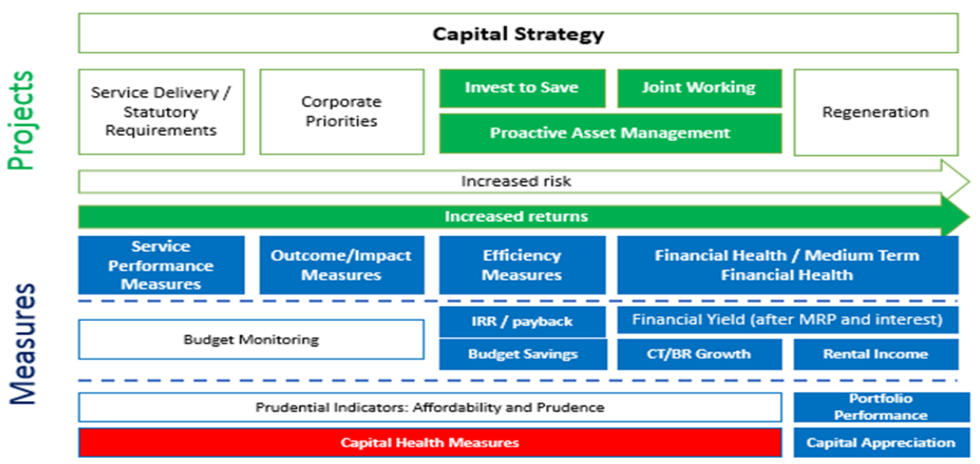
Principle 4 – Performance manage the Asset Investment programme

- Integrating the Asset Investment programme with the Power BI 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 L 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 J 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.



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3. Strategic Context

3.1 Covid-19

- The pandemic has been the most challenging emergency that the UK has responded to in living memory. The nature of this saw the Council respond at speed to implement Government policy to limit the spread of the virus, protect the health of all our residents and ensure the most vulnerable in our communities are safe and cared for. The effects of this on Council's finances and provision of public services will be significant and long lasting.
- Although there are still many unknowns around the medium- and long-term impacts of C-19, The Council has established a recovery group to start modelling the future demand based on what we do know about the population of Peterborough, historic demand and a growing bank of national and international evidence and data. It is evident that the impact of Covid will be felt across many of our service areas for a long time and we will need to respond to these
- Green Recovery Plan - The Cambridgeshire & Peterborough Local Resilience Forum (CPLRF) have developed a Covid-19 Green Recovery Plan that recognises the positive and negative impacts brought on through lockdown and plans for a better (more sustainable and more resilient) future using the learning from this experience. This looks to capture a range of actions in national policies that apply locally and also reflect the achievement of businesses and organisations adjusting so quickly to working fully on-line due to lockdown whilst also improving air quality. The recovery plan assists all partners across, the public, private and voluntary sectors on how and where to collaborate to build on the ambitions of sustainable economic development.

3.2 Climate Emergency

- On the 24 of July 2019[[1]], at a meeting of Peterborough City Council's Full Council, members unanimously declared a climate emergency and agreed to make the Council's activities net-zero carbon by 2030. This commits the Council to achieving 100 per cent clean energy across its buildings and services by 2030 and ensuring that all strategic decisions, budgets and approaches to planning decisions are in line with a shift to zero carbon across the entire city by 2030. This significantly influences the type, scale and timeliness of investment needed across the city not only to support further growth but to ensure this can be delivered in a sustainable way whilst ensuring that the city is able to adapt to the inevitable changes that Climate Change will bring.
- Since the Climate Emergency declaration, the Council has produced a Carbon Management Action Plan which is the first major step that the Council is taking to deliver its commitment to achieving net-zero carbon emissions across the Council's operations. The plan details where the Council's current emissions come from, existing plans to reduce emissions and the areas the Council will focus on to achieve reductions over the next two years. Through implementing this plan the Council commits to working at a local level to demonstrate leadership to the business and residential community and directly support the UK Government's delivery of its commitments within the Climate Change Act.
- The Council is also in the process of updating its own Carbon Management Action Plan and producing a draft citywide plan. Both documents are due to be considered by Full Council in the Spring and the Council will then seek to commence a period of public engagement to identify further action that could be undertaken at a city scale.

3.3 Peterborough Planning Policy Framework

- To facilitate and coordinate growth, the City Council has a fully adopted Local Plan[2] (adopted 24 July 2019) which sets out the council's long-term vision and objectives for the city and surrounding villages. It sets out the policies and proposals for growth and regeneration until 2036.

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[1] https://www.peterborough.gov.uk/council/campaigns/climate-change
[2] https://www.peterborough.gov.uk/council/planning-and-development/planning-policies/local-development-plan

Having an up to date plan in place puts the Council in a good position to encourage and guide public and private investment decisions.

- The major growth identified in the Local Plan 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, New Homes Bonus grant from government, and through the 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)3. 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. 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 continue to be allocated through the IDS.
- Government and Other Grants.
- City Council's own Asset Investment.

3.4 Commercial activities

Ministry of Housing and Local Government (MHCLG) has stipulated that there is now a complete prohibition on council borrowing from Public Work Loans Board (PWLB) to invest in commercial property for yield only. Given that the Council relies on the PWLB to fund its existing Capital Programme this means that the previous Investment Acquisition strategy is no longer applicable.

Borrowing via the PWLB will still be permissible for regeneration projects. Over the next ten years it is important for the Council to focus on regeneration which will improve the city, create local jobs and encourage private sector investment.

See section 5.7 for further detail.

3.5 Commissioning Led Council and Principles

3.5.1 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.

3.5.2 Commissioning Principles

- Demand management - to prioritise the commissioning of services and solutions that will prevent or delay escalating support and service needs.
- Efficient and effective - undertake 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 - to 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 - to 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 - 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.

3.6 Housing Revenue Account (HRA)

The Regulator of Social Housing confirmed the Council as a Registered Provider on 2nd November 2020. This follows the Cabinet decision of September 2019 to explore the viability of opening an HRA and engaging in the supply of affordable housing. Discussions have taken place with Homes England to explore potential funding opportunities. An outline business case and project timetable are due to be presented at the March Cabinet where the strategic direction of this area will be decided. As detailed plans for its mobilisation will be dependent on this strategic decision, these plans have not been included in the current capital strategy.

4. Capital Programme Governance and Project Management

The Council has a Capital Review Group (CRG)

4.1 Objective

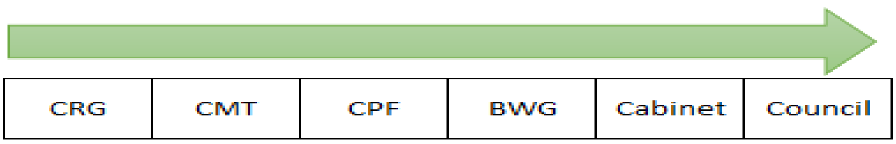
- A Capital Review Group (CRG), led by officers to review the councils capital programme with a view to recommending new projects and amendments to the programme to the Corporate Management Team (CMT). This will include consideration for the financial implications, the impact and requirement for the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

4.2 Purpose

To Review the Councils Capital Programme, including the following:

- Review new Capital Programme Project Proposals submitted to the CRG by project leads, ensuring:
    - strategic fit
    - holistic impact to the Council
    - fulfilment of service requirement
    - acceptable financial implications
- 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 Power BI
- 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, Cabinet Policy Forum (CPF), Budget Working Group (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 governance structure or reported through the monthly budgetary control process with a specific recommendation to Cabinet and Council for approval, before it can be included in the Capital 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 (Power BI). Option appraisals and feasibility studies are required to support and justify a business case for projects. 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 Power BI. 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 2021/22 to 2023/24 totals £292.1m and is summarised in 10.4. 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 **School Places**

- The Council is responsible for ensuring there are sufficient early years, childcare and school places within its area to meet the needs of the population. The Education and Inspections Act (2006) placed additional duties on local authorities to ensure fair access to educational opportunity, to promote choice for parents and secure diversity in the provision of schools. The Act also placed an explicit duty on LAs for the first time to respond formally to parents seeking changes to the provision of schools in their area, including new schools. In addition, the Council is responsible for providing transport where children have to access schools which are some distance from their home.
- There has been increased growth in the number of children living in Peterborough in recent years for two main reasons:
- Firstly, Peterborough has one of the highest birth rates in the country. Using the actual number of births per year and a forecast of future birth numbers helps provide an overview of the demand for school places. Across the Peterborough Unitary Authority area the number of births increased every year between 2006 and 2012, when it reached its peak. Since 2012, the number of births per year has fluctuated, but within a tight range of just over 3,200 births in 2013 and just over 3,000 births in 2017. The number of births is forecast to continue at similar levels to those seen in recent years, fluctuating at around 3,000 per year to 2026.
- Secondly, in terms of house building, Peterborough remains one of the fastest growing cities in the UK. The new Local Plan, adopted on 24th July 2019, makes provision for 19,440 new homes in the period 2016 to 2036. During the first 5 years (2016 to 2021) the annual requirement is for 942 dwellings per year, and this then increases to 982 per year between 2021 and 2036. The greater proportion of new dwelling provision is planned within urban extensions. In addition to the sites rolled forward from the previous Local Plan, there are allocations at Great Haddon (5,300 dwellings), Norwood (2,000 dwellings) further development around the East of England Showground (650 dwellings) and an extension to Eye village (280 dwellings).
- It is clear that the earlier increase in the birth rate, which is being sustained at a level close to its 2012 peak, and continued housing building across Peterborough has had, and will continue to have, a significant impact on the number of school places required. 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.
- The Education Organisation Plan is updated on an annual basis and includes a description of all projects presently under consideration, in feasibility, in various stages of pre-construction design and on site under construction. The list of projects taken from the Plan is below.

5.3.1 Early Years

- Due to the uncertainty in the sector created by the Covid-19 pandemic, the local authority will not seek to create additional capacity at this time. This is to ensure sustainability of existing provision.
- Future opportunities in new housing developments: There is still significant growth expected in some areas of Peterborough due to continued housing development. Pre-school provision for two, three and four-year-olds will be located in all new primary schools. Full day care will be required for all ages. More details about these schemes and potential tender opportunities will be announced in due course.

5.3.2 Primary Schools

- Manor Drive Primary is a proposed new 2FE (420 place) school and 26 place nursery on the Paston Reserve site to serve the needs of the development. A free school bid was submitted and approved as part of Wave 12 of the government's central free school programme. Planning permission for the school has now been secured and early works have started on site.The target opening date is September 2022. The school will be run by the 4Cs Trust.
- Negotiations are underway to secure land and developer contributions for the 3FE (630 place) primary school to serve the proposed Norwood development.
- Hampton Lakes is a new 420 place/2FE free school academy and 26 place nursery, opened to 30 Reception children in September 2019 in temporary accommodation on the site of Hampton College (Primary phase). The school moved into its permanent accommodation in October 2020. The school is run by Hampton Academies Trust.
- St John Henry Newman is a Voluntary Aided Roman Catholic 3FE (630 places) primary school due to open in September 2022. Having been successful in gaining funding from the government's Voluntary Aided Capital Fund the Roman Catholic Diocese of East Anglia submitted proposals to open the school, which were approved by the Council in February 2020. The design of the school is currently underway and a planning application will be submitted early in 2021.. The school is planned to open with a Nursery, Reception and mixed Year 1 and 2 class. A project at Barnack Primary School covering essential condition works with minor extensions and a new Multi Use Games Area that will create 60 additional places. The project is due to be completed in 2021.
- Officers are currently consulting with Members, local developers and other key stakeholders to identify next steps to increase the number of places at Eye Primary. A further expansion of the school is linked to an adjacent housing development which has yet to secure a planning consent
- Officers are currently working with local schools, Members and other key stakeholders on mitigation of the proposed development at the East of England Showground.

5.3.3 Secondary Schools

- Manor Drive Secondary Academy is a new planned 6FE (900 place) free school academy to be built on the Paston Reserve development. This school was approved through Wave 13 of the DfE's Free School bid process. Planning permission for the school has now been secured and early works have commenced on site. The target opening date is September 2022. The school will be run by the 4C's Trust.
- S106 developer contributions for a secondary school on the Great Haddon development have been secured. The first houses on this development are forecast to be built in 2022. The opening of this school will be linked to the pace of development.
- The Greater Peterborough University Technical College is currently in the process of submitting a business case to the Secretary of State to reduce their year of entry to Year 7. The Capital Review Group has agreed to commit £200k towards a scheme to provide a new sports hall and outdoor play space in order to enable this extension of the age range to take place.

5.3.4 Places for children and young people with Special Educational Needs and Disabilities (SEND)

- The Government has committed £215 million of capital funding to help local authorities create new school places and improve existing facilities for children and young people with SEND. This funding can be invested in mainstream schools and academies, special units, special schools, early years settings and further education colleges, or to make other provision for children and young people aged from 0 to 25.
- We have established a network of hubs to grow resilience and expertise in Peterborough mainstream schools. Every hub has an area of SEN specialism and their principle duty is to provide a centre of expertise that can be accessed by all schools in Peterborough to provide training, advice

and modelling of best SEN practice. Some hubs have specialist places for children with EHCPs but the majority do not. Our hub numbers continue to grow and in conjunction with the SENCO network they are proving to be powerful forces for driving change and improvement.

- A project is underway to provide a separate specially designed early years SEN building at Heltwate school with outdoor play areas, parking and drop off. The new building, which will replace two large temporary mobiles, will be able to accommodate 40 children of pre-school age with SEND. The planning application was approved recently and the project is forecast to be completed by September 2022.
- An expansion and refurbishment of Marshfield school. This project will increase the number and type of specialist classrooms. The project started in July 2020 and is due to be completed in April 2021.

5.4 Culture and Leisure

Leisure and Culture assets were managed by Vivacity up to the 1st October 2020 when Leisure assets transferred to Peterborough Limited and Cultural Assets transferred to City Culture Peterborough initially on a 1-year contract. The AMP highlights £500k of immediate work that is required following their initial reviews. The majority of facilities have been closed due to COVID-19, and additional capital investment is required to ensure all can reopen and operate safely. The Council, PL, and CCP continue to liaise with Sport England and the Arts Council for additional funding for these facilities.

Place and Economy Directorate

5.5 Delivery of Growth Schemes

- Through its Local Plan, 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 Local Plan identifies the spatial distribution and broad areas of growth in Peterborough and identifies the sites required to deliver the future growth requirements 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 Local Plan 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.
- The directly-elected Mayor and the Cambridgeshire and Peterborough Combined Authority hold strategic transport powers and are the Local Transport Authority for the Cambridgeshire and Peterborough area. They are responsible for allocating local transport funding to the most important transport needs to help improve traffic flow, reduce congestion, improve road safety, increase walking and cycling and improve accessibility amongst other things. The Combined Authority sets the overall transport strategy for Cambridgeshire and Peterborough, called the Local Transport Plan. Peterborough City Council previously had these powers and produced its own Local Transport Plan (LTP) but this is now a function of the Combined Authority.
- 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 created 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. The Council is working with the principal landowner, Hawksworth Securities, on land assembly plans that would see the Council facilitating the purchase of the land ownerships that will need to be acquired to complete the scheme. This will involve ensuring title checks through a land referencing agent and completing market valuation checks prior to private treaty negotiations with owners.

5.6 Transport

- Transport incorporates new roads, bus and railway stations, street lighting, structures, drainage, footways/cycle ways and other transport related infrastructure items.
- To provide context, the directly-elected Mayor and the Cambridgeshire and Peterborough Combined Authority hold strategic transport powers and are the Local Transport Authority for the Cambridgeshire and Peterborough area. They are responsible for allocating local transport funding to the most important transport needs to help improve traffic flow, reduce congestion, improve road safety, increase walking and cycling and improve accessibility for all highway users amongst other things. The Combined Authority sets the overall transport strategy for Cambridgeshire and Peterborough, called the Local Transport Plan (LTP). Historically Peterborough City Council held these powers and produced its own LTP but this is now a function of the Combined Authority.
- The Council works with the Combined Authority to develop a programme of highway infrastructure improvements which 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 and Climate Emergency commitment
    - 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
- The LTP 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 10 Year Highway Services contract to Skanska, which can be extendable by a further 10 years (5+5yrs). 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 has successfully reached band 3 (the highest) receiving the maximum allocation.

5.7 Regeneration

- Peterborough is the 5th fastest growing city in England. The city expanded rapidly as a 'New Town' during the 1970s and continues to grow to the present day. Research undertaken for the Local Plan which was adopted in July 2019 suggests that Peterborough's population will rise from its current level of 201,000 to over 230,000 by 2036. 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 promoting and delivering growth wherever necessary
    - Times of financial constraint mean the Council will need 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 and there is an opportunity to do so in way that can deliver best value.
    - The Council together with partners such as CPCA and Opportunity Peterborough has a vision for how we want the city centre to look in the future, this is called the City Centre Development Framework[4].

Each of the eight elements of the city centre framework will be rolled out at different times over the coming years:

1. **Station Quarter**
   To reinvigorate the gateway to the city, transform visitor impressions, and boost the city as a business location. Over 5 million passengers use the station each year with annual growth originally forecast to grow 3% over the next 5 years. The partnership involves Cambridgeshire & Peterborough Combined Authority, Network Rail, LNER and Peterborough City Council.
2. **North Westgate**
   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. Outline consent has been granted for a mixed-use scheme including commercial, leisure, and residential uses. North Westgate will offer excellent access to retail, cultural and leisure amenities.
3. **Northminster**
   The Council has also entered an agreement with PIP to drive forward the regeneration of Northminster with a residential led scheme that will revitalise that part of the City Centre and act as a catalyst for other potential development in the future. In parallel the Council is actively looking at options for the Market.
4. **Rivergate**
   Rivergate provides the opportunity for a new and enhanced gateway into the city centre and to the Embankment and Fletton Quays. New apartments with ground floor restaurant and retail uses have been part of the discussions between the owners of the Rivergate shopping arcade and the Council.
5. **University**

   The new University for Peterborough is now under construction on the old Wirrina Car Park following the granting of planning approval for Phase 1 and the conclusion of legal agreements between the Council, the Combined Authority and Anglia Ruskin University.

[4] https://www.peterborough.gov.uk/council/planning-and-development/regeneration/city-centre-development-framework

Phase 1 is due for completion in time for opening to students in September 2022. Phase 2 which will quickly follow, will bring a focus on research and development facilities with incubator space for start up businesses linked to the University and to businesses across the City. The Phase 2 planning application is due for submission in Feb/March 2021.

Cabinet at its meeting on 21 September 2020, received a report on changes to the planned implementation of the University of Peterborough project.

Council at its meeting on 21 October 2020 approved the amendment of the Capital Strategy and Asset Management plan to take account of the proposed transfer of this land to the special purpose joint venture vehicle

6. **Embankment**

Peterborough United Football Club have begun a feasibility study, as it explores the chance to develop a new £50 million, 20,000 capacity-stadium incorporating conference and events centre facilities that could complement the university curriculum and the city's cultural offer.

7. **Middleholme**

This 40-acre site to the east of the Embankment has scope for residential development and sports and leisure uses. The Council is working with its co-owner, Milton Estates, to bring this site to the development market.

8. **Fletton Quays**

Over recent years the Council has taken an increasingly hands-on 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 further, with a new Government Hub and a hotel being completed alongside new offices and residential developments along a revitalised riverside promenade.

- Alongside the regeneration sites the Council was successful in securing £22.9m from the Government for its Towns Fund Investment Plan in October 2020 followed by signing heads of terms in January 2021 for Peterborough Town Deal:

  Peterborough was identified by the Government as one of the Towns eligible to bid for investment through the Towns Fund which was launched in November 2019. The Towns Fund aims to help towns deal to overcome constraints to growth and productivity.

  Towns Fund investment will be focused on three broad areas:

  - Urban regeneration, planning and land use;
  - Skills and Enterprise infrastructure;
  - Connectivity (transport networks and digital connectivity).

  Peterborough's Town Investment Plans was submitted to MHCLG on 31st July 2020. The Plan sets out investment priorities for that driving economic growth with evidence linked directly to the Towns Fund objectives and aims to complement existing plans and strategies including the Local Industrial Strategy, the Local Plan and the Local Transport Plan, as well as wider regional economic initiatives such as the Oxford-Cambridge Arc.

  Governance Arrangements
  In January 2020 a Town Deal Board was established with representatives from key sectors of business and the local community in Peterborough. The chair is Matthew Bradbury. The Board's initial role was to:

  - Develop and agree an evidenced-based Investment Plan;
  - Develop a clear programme of interventions; and,

- Co-ordinate resources and influence stakeholders.

The next phase for the board is to support and guide the development of business cases, project plans and stakeholder engagement plans for the projects forming part of the Heads of Terms, when agreed.

Steering Groups were established in December 2020 to support and guide the projects in detail.

Steering Group	Project name:
Regeneration & Infrastructure	1. Embankment Masterplan across university, embankment and MiddleHolme opportunity areas. 2. Public realm Embankment 3. Design and delivery of new Pedestrian Bridge 4. Station Quarter 5. Public realm Lincoln Road
Visitor Attractions	6. The Vine: New Library and Cultural hub; 7. National Bronze Age Museum 8. Lakeside Activity Centre
Skills & Enterprise	9. Enterprise Incubation hub feasibility study 10. Green Technology skills: construction and automotive

Before funding is released by the Government, Councils are required to produce business cases which follow the three stage, Treasury Green Book guidance: Stage One – Strategic Outline Case; Stage 2 - Outline Business Case; and Stage 3 - Final Business Case. Each business case needs to set out the Strategic, Economic, Commercial, Financial and Management rationale for the project and options for proceeding, assessing the anticipated costs and benefits, and the planned outputs and outcomes. Each business case needs to follow Peterborough City Council assurance process and signed off by S151 officer.

Next steps

The Town Deal Board approved the project confirmation tables for £22.9m on the 22nd January 2021 to be taken forward.

Now starts the process to work on the business cases for submission at the latest December 2021.

The projects will be delivered over a 5-year programme to the end of the 25/26 financial year. Projects are different stages of business readiness.

- In November 2016 the Council set up a housing joint venture company with Cross Keys Homes called Medesham Homes that is working to deliver affordable homes to meet the needs of a growing population. The Council has also earmarked funds over the next three years to support land assembly for the delivery of regeneration in the North Westgate area, and has signed a Collaboration Agreement with Hawksworth, the principal landowner that is driving for the regeneration ambition.

- The Gladstone, Millfield and New England neighbourhoods that make up the CAN-Do area feature in the 20% most deprived communities in the UK. These neighbourhoods experience a range of challenges and also contain some of the oldest housing stock in the city. In order to address such challenges, Operation CAN-Do was set up in 2013 as a 10-year programme of local improvement and following the initial success of the community-based interventions, it was recognised that capital investment was needed to truly regenerate the area. In the Council's 2017/2018 budget funding was allocated to support investment in physical regeneration, £663k of which has been spent or committed to date. The Council has allocated a further £2m from the 2020/21 financial year which will be matched by £2m from the successful Towns Fund bid.

- The Regional Pool was built in 1976 and is reaching the end of its effective operational life as a leisure centre. Despite the age and condition the facility remains well used and plays a role in providing publicly accessible swimming pool space for Peterborough residents, local schools, colleges and community groups and is home to the city's swimming club. A replacement Regional Pool facility is under review and is subject to the development of a business case to demonstrate that the net operating income of a new facility will cover the Council's capital cost and risk profile of such a capital investment is acceptable. The detailed work on the business case will be developed during the forthcoming financial year.

5.8 Community Infrastructure

- Community Infrastructure incorporates community centres, sports facilities, open space, affordable housing, and other community infrastructure related items. Funding for community infrastructure needs primarily come forward via new developments as part of the Developer Contributions received from S106 Planning Obligations and Community Infrastructure Levy (CIL) Charging Schedule.
- 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 - Medesham Homes LLP, 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:

      2015/16 - 168 Homes

      2016/17 - 129 Homes

      2017/18 - 120 Homes

      2018/19 - 150 Homes

      2019/20 - 281 Homes
- For 2020/21, current projections indicate that 300 new affordable homes should be completed.
- The Green Open Space Strategy is jointly led by Aragon Direct Services Ltd and PCC through joint working. Any improvements and developments are delivered though input from the statutory planning document and an annual external H&S assessment of our play provision.

5.9 Local Authority Trading Company (LATCo)

- The council has a wholly owned trading company, Aragon Direct Services, which performs the delivery of key services, including bin collections and street cleaning, previously operated by Amey. Within these services there is a range of equipment and facilities used. To ensure this equipment is kept fit for purpose and complies with legislative requirements, the capital programme includes investment to (i) replace fleet vehicles and capital assets which have now reached the end of their economic viability (ii) invest capital to reduce revenue expenditure on leased vehicles (iii) expand the recycling and waste collection fleet to meet the growing demands of Peterborough. The expenditure blends the purchase of brand-new vehicles with those purchased out of lease, to extract the maximum amount of life out of the remaining fleet and allowing the adoption of new technologies gradually over time.

Customer & Digital Services

5.10 Information and Communication Technology – ICT

- IT and Digital services are critical to the efficient delivery of Council Services. The Joint IT and Digital Strategy for Peterborough City Council and Cambridgeshire County Council is centred on building a shared IT infrastructure and shared IT, Business and Digital systems.
- Infrastructure projects include converging the storage and networking environments of the Councils (building on the current work to co-locate all IT Systems in the Sand Martin House Data Centre) as well as looking at converging and simplifying the end user devices (laptops & mobiles) and productivity systems (Microsoft Office 365) to remove duplication and allow for economies of scale within IT and maximise the efficiency of staff.
- Work continues on delivering projects which support the review and alignment of Business Systems including a wide ranging review of Education systems and a continuing programme of work to align the adult social care systems
- All this will be done whilst ensuring the reliability and security of all IT systems through the on-going programme of up-grades and system improvements.
- Future projects will also look at areas of automation across services, building on the work that has already started in this area within the IT Service

Resources Directorate

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 L 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.
- 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 1 of this report has more detail about the assets that have been identified and suitable for disposal.

5.12 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. With updates 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. Planned schemes are itemised in Appendix G.

5.13 Loans Made to Third Parties

- **Treatment of Loan as Capital Expenditure**

  Within the definition of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the "**Regulations**") section 25 states that expenditure of a local authority will be treated as capital expenditure if:

  the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure

- The Council makes loans to third parties to advance the Council's strategic interests. Loans are only made after the Council's formal decision making process has been followed. This includes formal approval by the Chief Finance Officer (S151).

- Although these loans fall outside the Treasury Management Strategy consideration is still given to the principles of Security, Liquidity and Yield and these risks are weighed against the strategic benefits of making the loans.

- 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. The expected loss model is applied throughout the life of the loan in line with the requirements of IFRS9 Financial Instruments and disclosed in the annual Statement of Accounts.

- When loans are made to third parties, in order to comply with State Aid regulations and from the 1 January 2020 the Subsidy Regime, a commercial rate of interest must be charged. The interest received by the Council is not the primary purpose of the loan but will be used to offset the costs incurred by the Council for financing the project.

Third Party Details	Reason for loan	Current Loan Advanced	Maximum Exposure	Repayment date
ECS Peterborough 1 LLP	The alleviation of fuel poverty and to contribute towards the Council's ambition in 2014 of becoming the UK Environmental Capital	Capital Loan £23.5m	£23.5m	Final repayment date June 2035
Hotel Loan	Growth, Development and Regeneration Purposes	£2.3m	£15.0m	Refinance of the loan is due by June 2022
Peterborough Limited	Teckal – delivery of contract/work services for PCC	Revenue Loan £1.6m Capital Loan £0.2m	£1.8m	

6 Sources of Asset Investment Funding

6.1 A summary of the sources of Asset Investment funding is shown in 10.4.

6.2 External sources arise from the Council's aims, together with partners, to maximise opportunities for funding from any source, including 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 England (HE) a percentage of gross Asset Investment receipts from sales of Community Related Assets (CRA) transferred to it from the Peterborough Development Corporation. From August 2021, this is 32% (diminishing annually by 2%). Although this represents a significant loss of opportunity for the Council, HE is encouraged to reinvest the receipt back into Peterborough. The Council is currently awaiting consultation from HE 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
Administration	*5%*
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%
Health & Adult Social Care and Emergency services	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.

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 of Resources closely monitors progress on asset disposal. Any in year shortfalls could potentially need to be met from increased corporate resources.

The Council uses capital receipts to:

- fund capital expenditure
- redeem debt - see TMS MRP policy section 3.
- fund the revenue costs of transformation projects and release savings - this is known as the Flexible Use of Capital Receipts.

It will be at the discretion of the S151 officer and their judgements as to which option provides better value for money for the Council's financial strategy.

The statutory guidance on Flexible use of Capital Receipts recommends that, if planning to use this flexibility, a Flexible use of Capital Receipts Strategy is approved by Council.

As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided.

The Strategy should report the impact on the Council's Prudential Indicators for the forthcoming year and subsequent years.

The Strategy should contain details on any projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

An outline Flexible use of Capital Receipts Strategy is included as Annex Two.

8 Procurement Strategy

Delivery of the majority of the Capital Programme is commissioned from external providers. The Council will either use a tender process, existing contracted suppliers such as Skanska for Highways Works, or an appropriate framework.

A new Procurement Strategy has been approved by the Joint Procurement Board in June 2020, for the next five year period commencing April 2021.

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 1) and aligns to the seven commissioning principles the Council has adopted to become a Commissioning Led Council (para 3.5);
- supports Peterborough's Sustainable Community Strategy 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 spends in excess of £230 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.

This strategy will align to the Council's Customer Strategy[1] 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.

The outcomes of this strategy will be to:

- Undertake procurement that helps to achieve 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

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 Joint 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 Joint Procurement Board
- An annual performance report will be provided for Cabinet members.

9 IFRS 16

A new International Financial Reporting Standard (IFRS) on leases is due to be adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) with effect from 1st April 2022. IFRS 16 defines a lease as a contract or part of a contract, which conveys the right to use as asset (the underlying asset) for a period of time in exchange for a consideration. The CIPFA/LASAAC Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 *Leases* until the 2022/23 financial year, CIPFA/LASAAC has taken this decision in response to pressures on council finance teams as a result of the COVID-19 pandemic.

The £22m for IFRS16 transition is excluded as this is not new capital spend, but a change in accounting treatment. Under the previous accounting rules leases that did not account for substantially all of an assets useful economic life were treated as off balance sheet and charged to revenue. The new accounting brings these leases (unless under a year in duration or for assets below a de minimum value) onto the balance sheet as capital expenditure. On transition, the remaining value of these existing leases is treated as capital expenditure incurred on 1 April 2022.

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

10 Conclusion

10.2 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.

10.3 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.

10.4 **Summary Capital Programme**

Capital Expenditure	2019/20 Actual £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Customer & Digital Services	3.0	4.6	2.5	3.0	3.0
People & Communities	21.0	20.6	46.1	13.1	16.5
Place & Economy	18.1	33.0	46.6	53.3	13.8
Resources	16.6	13.8	18.2	12.1	2.0
Capitalisation Direction	5.6	6.0	20.0	-	-
Invest to Save	-	5.9	13.5	6.6	-
Total	64.3	83.9	146.9	88.1	35.3
Financed by:					
Capital receipts (repayment of capital loans)	-	1.4	1.1	15.5	1.2
Capital grants & contributions	36.2	32.0	67.8	62.0	20.6
Net financing requirement	28.1	50.5	78.0	10.6	13.5
Total	64.3	83.9	146.9	88.1	35.3
IFRS16 Transition adjustment	-	-	-	22.0	-

10.5 **Summary of Fixed Asset Values as at 31 March 2020**

Fixed Asset Values	Gross book value £000	Depreciation £000	Net book value £000
Land & buildings	371,700	(14,278)	357,422
Vehicles, plant & equipment	36,227	(16,985)	19,242
Infrastructure assets	326,374	(145,201)	181,173
Community assets	901	-	901
Heritage assets	683	-	683
Surplus assets	1,135	(104)	1,031
Assets Under Construction	7,738	-	7,738
Investment properties*	23,551	-	23,551
Intangible assets	25,120	(16,715)	8,405
Assets Held for Sale	2,015	-	2,015
Total	**795,444**	**(193,283)**	**602,161**

**Existing historic investment property portfolio*

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

Disposals Schedule

The following properties are scheduled for disposal or under consideration for disposal:

Substations
Garage Sites
Caretakers House in Barnack
POSH (including Allia Centre and small piece of additional land adjacent to Hawksbill Way)
Orton Bowling Green (Orton Gate)
Land at Whitworth Mill - Plot 7 / Plot 8
Church Street Thorney Assets - Library and Community rooms
Land at Fengate South
North Bank East (Land at Bishops road CP)
Wellington St Car Park
North Bank development
London Road Gravel Car Park
Alma Road
Dicken Street Car Park
Land at Angus Court
Eye Road, Peterborough
SteamHouse Farm / Yard and Buildings at Alkramian
Northminster site (former Multi Storey Car Park)
City Market
Barn Conversions – Fletchers Farm
The Barn
49 Lincoln Road
The Cresset
Fletton PRU
St Georges Hydrotherapy Pool
Central library
Chauffeurs Cottage

Outline Flexible Use of Capital Receipts Strategy

1.0 Flexible Use of Capital Receipts

1.1 In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme first announced in December 2015.

1.2 Initially this flexibility on the use of capital receipts was limited to those receipts received between 1 April 2016 and 31 March 2022, however, this has now been extended by three years to March 2025.

1.3 The direction to gives local authorities the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

1.4 Under this direction the Council is permitted to treat as capital expenditure, expenditure which:

- is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners;
- is properly incurred by the Authorities for the financial years that begin on 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019, 1 April 2020, 1 April 2021, 1 April 2022, 1 April 2023, and 1 April 2024;
- is to be funded by capital receipts which have been received in the years to which the direction applies.

1.5 In applying this flexibility the Council must have regard to the Statutory Guidance on Flexible Use of Capital Receipts.

1.6 The Statutory Guidance includes a list of some example projects that may apply including:

- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible
- Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

1.7 However the list is not designed to be prescriptive or exhaustive, it is for individual local authorities to decide whether or not a project qualifies within the definition in 1.3.

1.8 To apply the flexibility the Council should prepare a Flexible Use of Capital Receipts Strategy before that start of the year, which does not need to be a separate document, and should be approved by Council.

1.9 The initial Strategy may be replaced during the year with Council's approval.

2.0 Projects to make use of the Flexible use of Capital Receipts

2.1 The Council plans to apply the capital receipts to fund the costs of the following projects:

Project Name	Description of Project	Estimated Qualifying Expenditure £000	Estimated Annual Savings £000
Project 1	*xxx*	*xxx*	*xxx*
Project 2	*xxx*	*xxx*	*xxx*
Project 3	*xxx*	*xxx*	*xxx*
…..			

3.0 Impact on the Council's Prudential Indicators

3.1 The planned flexible use of capital receipts outlined above will impact on the Council's Prudential Indicators for the forthcoming year and subsequent years as follows:

3.2 <<Detail to be provided as appropriate once strategy implemented>>

4.0 Update on previously approved Flexible Use of Capital Receipts

4.1 If the application of the Flexible Use of Capital Receipts have been approved to projects in previous years an update will be provided here, including a commentary on whether the planned savings or service transformation have been or are being realised in line with the initial analysis.

5.0 Changes to the Strategy

5.1 If in the judgement of the S151 officer an alternative use of the capital receipts provides better value for money for the Council's financial strategy then a revised Strategy will be produced for Council's approval and communicated to MHCLG.

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Peterborough City Council

Asset Management Plan

January 2021

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 Council's property assets make an important contribution to creating sustainable communities within Peterborough. The Council needs to regularly review its property portfolio to ensure that it is optimised so that it can contribute to community needs and the Council's budget. This document sets out the Council's asset management policy and practice.

Executive Summary

The operating context for public services continues to be 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.

Since March 2020 the COVID-19 emergency has made a significant further impact onto public services, people's working habits and the Council's property portfolio. It is not clear how long the current restrictions relating to the pandemic will last and what the "new normal" way of operating will be, however the effects on Council's finances and provision of public services will be significant and long lasting.

The Council has a vision 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 whist having a positive impact on the environment.

There is a continual assessment of the portfolio to ensure that property is making a contribution either from a financial or community perspective. Where it is not, the Council will invest and refurbish, redevelop or dispose. Property is regularly reviewed to understand whether operational costs can be mitigated. Efficient asset management helps 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

The COVID-19 Emergency has significantly impacted how people work and including how they use their property portfolios. We have seen:

- The requirement for a significant portion of the workforce to work agilely from home since March 2020. The Council has successfully implemented full agile working resulting in reduced use of corporate buildings. Staff are now used to this and like the flexibility;
- The requirement to ensure all buildings comply with COVID-19 regulations when being used.

What we do not know at the moment are the medium and longer term impacts on working practices and specifically:

- How long the emergency will last for and what the "new normal" way of working will be both for Council staff and users of buildings in the Council's property portfolio;
- The extent of the transition of office space to alternative uses such as residential or community use
- How people will access Council services. This might well accelerate some Community based policies (Think Communities) but could radically affect the makeup of Council property portfolios leading to redundant buildings and the requirement for different types of building.

At a national level there has been and continues to be 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

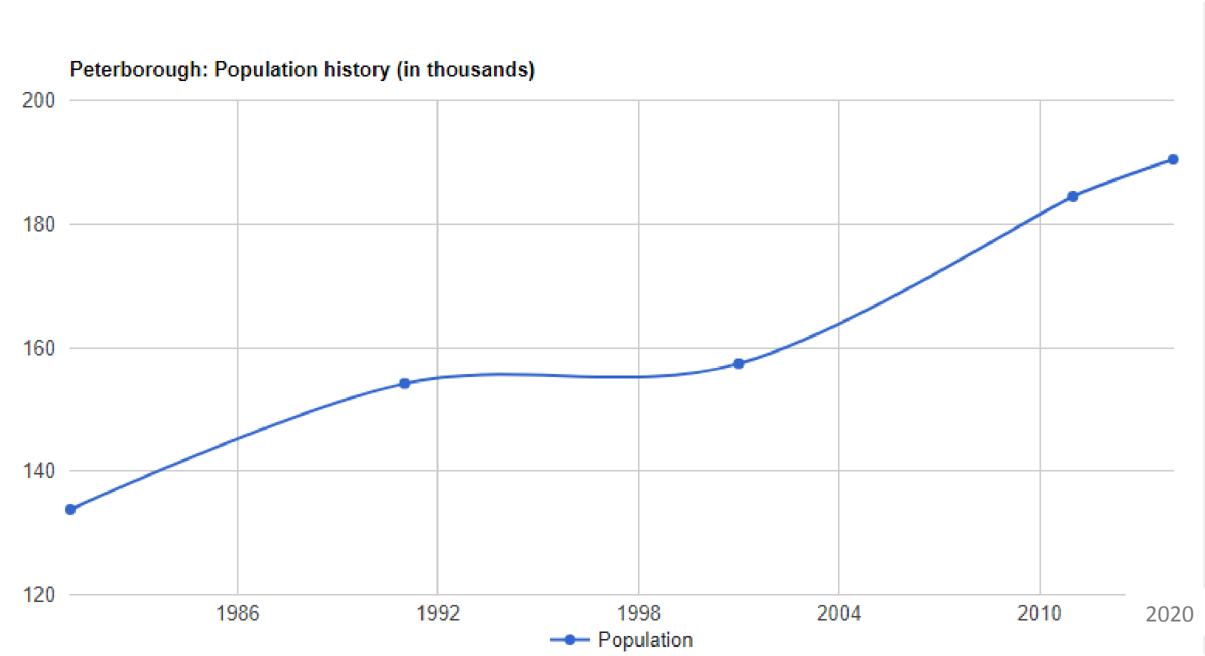
- Releasing capital to reinvest in communities
- Sharing best practice in asset management
- Using dedicated local teams to work on specific projects
- Freeing up sites to promote the building of new homes

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 Peterborough Limited and City Culture Peterborough 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 has been exemplified with the Council agreeing to a "Climate Emergency" motion at full Council.

  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 and will come under greater scrutiny over the next decade.

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 2020-21 is £1.8 million for corporate premises and £500,000 for leisure premises.

- '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 is key to delivery of the AMP, as are clarity of roles within the Council's client function, Peterborough Limited and property services commissioned through Education and Housing . This also includes future regeneration plans for the city and how Council owned assets can be used to facilitate this.

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 and new requirements as we move out of the COVID-19 emergency. 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
  - 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 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 and community use
- Establish an asset management forum at director level; meet quarterly with NPS to review portfolio
- Assess how the changes to PWLB rules affect property
- Clarify roles across property delivery partners and the Council
- Review forthcoming lease events of 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 portfolio
- 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

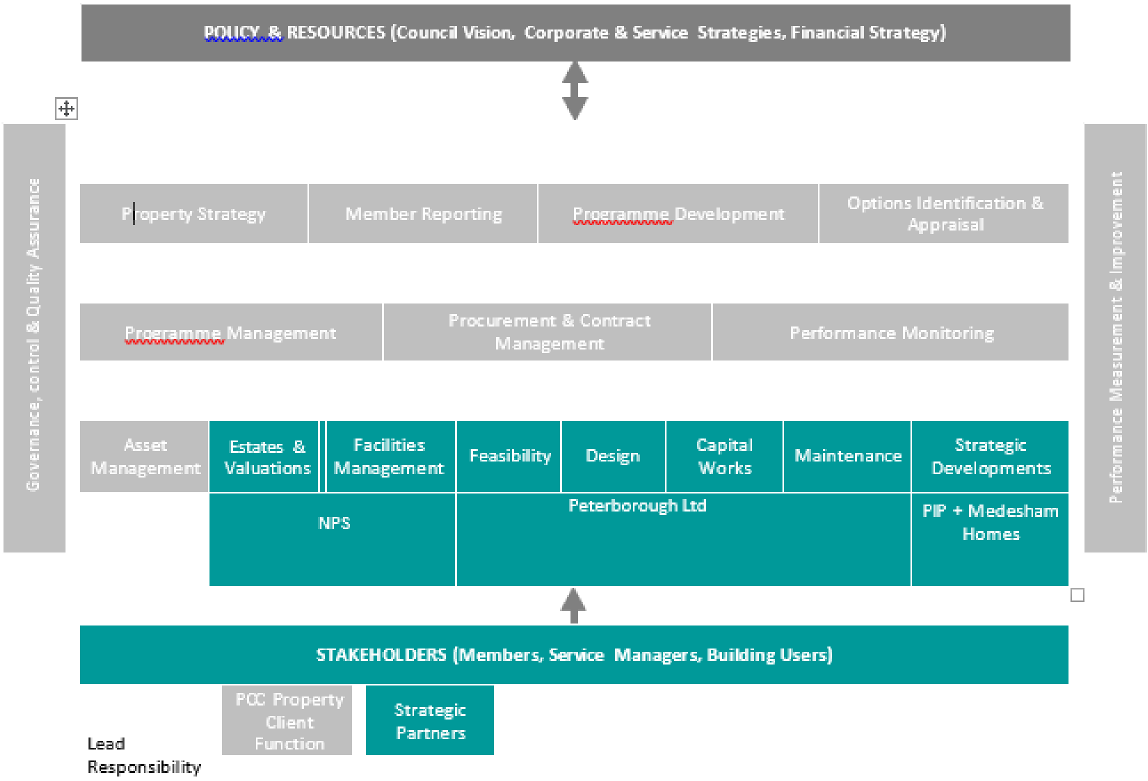
- Maximise revenue and consider refurbishment and / or disposal
- Review strategic assets and categorise

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's operating model is shown in the diagram below.



3.2 Governance & Decision Making

The Cabinet Member for Strategic Planning and Commercial Strategy and Investments 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.

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. These reviews 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 2712 land and property assets
- £3.4m rent generated per annum
- Is worth £602.2m in terms of book value
- Incurs running costs of £17.2m 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.

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 £17.2m, whilst the Council's utilities costs for 2019/20 were £4.6m

The asset value of the portfolio is £602.2m (£584.9m Dec 2019). 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 in the Capital Strategy for further details about the capital receipts figures expected in 2021/22 and beyond.

Profile of Capital Receipts (£m)							
Achieved					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	£6,220	£10,874	£3,930

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 will 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
- Capital Strategy
- Community Asset Transfer Policy
- Farms Estate Strategy
- Disposals Strategy
- Carbon Reduction strategy
- Regeneration Strategy
- School Places Strategy
- Housing Strategy
- Other Service asset strategies being developed (Think Communities)

Protocols, Procedures & Partnerships

- Skanska Highways Partnership
- NPS Peterborough Partnership
- Peterborough Limited Working Arrangements
- Cross-Keys Housing Joint Venture Partnership
- PiP – Peterborough Investment Partnership
- Culture Partnership (Peterborough Limited and City Culture Peterborough)

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
The council has a designated corporate property function	AMP linked to corporate objectives	Statutory obligations met
There is Corporate Property Officer with defined responsibilities	Asset management integrated with service planning	Targets set for running costs
Corporate Property Officer reports to a strategic committee	Key areas for change in the portfolio defined	Suitability of buildings assessed
Cross-service forum established on property matters	Commercial portfolio strategy identified	Satisfaction with buildings measured
Property occupiers / users role defined	**Capital programme management**	**Review of need, utilisation and cost**
Group to oversee development of AM practice & AMP	Option appraisal / prioritisation / whole life costings	Profile of capital receipts
Cabinet member lead on property matters	Outcome targets for capital spend	Systematic review programme
Decision making and consultation	Processes for identifying projects	Criteria to challenge retention
Clearly defined decision making processes on property matters	Projects assessed using an agreed methodology	Incentives to release property
Consultation process on the AMP	Authority-wide group to oversee programme	Identification of under-utilisation
Views of service users & occupiers sought	Process for post-project evaluation	Specific organisational focus on property review
Public consultation on property matters	Projects completed on time & to budget	Disposal processes monitored
Full member reporting	**Managing properties in use**	Shared use of buildings promoted
Partnership Working	Maintenance backlog know and reported to members	Framework for assessing performance of the portfoli
Integrated approach to assets with other agencies	Periodic assessment of building condition	Identifying property needs
Policy on community asset transfer	Maintenance spend prioritised	Defined aims & objectives for asset management