

**CABINET**

**3 FEBRUARY 2014**

**MEDIUM TERM FINANCIAL STRATEGY**

**BUDGET 2014/15 AND  
MEDIUM TERM FINANCIAL PLAN TO 2023/24**

**COUNCILLOR DAVID SEATON  
CABINET MEMBER FOR  
RESOURCES**

**JOHN A HARRISON  
EXECUTIVE DIRECTOR –  
RESOURCES**

**Growing the right way for  
a bigger, better Peterborough**

**PETERBOROUGH**  
  
**CITY COUNCIL**

## CONTENTS

|  |            |
|--|------------|
| <b>BUDGET 2014/15 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) TO 2023/24 .....</b> | <b>2</b>   |
| <b>The MTFS in a Community Context .....</b>                                     | <b>18</b>  |
| <b>Report of the Chief Finance Officer .....</b>                                 | <b>19</b>  |
| <b>1. Key Figures .....</b>  | <b>42</b>  |
| <b>2. Capacity Bids .....</b>  | <b>44</b>  |
| Appendix 2a – Capacity Bids – Inescapable .....                                  | 44         |
| Appendix 2b – Capacity Bids – Essential .....                                    | 47         |
| <b>3. Savings .....</b>  | <b>48</b>  |
| Appendix 3a – Savings – Service Reductions .....                                 | 48         |
| Appendix 3a – Savings – New Savings and Efficiencies .....                       | 50         |
| Appendix 3a – Savings – Additional Income .....                                  | 56         |
| Appendix 3a – Savings – Terms and Conditions .....                               | 57         |
| <b>4. Fees and Charges Schedule .....</b>  | <b>58</b>  |
| <b>5. Reserves Position .....</b>  | <b>62</b>  |
| <b>6. Budget Monitoring – Probable Outturn .....</b>                             | <b>63</b>  |
| <b>7. Treasury Strategy, Prudential Code and Minimum Revenue Position .....</b>  | <b>72</b>  |
| <b>8. Capital Strategy, Programme and Disposals .....</b>                        | <b>96</b>  |
| <b>9. Asset Management Plan .....</b>  | <b>124</b> |
| <b>10. Budget Consultation .....</b>   | <b>0</b>   |

|                        |                      |
|------------------------|----------------------|
| <b>CABINET</b>         | AGENDA ITEM No 5     |
| <b>3 FEBRUARY 2014</b> | <b>PUBLIC REPORT</b> |

|                                |  |                            |
|--------------------------------|--|----------------------------|
| Cabinet Member(s) responsible: | Cllr David Seaton – Cabinet Member for Resources   |                            |
| Contact Officer(s):            | John Harrison, Executive Director - Resources<br>Steven Pilsworth, Head of Strategic Finance | Tel. 452520<br>Tel. 384564 |

## **BUDGET 2014/15 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) TO 2023/24**

| <b>RECOMENDATIONS</b>  |  |
|--|--|
| <b>FROM :</b> Cllr David Seaton  | <b>Deadline date:</b> Council Meeting 5 March 2014 |
| <ol style="list-style-type: none"> <li>1. Cabinet is recommended to agree the following as the basis for the budget consultation and in light of the announcement of the local government provisional settlement for 2014/15:               <ol style="list-style-type: none"> <li>a) That the MTFS is set in the context of the council priorities.</li> <li>b) The Budget monitoring report as the latest probable outturn position for 2013/14.</li> <li>c) The draft revenue budget for 2014/15 and proposed cash limits for 2015/16 to 2023/24 (including the capacity bids and saving proposals).</li> <li>d) The draft capital programme for 2014/15 and proposed cash limits to 2023/24 and associated capital strategy, treasury strategy and asset management plan.</li> <li>e) The proposed council tax freeze in 2014/15 and 2015/16 with indicative increases for planning purposes of 2% for 2016/17 to 2023/24.</li> <li>f) To spend at the level of the Dedicated Schools Grant for 2014/15 to 2023/24.</li> <li>g) The proposals for reserves and balances.</li> <li>h) Confirm the proposals for setting fees and charges for 2014/15.</li> </ol> </li> <li>2. That Cabinet approve the budget proposals as the basis to consult with Scrutiny, Staff, Unions, Stakeholders</li> <li>3. That Cabinet have regard for the continuing uncertainty of national public finances, the impact that dwelling and business growth locally will have on future funding arrangements.</li> <li>4. That Cabinet recognise the challenge to close a significant forecast gap of £18m in 2015/16 and also the further gaps in later years.</li> <li>5. That Cabinet note that government Grants will not be confirmed until the final settlement is released in February 2014.</li> </ol> |  |

**1. ORIGIN OF REPORT**

1.1 The report is submitted to the Cabinet as part of the council’s agreed process for integrated finance and business planning.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to present budget proposals for 2014/15 through to 2023/24, in line with the provisional local government finance settlement for 2014/15 and in advance of some Department for Education specific grants being announced. The report contains three key sections:

- Cabinet report and summary of council funding implications, including proposals on council tax;
- The draft MTFs, including capital strategy, asset management plan and Treasury Strategy. This will allow consultation to take place on these elements; and
- The budget consultation document to enable scrutiny and discussed with staff, business leaders, the voluntary sector, partner organisations, trade unions, local MPs, parish councils, the Youth MP and Youth Council and other interested parties.

2.2 This report sets out proposals for consultation to enable Cabinet at its meeting on 24 February to make recommendations to be made to the meeting of Full Council on 5 March 2014.

2.3 The report is for Cabinet to consider under its Terms of Reference no.3.2.7 *“to be responsible for the Council’s overall budget and determine action required to ensure that the overall budget remains within the total cash limit.”*

2.4 In addition, the report also has regard to the revised budget timetable approved by Full Council at the meeting of 4 December under the council constitution Part 4, Section 6 – Budget and Policy Framework Rules.

**TIMESCALE**

|   |              |  |  |
|---|--------------|--|--|
| Is this a Major Policy Item/Statutory Plan? | YES          | If Yes, date for relevant Cabinet Meeting    | 24 February 2014                                     |
| Date for relevant Council Meeting           | 5 March 2014 | Date for submission to Government department | Communities and Local Government (CLG) 11 March 2014 |

**3. FUTURE BUDGET PROSPECTS AND BUDGET PROPOSALS 2014/15 TO 2023/24**

3.1 Cabinet firmly believe that budgets over the medium term that support the council’s key priorities should be put forward and that these should meet the changing characteristics of the city, its residents, businesses and those that visit the city.

3.2 This report covers a range of issues in setting the council’s budget in the medium term plan, outlining the probable outturn for 2013/14 and forecasting

future funding implications over a ten year budget plan. This will enable effective and transparent budget consultation with scrutiny, staff, trade unions, stakeholders and the public based upon the most readily available information to Cabinet whilst still enabling an overall budget consultation of nearly six weeks before Full Council considers the budget on 5 March 2014.

### **Priorities and approach**

3.3 The proposals put forward in this paper maintain our commitment to:

- Growth, regeneration and economic development to bring new investment and jobs. Supporting people into work and off benefits.
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city.
- Safeguarding vulnerable children and adults.
- The Environment Capital agenda including pursuing new income streams from solar energy and wind farm developments.
- Supporting the city's culture trust Vivacity to continue to deliver arts and culture.
- Keeping our communities safe and cohesive.

## **4. 2013/14 BUDGET AND PROBABLE OUTTURN**

### **Overview**

4.1 The current MTFS approved a balanced budget for 2013/14. The budget was set in continued challenging financial circumstances of reduced funding from central government, the economic conditions resulting in slow growth and reduced income, increasing demand on social care budgets and the need to balance council priorities whilst minimising service reductions.

4.2 Cabinet received an update on the position at their meeting in late September outlining some of the financial issues that were emerging during the course of the financial year resulting in a forecast overspend of £2.2m. This included significant cost pressures relating to:

- Increased demand on statutory services the council has to provide, including extra demand to support vulnerable people (within Adult Social Care in the Independent Sector Placement budget and in Children services with ongoing pressure of Looked after Children placements)
- Pressures within neighbourhood budgets from reduced income and costs within supporting people budgets
- Street energy lighting costs arising from increased energy costs and an increased network of street lighting from new developments
- Implementing the nationally agreed pay award from April 2013

4.3 The Corporate Management Team and Cabinet have received regular updates on the financial position and have been asked to identify and implement specific actions to produce in year cost reductions and solutions to bring the council's budget position into balance by the financial year end.

4.4 Whilst pressures highlighted earlier continue to be proactively managed to reduce costs where possible, the financial position has improved by:

- The council receiving a government grant in 2013/14 to pay for loss of the council's share of business rate income in relation to the continuation of the doubling of the small business rate relief to businesses by government
- Reduction in borrowing costs associated with updates to the capital programme during the financial year
- Additional income and grant income offsetting in part pressures within social care budgets

4.5 Actions undertaken to manage cost pressures have improved the council's financial position by £2m with the latest estimated financial position being £271k over spend as summarised in the next table. The council has a good track record in recent years of managing financial pressures, and would expect to bring forward proposals to balance the budget by year end. If the council has an over spend for 2013/14 this will need to be met from reserves.

| <b>Directorate*</b>                         | <b>Probable<br/>Outturn<br/>£k</b> |
|---|------------------------------------|
| Adult Social Care, Health and Wellbeing     | 262                                |
| Chief Executive's Department                | -173                               |
| Children Services                           | 167                                |
| Communities                                 | -1,487                             |
| Governance                                  | -229                               |
| Growth and Regeneration                     | 362                                |
| Resources                                   | 827                                |
| <b>Total Underspend (+) / Overspend (-)</b> | <b>-271</b>                        |

\*The council's organisational structure has changed during 2013/14. Section 6 of the MTFS provides financial information in both the old and new council structures for comparative purposes.

4.6 The capital programme has been re-profiled by £128.1m during the financial year and mostly deferred in 2014/15. The key change is under the renewable energy budget of £92.1m into future financial years from an original investment to save budget allocation of £100m. The remaining capital programme is currently forecast to be fully spent on all capital projects underway after slippage from project delay or deferral as part of the budget setting process and being reallocated to future financial years following an in depth review and robust challenge for every project within the capital programme.

4.7 The budget monitoring report in section 6 of the MTFS provides additional information.

## 5 MTFS 2014/15 to 2023/24

### FINANCIAL SETTLEMENT 2014/15

- 5.1 The council measures actual overall grant reductions as it believes this provides a realistic interpretation of government grants to the tax payer and further excludes council tax assumptions. Taking all grants into account excluding additional pooled NHS funding, public health grant and by removing the New Homes Bonus as this grant is funded based on growth, the actual picture is a grant reduction of £8.9m in 2014/15 and a further £12.3m in 2015/16. This represents approximately 28% and 39% reduction in council funding since 2010/11 spending levels. By 2015/16, the council would have seen grant reductions of £44m since 2010/11.
- 5.2 During this parliament, local government funding will have almost halved since 2010/11 spending levels. Nationally, councils have been warned to expect further reductions in future years and this has certainly been the case to date with each Chancellor's budget and autumn statement announcement. However, local government funding has undergone significant overhaul and reform during this parliament which has meant that funding available to local government comes from a variety of government departments resulting in changes to local government functions including working more closely with the health sector to maximise funding councils can utilise. Nationally, government now measure local government funding in terms of spending power. Spending power measures the overall revenue funding available for councils, including council tax, locally retained business rates and non-education government grants including pooled NHS funding and public health funding. Pooled NHS funding and public health funding has conditions that councils need to comply with and therefore distorts overall funding available to councils to spend on all council services.
- 5.3 The provisional local government finance settlement was announced on 18 December 2013 for 2014/15. Nationally, the reduction in spending power is shown in the next table indicating a 3.1% reduction in 2014/15 and 2.0% reduction in 2015/16. Excluding the pooled NHS funding and Public Health grant, the local government spending power would reduce by 4.0% and 6.0% in 2014/15 and 2015/16 respectively.

| <b>Spending Power 2014/15</b>  | <b>2013/14<br/>£m</b> | <b>2014/15<br/>£m</b> | <b>%</b> |
|--|-----------------------|-----------------------|----------|
| Council Tax, locally retained business rates and all non-education government grants | 54,073.861            | 52,405.295            | 3.1%     |
| As above line excluding pooled NHS funding and Public Health grant                   | 50,553.067            | 48,511.520            | 4.0%     |

| <b>Illustrative Spending Power 2015/16</b>   | <b>Adjusted<br/>2014/15<br/>£m</b> | <b>2015/16<br/>£m</b> | <b>%</b> |
|--|------------------------------------|-----------------------|----------|
| Council Tax, locally retained business rates and all non-education government grants | 51,952.894                         | 50,899.609            | 2.0%     |
| As above line excluding pooled NHS funding and Public Health grant                   | 47,514.519                         | 44,645.834            | 6.0%     |

5.4 The outline of the provisional settlement for the council is as follows:

- Spending power government calculations for Peterborough, indicate a 2.8% spending power reduction in both 2014/15 and 2015/16. If the council excludes pooled NHS funding and public health grant, spending power would reduce 4.1% and 6.6%. However this calculation excludes education grants which have reduced and is part of the council's funding resource.
- A breakdown of funding is as follows:

|   | 2013/14<br>£m | 2014/15<br>£m | 2015/16<br>£m |
|---|---------------|---------------|---------------|
| Revenue Support Grant                         | 55.2          | 46.0          | 33.2          |
| Baseline Funding (Business Rates less tariff) | 36.7          | 37.4          | 38.4          |
| <b>Settlement Funding Assessment</b>          | <b>91.9</b>   | <b>83.4</b>   | <b>71.6</b>   |
| Other grants excluding New Homes Bonus        | 15.2          | 14.8          | 14.3          |
| <b>Total</b>                                  | <b>107.1</b>  | <b>98.2</b>   | <b>85.9</b>   |
| Grant reduction £m                            |               | -8.9          | -12.3         |
| Grant Reduction %                             |               | 8.3%          | 12.5%         |

|   |              |              |              |
|---|--------------|--------------|--------------|
| Grants  | 107.1        | 98.2         | 85.9         |
| New Homes Bonus   | 3.4          | 4.7          | 6.3          |
| Public Health   | 8.5          | 9.3          | 9.3          |
| <b>TOTAL</b>  | <b>119.0</b> | <b>112.2</b> | <b>101.5</b> |
| Maximum additional pooled NHS funding available to the council on agreement with the Clinical Commissioning Group |              |              | 7.4          |

- The business rates baseline increases each year with the percentage increase in multiplier used to calculate business rate demands. The council retains 49% of the actual amount of business rates collected and following the deduction of the tariff this is compared to the baseline business rates in the above table. If the council is able to achieve business rate growth above the baseline business rate, the council can keep growth after deducting a levy set by the government. The council will retain 41.7 pence to the pound for each pound of growth generated. Conversely, if business rates is lower than the baseline business rate, the council will need to make up any shortfall up to a maximum of £2.8m before government would fund any further shortfall.
- The Education Support Grant for 2014/15 has been reduced in advance of reductions expected in 2015/16 and Adoption Reform Grant funding grant has not yet been announced.
- The provisional settlement has kept back some funding nationally subject to the outcome of the provisional settlement consultation in respect of efficiency support. Any additional monies returned to councils will not be known until the final settlement although the council is not expecting any further updates to local government funding on this issue.
- The loss of the Local Reform of Welfare grant (Crisis Fund) in 2015/16 is an issue. This grant was used by the council to support voluntary sector organisations and projects which were focused on helping people with issues surrounding the change to benefits. Cessation of this grant will

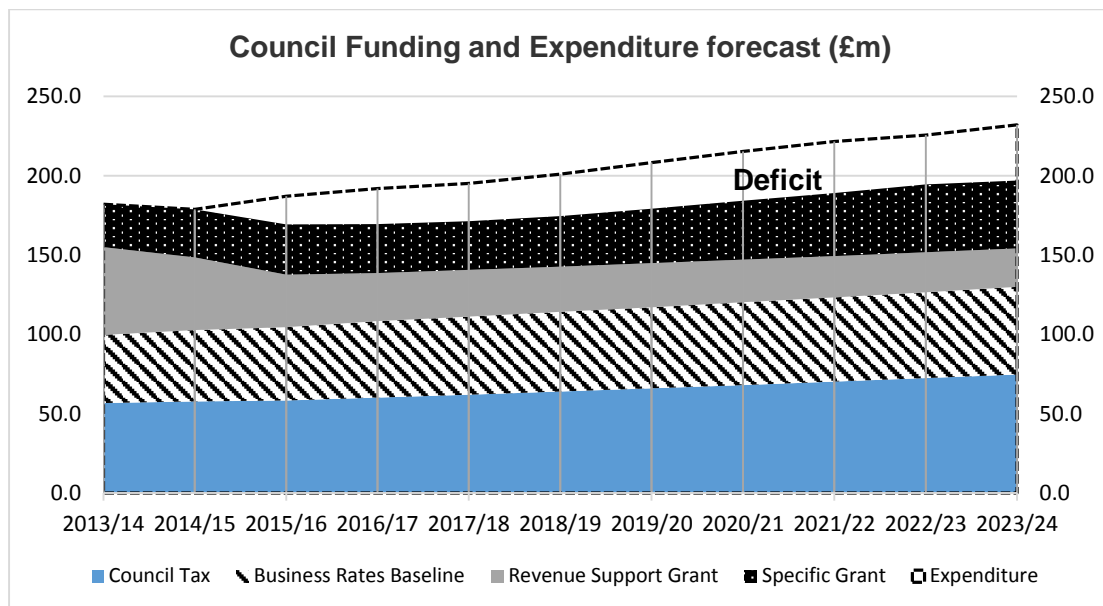


require the council to review how to continue this work and potentially make savings in other areas.

5.5 The settlement is provisional at this stage, and will be confirmed over the next few weeks. The consultation period on the provisional settlement closed 15 January 2014 and the council submitted a response to the consultation as seen in appendix A of the Chief Financial Officer report. The main issues for the council is concern on the scale of further funding reductions and capacity to deliver transformational change to service delivery by 2015 and questions whether the business rate incentive promotes growth, asking for government to consider allowing councils to keep more business rate locally.

## BUDGET SUMMARY

5.6 The following graph represents the council's best estimate of funding and expenditure over the ten year budget plan to provide local government services and the expected deficit or gap that will need to be closed.



5.7 As the future years progress, there is increasing uncertainty over funding projections such as:

- The level of funding available to councils in the next parliament through revenue support grant and other grants;
- The locally retained growth in business rates forecast in future years against growth plans, the financial impact of business rate appeals outstanding and revaluation of business rates due in 2017. The retained business rates scheme is still in the first year of operation so the council has not forecast growth in business rates at this time for future years due to wide variations that exist and uncertainty of further reduction in revenue support grant
- Instead the council have assumed for budgeting purposes for 2016/17 and beyond that the aggregate of revenue support grant and business rate income will remain static that is any reduction in revenue support grant would be offset by any growth realised in business rates.

- 5.8 The summary figures underpinning the council tax proposals for the next five years are:

|   | 2014/15<br>£k  | 2015/16<br>£k  | 2016/17<br>£k  | 2017/18<br>£k  | 2018/19<br>£k  |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Funding</b>                              |                |                |                |                |                |
| Dedicated Schools Grant                     | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        |
| Revenue Support Grant                       | 45,962         | 33,172         | 30,229         | 29,424         | 28,602         |
| Business Rates                              | 45,014         | 46,215         | 48,200         | 49,179         | 50,141         |
| Other Council Grant                         | 30,088         | 31,530         | 30,842         | 30,734         | 31,785         |
| Benefit Grant                               | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         |
| Parish Precepts                             | 391            | 391            | 391            | 391            | 391            |
| Council Tax                                 | 57,591         | 58,252         | 58,913         | 60,772         | 62,689         |
| Collection Fund Surplus<br>(Business Rates) | 919            | 0              | 0              | 0              | 0              |
| <b>Total Funding</b>                        | <b>417,265</b> | <b>406,860</b> | <b>405,875</b> | <b>407,800</b> | <b>410,908</b> |
|   |                |                |                |                |                |
| <b>Total Expenditure</b>                    | <b>417,265</b> | <b>424,708</b> | <b>428,361</b> | <b>431,643</b> | <b>437,415</b> |
|   |                |                |                |                |                |
| <b>Budget Surplus(+)/ Deficit(-)</b>        | 0              | -17,848        | -22,486        | -23,843        | -26,507        |
| <b>Year on year deficit targets</b>         |                |                | -4,638         | -1,357         | -2,664         |

- 5.9 At the same time that the council is experiencing unprecedented reductions in funding, the council is also experiencing significant cost increases and pressures. The council has a range of statutory duties to provide services, and if demand for these services increases the council has a legal duty to provide them. There are significant demand pressures within Adult Social Care and Children Services budgets, increasing numbers of households affected by financial austerity placing pressure on welfare budgets and also the costs associated with implementing the necessary infrastructure to support growth and regeneration, for example school places within Peterborough. Further detail on these issues has been laid out in the budget consultation following this report.

- 5.10 The budget proposals Cabinet will be consulting upon therefore consider both the continuing grant reduction and the pressures, whilst demonstrating the Cabinet's commitment to the principles, actions and priorities which are to protect, as far as possible, front-line services and its vision for the city through reducing bureaucracy and costs, and improving efficiency to ensure value for money.

## **FUTURE FINANCIAL OUTLOOK**

- 5.11 Whilst the council has been able to balance 2014/15 with the savings proposals within this budget consultation and absorb the further grant reduction based on the provisional funding announcement for the council, there remains a significant gap in 2015/16. The estimated further grant reduction the council is now expecting in 2015/16 is £12.3m and is a large part of the 2015/16 deficit. The table below illustrates the predicted deficits that the council is facing from 2015/16.

|                              | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Deficit</b>               | 0             | -17,848       | -22,486       | -23,843       | -26,507       |
| Year on year deficit targets |               |               | -4,638        | -1,357        | -2,664        |

5.12 The additional pooled NHS funding known as The Better Care Fund was announced by the Government at the Spending Review in June 2013 and will provide funding nationally of £3.8bn in 2015-16 from the NHS to adult social care. The additional funding for Peterborough in 2015-16 will be £7.4m. The funding will be under a section 75 agreement and use of the funding will need to be agreed in a local plan between the Clinical Commissioning Group and the Council. Application of the funding should be deliver social care and health benefits. An element of the funding will used to protect social care services. Payment of some of the funding will be dependent on the achievement of performance objectives, which will be a mix of national and local performance metrics. The local plan for Peterborough is currently being drafted and the final plan will need to be submitted to NHS England via Health and Wellbeing Boards by April 2014.

5.13 Given the uncertainty on the future of the council's funding and needing to fully assess the implications and opportunities arising from localising business rates, the council's approach has been to balance 2014/15 and look at the scale of deficits over a ten year plan. The scale of the challenge in 2015/16 to balance the budget requires transformational change of service delivery, generating income from increased business rate or other income generation opportunities and working collaboratively with other organisations. The council has moved towards becoming a commissioning focused organisation and will develop proposals with Cabinet during 2014/15 to implement further savings.

### Capacity Bids

5.14 In preparing the MTFs it is important to ensure unavoidable spending pressures are accurately reflected in future budgets. A summary of these items are shown below, with full detail outlined in the MTFs.

|              | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--------------|---------------|---------------|---------------|---------------|---------------|
| Inescapable  | 10,093        | 12,160        | 12,421        | 9,306         | 9,628         |
| Essential    | 250           | 250           | 250           | 250           | 250           |
| <b>Total</b> | <b>10,343</b> | <b>12,410</b> | <b>12,671</b> | <b>9,556</b>  | <b>9,878</b>  |

The items are a mix of pressures that the council cannot avoid or has a legal duty to meet, as well as investments in delivering our priorities and improved services.

## Savings

5.15 The council's approach is to protect, as far as possible, front line services and its vision for the city through reducing bureaucracy and costs, and improving efficiency to ensure value for money by:

- Reducing the demand residents have for our services and enabling them to live independent and healthy lives;
- Providing services that prevent residents needing critical and more expensive services and where there is a need to provide specialist services, ensuring that those services properly target the residents' needs or allow the residents to choose the care they want to purchase;
- Building a strong and healthy economy which provides jobs for our residents thereby removing dependency on welfare benefits;
- Focusing on educational attainment in schools and developing University provision to give our young people and residents the skills to take up the new job opportunities;
- Income generating in the new ways through, for example, trading services, to make the council less dependent on taxing its residents and on government funding and making the council independent to support its residents and their needs.

The scale of the financial challenge facing the Council, along with the fact that many transformational savings have been achieved, mean that the Council has to consider some service reductions. The new savings proposals are set out in the MTFs and can be summarised as follows:

|                              | 2014/15       | 2015/16       | 2016/17       | 2017/18       | 2018/19       |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
|                              | £k            | £k            | £k            | £k            | £k            |
| Service Reductions           | 2,712         | 3,063         | 3,063         | 3,063         | 3,063         |
| New savings and efficiencies | 12,779        | 12,134        | 11,714        | 11,732        | 11,105        |
| Additional Income            | 515           | 515           | 515           | 515           | 515           |
| Terms and Conditions         | 283           | 573           | 1,146         | 1,719         | 2,292         |
| <b>Total</b>                 | <b>16,289</b> | <b>16,285</b> | <b>16,438</b> | <b>17,029</b> | <b>16,975</b> |

## 6. CAPITAL PROGRAMME 2014/15 TO 2023/24

6.1 The capital programme is driven by the Council's contribution to the sustainable community strategy. In addition, it is based around the Capital Strategy that is integrated with the Council's Asset Management Plan. These are included in the MTFs attached.

6.2 In summary, the programme is as below, the first table covering the financial years 2014/15 to 2018/19 and the second table extending the summary for a further five years to 2023/24.

|   | 2014/15        | 2015/16        | 2016/17       | 2017/18       | 2018/19       |
|---|----------------|----------------|---------------|---------------|---------------|
|   | £k             | £k             | £k            | £k            | £k            |
| <b>Total Capital Expenditure</b>          | <b>259,808</b> | <b>144,711</b> | <b>61,200</b> | <b>26,579</b> | <b>19,842</b> |
| <b>Financed by:</b>                       |                |                |               |               |               |
| Grants & Third Party Contributions        | 28,407         | 10,012         | 11,827        | 10,327        | 5,827         |
| Capital Receipts                          | 9,764          | 7,620          | 2,425         | 2,775         | 1,000         |
| Capital Financing Requirement (Borrowing) | 221,637        | 127,079        | 46,948        | 13,477        | 13,015        |
| <b>Total Capital Financing</b>            | <b>259,808</b> | <b>144,711</b> | <b>61,200</b> | <b>26,579</b> | <b>19,842</b> |

Capital Programme 2019/20 to 2023/24

|   | 2019/20       | 2020/21       | 2021/22       | 2022/23       | 2023/24       |
|---|---------------|---------------|---------------|---------------|---------------|
|   | £k            | £k            | £k            | £k            | £k            |
| <b>Total Capital Expenditure</b>          | <b>15,780</b> | <b>14,782</b> | <b>15,523</b> | <b>15,700</b> | <b>15,700</b> |
| <b>Financed by:</b>                       |               |               |               |               |               |
| Grants & Third Party Contributions        | 5,827         | 5,827         | 5,650         | 5,827         | 5,827         |
| Capital Receipts                          | -             | -             | -             | -             | -             |
| Capital Financing Requirement (Borrowing) | 9,953         | 8,955         | 9,873         | 9,873         | 9,873         |
| <b>Total Capital Financing</b>            | <b>15,780</b> | <b>14,782</b> | <b>15,523</b> | <b>15,700</b> | <b>15,700</b> |

6.3 Members should also be aware that the programme is reliant on capital receipts generated through asset disposal. Hence some capital schemes will only be initiated if resources are actually achieved. The whole programme has been re-assessed in the current economic climate and schemes re-profiled based upon expectations of likely levels of capital financing available.

6.4 Capital schemes will not progress until external funding has been secured where supporting a scheme.

6.5 The revenue impact of borrowing has been factored into the budget. The impact of this, including the report on the Prudential Code, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy are included in the MTFS attached.

## 7. COUNCIL TAX

7.1 Peterborough City Council continues to have one of the lowest council tax levels in the country. Out of 56 unitary authorities across the country, Peterborough has the sixth lowest council tax (some £100 per year lower than the average, and £302 lower than the highest).

7.2 Cabinet understands the current financial pressures that residents face and remains committed to keeping council tax low. The average council tax payer has saved £68 in council tax increases through the council freezing council tax levels for two out of the previous three years.

7.3 The government has offered a council tax freeze grant for all councils that chooses to freeze council tax in 2014/15. In considering this offer, the Cabinet

has carefully considered the medium term sustainability of future budgets and the scale of the budget gap over the next few years against the council tax freeze offer. The budget set in February 2013, proposed an indicative council tax increase of two per cent in 2014/15 to support the council's budget plans but also still had £7.3m gap to close at this time. The conditions of the council tax grant freeze offer against the indicative two per cent increase, required that the Cabinet would need to put forward a further £0.5m of permanent budget savings.

7.4 Cabinet remains committed to keeping council tax low, the Cabinet are proposing the following:

- **to freeze council tax in 2014/15**
- **to freeze council tax in 2015/16**

7.5 If these proposals are agreed at Full Council on 5 March 2014 the amount of council tax paid to Peterborough City Council for council services will remain the same. However we do not know yet if the police, fire or parish councils are planning to increase their council tax charge.

7.6 The council is able to freeze council tax as our prudent budget plans enable us to take advantage of a grant offered by the Government. Government have committed to baseline the tax freeze grant into the revenue support grant permanently to avoid a 'cliff edge' councils' face when this grant is ceased. It is not clear how Government will fund this in the next parliament and could be through a further reduction in revenue support grant. The Government has also announced a tax freeze grant for 2015/16. As such the MTFs assumes, for planning purposes only, a 2% increase in later years. We will continue to work with Government to see if it is possible to keep council tax as low as possible over these future years.

|                            | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
|                            | <b>£k</b>      | <b>£k</b>      | <b>£k</b>      | <b>£k</b>      | <b>£k</b>      |
| Council Tax increase       | 0.00%          | 0.00%          | 2.00%          | 2.00%          | 2.00%          |
| Council Tax Band D         | £1,128         | £1,128         | £1,151         | £1,174         | £1,197         |
| Council Tax Base - Band Ds | 51,054         | 51,640         | 52,226         | 52,817         | 53,415         |
| Council amount raised (£m) | 57.6           | 58.3           | 60.1           | 62.0           | 63.9           |

The current band D charge would remain at £1,128.03 in 2014/15 and 2015/16. This would mean that the Council would have frozen council tax in four out of five years.

7.7 The impact is that for:

- 2014/15 – council tax is frozen
- The council will be eligible for a council tax freeze grant in 2014/15 resulting in additional funding to the council of £662k in 2014/15 and 2015/16 based on the provisional finance settlement
- 2015/16 – council tax is frozen
- The council will be eligible for a council tax freeze grant in 2015/16 resulting in additional funding to the council of £694k in 2015/16
- 2016/17 to 2023/24 – an increase of 2.00% for planning purposes

- The localisation of council tax benefit scheme remains at 30%, set at a rate to recover the reduction in council tax benefit passed on from government when the council tax benefit scheme was localised. Full Council are due to approve the local scheme on 29 January 2014. The council is conscious of the impact of the local scheme on claimants and continued protection arrangements for pensioners which account for 40% of the 18,000 claimants, therefore a freeze in council tax will benefit those claimants subject to the 30% reduction by maintaining a reduction of 30%.

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

- Police and fire – they have been offered a similar incentive grant enabling them to potentially levy no increase in council tax.
- Parish Councils – they do not receive any direct funding from the Government so no grant is available for them.

7.8 The proposal to freeze council tax will mean that the council will not be subject to the calculation to determine whether the council will need to undertake a referendum for setting an excessive council tax. The principle to determine that a council has set an excessive council tax has not yet been announced as it is usually announced alongside the provisional settlement, however, there is wide speculation that government are considering lowering the current threshold of 2.00% increase in its basic relevant amount of council tax. Police and fire have similar calculations to undertake and parish councils are exempt from this principle.

7.9 If the council were to consider increasing council tax by 2.00% then tax payers would be paying an extra £1.2m across Peterborough, however the council would lose the freeze grant and as such this would only generate an additional £0.5m of income, therefore for every extra pound of income generated, the tax payer would be paying more than £2.

7.10 If the referendum threshold was reduced to 1.50% and the council considered increasing council tax by 1.50%, then tax payers would be paying £0.9m across Peterborough, however the council would lose the freeze grant and as such this would only generate an additional £0.2m of income, therefore for every extra pound of income generated, the tax payer would be paying more than £4.

7.11 The Cabinet believe this proposal strikes the right balance between investing in our city, delivering efficiencies and keeping council tax as low as we can.

## **8. RESERVES AND BALANCES & ROBUSTNESS OF ESTIMATES**

8.1 The Local Government Act 2003 requires the Chief Finance officer to report on the adequacy of reserves and provisions and the robustness of budget estimates as part of the annual budget setting process. A full analysis of possible budget risks as well as the forecasts for levels of reserves are included in the MTFs within the report of the Chief Financial Officer.

## **9. FEES AND CHARGES**

- 9.1 Last year the council approved indicative fees and charges for 2014/15 and 2015/16 based on an overall approach to increase fees and charges by 2.5% per annum. The fees and charges range from 0% to 6% increase on 2013/14 fees and charges. Schedule of fees and charges has been included in the MTFS, section 4.

## **10. CONSULTATION**

- 10.1 The budget consultation will be in the public domain on 24 January 2014, confirmed by Cabinet at its meeting on 3 February and will run until 4 March 2014 to provide opportunity for debate with residents, staff, businesses and partners. All consultation events and activity have been re-arranged to fit with the new timetable. The consultation will be open for nearly six weeks. Cabinet wanted to ensure that residents, partner organisations, businesses and other interested parties have the chance to comment on all of the savings, efficiencies, service reductions and investments they plan to make to enable the city to continue to grow and give residents the best quality of life.

- A web-based consultation;
- Copies of proposal documents placed in all libraries and receptions at Council buildings;
- Copies of proposal documents are available on request;
- A range of meetings with partners and stakeholders, including:
  - Greater Peterborough Partnership
  - Connect Group
  - Voluntary Sector through Peterborough Council for Voluntary Service
  - Disability Forum
- A scrutiny style event with the Youth Council
- Joint Meeting of the Scrutiny Committees and Commissions
- Health sector via the Joint Commissioning Forum
- Schools Forum
- Trades Unions
- Staff briefings and feedback
- Discussions with the business community
- Discussion with Parish Councils

## **11. ANTICIPATED OUTCOMES**

- 11.1 The priorities and vision outlined in the Sustainable Community Strategy can only be achieved by ensuring that resources are aligned with these priorities. The MTFS delivers this and also ensures that a balanced budget will be set. For 2014/15 and also future budget challenges reflect delivering these priorities



## **12. REASONS FOR RECOMMENDATIONS**

- 12.1 The Council must set a lawful and balanced budget.
- 12.2 The Council is required to set a Council Tax for 2014/15 within statutory prescribed timescales and in accordance with the local referendum requirements contained within the Localism Act 2011.
- 12.3 Before setting the level of Council Tax, the Council must have agreed a balanced budget.

## **13. ALTERNATIVE OPTIONS CONSIDERED**

- 13.1 Alternative levels of Council Tax increase and areas for growth/savings can be considered but this must be seen in the context of the Sustainable Community Strategy and other constraints, along with the loss of council tax freeze grant that any increase would lead to.

## **14. IMPLICATIONS**

### **14.1 Elected Members**

- 14.1.1 Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.
- 14.1.2 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.

### **14.2 Legal Implications**

- 14.2.1 These are considered within the main body of the report. All budget proposals approved by Full Council on 5 March will be implemented with immediate effect as Council decisions are not subject to call in by the Scrutiny Committee

### **14.3 Human Resources**

- 14.3.1 During the course of the next financial year, we envisage undertaking a number of re-organisations which may result in a number of posts being made redundant. Whilst it is difficult to predict the exact number of posts affected, we believe this is likely to be in the region of 53.5 Full time equivalent posts. Our approach to minimising any compulsory redundancies will be the one adopted in previous years, including deleting vacant posts, redeployment of affected staff, and seeking voluntary redundancies where we are able to do so.

### **14.4 Equality Impact Assessments**

- 14.4.1 The overall budget setting process is supported by an overarching equality impact assessment. Additionally, each saving proposal being consulted upon has been considered with regards to equality issues and where appropriate separate equality impact assessments has been completed.

#### **14.5 Future Service Delivery**

- 14.5.1 As part of setting a ten year financial plan, further work is continuing on the future service delivery of services provided by the council. The council moved towards becoming a commissioning focused organisation so that our services and support arrangements better reflect needs, the views of citizens and the improved outcomes for Peterborough people, in the most efficient, effective, equitable and sustainable way.

#### **15. BACKGROUND DOCUMENTS**

- 15.1 Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985.

## The MTFS in a Community Context

### The Medium Term Financial Plan in a Community Context

Peterborough has a clear ambition and vision for the future of the City to meet the diverse needs of our communities as set out in the Sustainable Community Strategy. The Sustainable Community Strategy priorities combine the ambition for growth with the need to improve the quality for life of our residents and, in particular, those experiencing inequalities in outcomes.

#### The City's Vision

A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth...

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

Led by the Greater Peterborough Partnership (GPP), the commitments within the Sustainable Community Strategy were developed in consultation with our communities and refreshed in 2010 to ensure it continued to reflect the communities' needs and the changing circumstances. The delivery vehicle detailing 'how' we will deliver this vision and the priorities is the new Single Delivery Plan. This plan will have a guiding focus on the four priorities and will set out through transparent actions how we will deliver services. The plan will also assign accountability and resources across the partnership.

#### The City's Priorities

- Creating opportunities - tackling inequalities;
- Creating strong and supportive communities;
- Creating the UK's environment capital; and
- Delivering substantial and truly sustainable growth.

Each of the priority areas will have a number of focused outcomes that will collectively deliver the improvements needed to achieve the vision for the City and meet the needs of the communities.

Our Medium Term Financial Plan continues to align to reflect these priorities and focuses outcomes to ensure the Council continues to deliver what our community wants and reinforces our commitment to playing a lead role in delivering the Sustainable Community Strategy.

#### The council priorities are:

- Growth, regeneration and economic development to bring new investment and jobs. Supporting people into work and off benefits.
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city.
- Safeguarding vulnerable children and adults.
- The Environment Capital agenda including pursuing new income streams from solar energy and wind farm developments.
- Supporting the city's culture trust Vivacity to continue to deliver arts and culture.
- Keeping our communities safe and cohesive

# Report of the Chief Finance Officer

## 1.1 INTRODUCTION

The previous section outlines what we intend to achieve with partners for our communities using their council tax. The rest of the MTFs outlines the specific financial proposals that will enable us to deliver these priorities.

This section summarises the key financial information, and indicates where the full supporting detail can be found.

**Also Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer (CFO) must report to the Authority in two areas:**

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

and that the authority must have regard to this report when making budget decisions. This report deals with these key issues.

## 1.2 APPROACH TO BUSINESS AND FINANCIAL PLANNING

1.2.1 The council measures actual overall grant reductions as it believes this provides a realistic interpretation of government grants to the tax payer and further excludes council tax assumptions. Taking all grants into account excluding additional pooled NHS funding, public health grant and by removing the New Homes Bonus as this grant is funded based on growth, the actual picture is a grant reduction of £8.9m in 2014/15 and a further £12.3m in 2015/16. This represents approximately 28% and 39% reduction in council funding since 2010/11 spending levels. By 2015/16, the council would have seen grant reductions of £44m since 2010/11.

1.2.2 During this parliament, local government funding will have almost halved since 2010/11 spending levels. Nationally, councils have been warned to expect further reductions in future years and this has certainly been the case to date with each Chancellor's budget and autumn statement announcement. However, local government funding has undergone significant overhaul and reform during this parliament which has meant that funding available to local government comes from a variety of government departments resulting in changes to local government functions including working more closely with the health sector to maximise funding councils can utilise. Nationally, government now measure local government funding in terms of spending power. Spending power measures the overall revenue funding available for councils, including council tax, locally retained business rates and non-education government grants including pooled NHS funding and public health funding. Pooled NHS funding and public health funding has conditions that councils need to comply with and therefore distorts overall funding available to councils to spend on all council services. This has been raised nationally by the Treasurers Societies of upper tier councils and the Local Government Association.

1.2.3 The provisional local government finance settlement was announced on 18 December 2013 for 2014/15 being the fourth year of the Spending Review 2010

updated for the Spending Round 2013 including illustrative allocations for 2015/16 incorporating a significant reduction in funding for this year. Nationally, the reduction in spending power is quoted by government as 3.1% reduction in 2014/15 and 2.0% reduction in 2015/16. Excluding pooled NHS funding and Public Health funding the reduction in local government funding would be significantly higher, 4.0% and 6.0% respectively and therefore distorts the real extra local government funding grant reductions.

- 1.2.4 The council's approach to analysing the settlement data is to review governments preferred method of measuring local government spending by a spending power calculation and isolating the components of spending power to understand the actual reduction in overall grant funding compared to 2013/14.
- 1.2.5 The impact of the grant reductions and pressures arising from increased population and the economic growth forecasts present the council with challenging circumstances on how to deliver services in future. A major concern for the council is the scale of further funding reductions in 2015/16 and beyond. With limited information available on future years, the council has taken the approach that the aggregate total of locally retained business rates and revenue support grant will at least remain static and therefore the council has not built any future retained business rate income into forecasts at this time.
- 1.2.6 The retained business rate system is still within its first year of operation, with a significant amount of business rate appeals outstanding that could adversely impact on business rate income and is still expecting government to issue further guidance on accounting treatment in 2013/14. The council has therefore forecast 2014/15 business rate income based on its current understanding of government's available information.
- 1.2.7 Despite the council putting in extensive plans to deal with the initial grant reduction over the previous three years and being able to balance 2014/15, there is an unprecedented grant reduction in 2015/16 which all councils will need to deliver and at this stage there is a strong requirement for the council to put in place transformational change to future service delivery. The first phase has been to implement a commissioning council structure during the current financial year.
- 1.2.8 Our strong financial management has placed the council in a strong position to deal with the national challenges. Cabinet has been involved in detailed meetings since July 2013, examining all areas of expenditure in the authority's budget to deliver a balanced budget for 2014/15. The cabinet has also considered the government's suggestions on reducing local government spending. The report to Cabinet during September 2013 outlined the financial planning approach and assumptions as a basis to commence the formal budget setting process.
- 1.2.9 The provisional settlement was announced in 18 December 2013. The budget setting timetable and consultation timetable has been updated to reflect the lateness of the announcement. All consultation events and activity have been arranged to fit with the revised timetable over the next six weeks that the consultation will be open. Full Council has been deferred to ensure this happens. Cabinet wanted to ensure that residents, partner organisations, businesses and other interested parties have the chance to comment all of the

savings, efficiencies, service reductions and investments they plan to make to enable the city to continue to grow and give residents the best quality of life.

- 1.2.10 The budget proposals Cabinet will be consulting upon therefore consider both the continuing grant reduction and the pressures, whilst demonstrating the Cabinet's commitment to the principles, actions and priorities which are to protect, as far as possible, front-line services and its vision for the city through reducing bureaucracy and costs, and improving efficiency to ensure value for money
- 1.2.11 Within the Council, draft business plans are being drawn up to record what each department will agree with the Chief Executive that it will deliver in the coming year within the proposed resource limit. This ensures that the golden thread is maintained from partnership priorities, through the MTFs into individual departments. This is further maintained through service plans and individual appraisals.
- 1.2.12 The MTFs covers a ten year period so that the key challenges around delivering our priority of growth can be adequately captured. The drivers continue to be meeting the council's priorities by creating a sustainable budget strategy whilst responding to changes arising from decisions made in the distribution of local government funding.
- 1.2.13 Moving to a funding system that funds the council based on business and dwelling growth provides the council with opportunities to increase funding levels. To maximise the opportunity, the council will need to consider development plans for future growth.
- 1.2.14 The Council is well placed to deal with many aspects of the reduction in public finances and is determined to continue to invest in high quality services to underpin the growth of the City. The MTFs still provides investment in those services that need it.
- 1.2.15 Future year funding forecasting is increasingly uncertain as each year progresses not least by the business rate revaluation in 2017 that will see the retained business rate income rebased by government, making it unpredictable to forecast and align with growth plans. The council has already seen this through amendments made next year to encourage economic growth including capping of the annual RPI increase. Although the council will receive the shortfall in business rate income from government, this income is permanently removed from the rates retention scheme.
- 1.2.16 Furthermore, infrastructure growth is a medium to long term plan coupled with the pending revaluation limits the council in investing in supporting structural growth, if there is no uncertainty of benefit for the tax payers.

### **1.3 FINANCIAL SETTLEMENT FOR 2014/15 AND THE FUTURE PUBLIC FINANCE POSITION**

- 1.3.1 The provisional local government finance settlement was announced on 18 December 2013, provisionally announcing 2014/15 with illustrative settlement funding for 2015/16. The provisional settlement was mostly in line with announcements made by government the past twelve months in the Chancellors budget, Spending Round 2013 and Autumn Statement.

1.3.2 The outline of the settlement for Peterborough is as follows:

|  | 2013/14<br>£m | 2014/15<br>£m | 2015/16<br>£m |
|--|---------------|---------------|---------------|
| Revenue Support Grant                  | 55.2          | 46.0          | 33.2          |
| Baseline Funding (Business Rates)      | 36.7          | 37.4          | 38.4          |
| <b>Settlement Funding Assessment</b>   | <b>91.9</b>   | <b>83.4</b>   | <b>71.6</b>   |
| Other grants excluding New Homes Bonus | 15.2          | 14.8          | 14.3          |
| <b>Total</b>                           | <b>107.1</b>  | <b>98.2</b>   | <b>85.9</b>   |
| <i>Grant reduction £m</i>              |               | -8.9          | -12.3         |
| <i>Grant Reduction %</i>               |               | 8.3%          | 12.5%         |

|   |              |              |              |
|---|--------------|--------------|--------------|
| Grants  | 107.1        | 98.2         | 85.9         |
| New Homes Bonus   | 3.4          | 4.7          | 6.3          |
| Public Health   | 8.5          | 9.3          | 9.3          |
| <b>TOTAL</b>  | <b>119.0</b> | <b>112.2</b> | <b>101.5</b> |
| Maximum additional pooled NHS funding available to the council on agreement with the Clinical Commissioning Group |              |              | 7.4          |

- The change in funding arrangements from 2013/14 to a system of localised business rates means that any future government reductions will be removed from the revenue support grant. The Settlement Funding Assessment no longer has the complex formula to distribute funding across all councils and therefore no longer incorporates a mechanism to recognise population increases nor a formula to release funding previously held back from councils through claw back. This is a major challenge for Peterborough in that alongside grant reductions, the council will need to generate sufficient business rate income to fund services through increased population growth that may not keep pace with business rate income alone.
- Spending power government calculations for Peterborough, indicate a 2.8% spending power reduction in both 2014/15 and 2015/16. If the council excludes pooled NHS funding and public health grant, spending power would reduce 4.1% and 6.6%. However this calculation excludes education grants which have reduced and is part of council funding.
- The Education Support Grant for 2014/15 has been reduced in advance of reductions expected in 2015/16 and Adoption Reform Grant funding grant has not yet been announced. Other grants were broadly in line with the council's previous budget assumptions.
- The Dedicated Schools Grant has increased in line with our pupil number increases but with additional funding for two year old education. A new national funding formula is proposed for 2015/16 which will move funding between authorities. The impact of this change cannot be quantified currently.
- The provisional settlement has kept back some funding nationally subject to the outcome of the provisional settlement consultation in respect of efficiency support. Any additional monies returned to councils will not be known until the final settlement although the council is not expecting any further updates to local government funding on this issue.

- The illustrative settlement for 2015/16 published has not published all specific grants available to the council but does include some important changes as follows:
  - Further settlement funding reduction of £11.4m – This is a major contributor to the forecast gap of approximately £18m in 2015/16
  - Loss of the Local Reform of Welfare grant (Crisis Fund) of £0.8m – This grant was used to support voluntary sector organisations and projects which were focused on helping people with issues surrounding the change to benefits. Cessation of this grant will require the council to review how to continue this work and potentially make savings in other areas.
  - Adult social care new burden funding £0.9m – This funding is the council's share to support transition to capped care costs and deferred payments in 2015/16
  - Pooled NHS funding, Better Care Fund of £7.4m - The additional pooled NHS funding known as The Better Care Fund was announced by the Government at the Spending Review in June 2013 and will provide funding nationally of £3.8bn in 2015-16 from the NHS to adult social care. The additional funding for Peterborough in 2015-16 will be £7.4m. The funding will be under a section 75 agreement and use of the funding will need to be agreed in a local plan between the Clinical Commissioning Group and the Council. Application of the funding should be deliver social care and health benefits. An element of the funding will used to protect social care services. Payment of some of the funding will be dependent on the achievement of performance objectives, which will be a mix of national and local performance metrics. The local plan for Peterborough is currently being drafted and the final plan will need to be submitted to NHS England via Health and Wellbeing Boards by April 2014

These updates have been incorporated in the council's budget plan. The council has responded to the grant settlement, a copy of the response can be seen in appendix A of this report.

1.3.3 The business rates baseline increases each year with the percentage increase in multiplier used to calculate business rate demands. The council retains 49% of the actual amount of business rates collected and following the deduction of the tariff this is compared to the baseline business rates in the above table. If the council is able to achieve business rate growth above the baseline business rate, the council can keep growth after deducting a levy set by the government. The council will retain 41.7 pence to the pound for each pound of growth generated. Conversely, if business rates is lower than the baseline business rate, the council will need to make up any shortfall up to a maximum of £2.8m before government would fund any further shortfall.

1.3.4 For the council's financial planning, the council has taken the following approach:

- For 2014/15 and 2015/16 – revised reductions in grant in line with the provisional finance settlement, making estimates of grants still to be announced. The final settlement is expected early February 2014. The council has benefited from additional business rate growth in 2013/14 based on the mid-year estimate submitted to

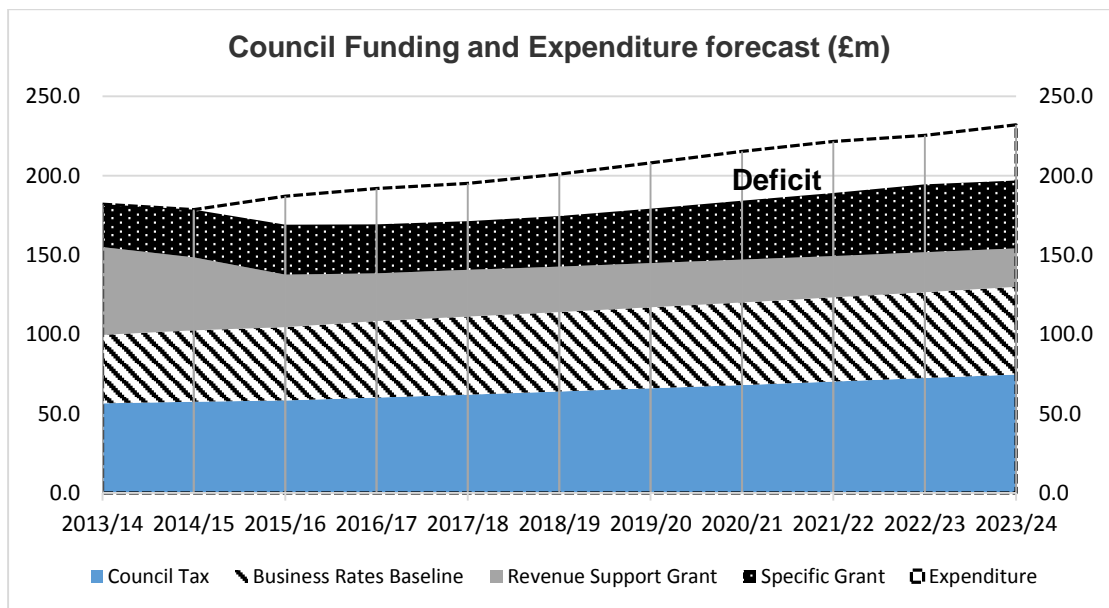


government in November 2013 in part due to an increase in the rateable value listing after the council set the business rate income forecast in line with government expectations. The increase in 2013/14 has therefore been assumed to continue in each year thereafter.

- From 2016/17 onwards – Assume the council's overall funding level will remain static, in that any further reduction in revenue support grant will be offset by locally retained business rate growth. There remains significant uncertainty on further revenue support reductions in the next parliament and for the council to forecast business rate growth when the localisation of business rate scheme is still within its first year of operation. Whilst overall there will be reductions in public funding, Peterborough may see some benefit from the new arrangements if it can promote local business growth.

### FUTURE FINANCIAL OUTLOOK

The ten year forecast funding and expenditure can be seen in the following graph, indicating the council has a deficit from 2015/16 onwards.



1.3.5 As the future years progress, there is increasing uncertainty over funding projections such as:

- The level of funding available to councils in the next parliament through revenue support grant and other grants;
- The locally retained growth in business rates forecast in future years against growth plans, the financial impact of business rate appeals outstanding and revaluation of business rates due in 2017. The retained business rates scheme is still in the first year of operation so the council has not forecast growth in business rates at this time for future years due to wide variations that exist and uncertainty of further reduction in revenue support grant.

- As at September 2013, there was £79m of rateable value with an appeal outstanding on the RV 2010 listing of £230m and an additional £5m of rateable value appeals against the RV 2005 listing. The council now shares liability for successful appeals including backdating of appeals. Some appeals on the RV listing will be backdated to 1 April 2010. The council has no influence on the outcome of appeals but is required to make a provision to cover for any losses of its share of business rate income. In 2013/14 the council has set aside for its share of successful appeals £3.1m in relation to 2013/14 and a further £8.3m in respect of appeals backdated to prior years. There are a few specific categories of appeals that are a major concern to the council on forecasting business rate income as follows:
  - Peterborough power station – The power station has an appeal outstanding for the RV 2010 listing but previously won an appeal in respect of the 2005 RV listing which reduced its 2005 RV to £1. The valuation office is contesting this earlier decision through the land tribunal and it is due to be heard in summer 2014. This will be a key decision nationally as all other power station appeal decisions are pending the outcome of this case. If the valuation office are not successful it is likely to have significant implications on the council's business rate income
  - Most major supermarkets have appeals which are not scheduled to be reviewed until March 2015 and again the council is required to make some assumption on the likely impact, if any on business rate income, accruing any possible liability in all financial years until the appeals are resolved
- Instead the council have assumed for budgeting purposes for 2016/17 and beyond that the aggregate of revenue support grant and business rate income will remain static that is any reduction in revenue support grant would be offset by any growth realised in business rates.

1.3.6 At the same time that the council is experiencing unprecedented reductions in funding, the council is also experiencing significant cost increases and pressures. The council has a range of statutory duties to provide services, and if demand for these services increases the council has a legal duty to provide them. Cost pressures includes:

- There are significant demand pressures within Children Services budgets
- Increasing numbers of households affected by financial austerity placing pressure on budgets
- Costs associated with implementing the necessary infrastructure to support growth and regeneration, for example school places within Peterborough.

## **1.4 COUNCIL TAX**

1.4.1 Peterborough City Council continues to have one of the lowest council tax levels in the country. Out of 56 unitary authorities across the country, Peterborough has the sixth lowest council tax (some £100 per year lower than the average, and £302 lower than the highest).

1.4.2 Cabinet understands the current financial pressures that residents face and remains committed to keeping council tax low. The average council tax payer

has saved £68 in council tax increases through the council freezing council tax levels for two out of the previous three years.

1.4.3 The government has offered a council tax freeze grant for all councils that chooses to freeze council tax in 2014/15. In considering this offer, the Cabinet has carefully considered the medium term sustainability of future budgets and the scale of the budget gap over the next few years against the council tax freeze offer. The budget set in February 2013, proposed an indicative council tax increase of two per cent in 2014/15 to support the council's budget plans but also still had £7.3m gap to close at this time. The conditions of the council tax grant freeze offer against the indicative two per cent increase, required that the Cabinet would need to put forward a further £0.5m of permanent budget savings.

1.4.4 Cabinet remains committed to keeping council tax low, the Cabinet are proposing to freeze council tax for this year.

1.4.5 Cabinet remains committed to keeping council tax low, the Cabinet are proposing the following:

- **to freeze council tax in 2014/15**
- **to freeze council tax in 2015/16**

1.4.6 The council is able to freeze council tax as our prudent budget plans enable us to take advantage of a grant offered by the Government. Government have committed to baseline the tax freeze grant into the revenue support grant permanently to avoid a 'cliff edge' councils' face when this grant is ceased. It is not clear how Government will fund this in the next parliament and could be through a further reduction in revenue support grant. The Government has also announced a tax freeze grant for 2015/16. As such the MTFs assumes, for planning purposes only, a 2% increase in later years. We will continue to work with Government to see if it is possible to keep council tax as low as possible over these future years.

|                            | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|----------------------------|---------|---------|---------|---------|---------|
|                            | £k      | £k      | £k      | £k      | £k      |
| Council Tax increase       | 0.00%   | 0.00%   | 2.00%   | 2.00%   | 2.00%   |
| Council Tax Band D         | £1,128  | £1,128  | £1,151  | £1,174  | £1,197  |
| Council Tax Base - Band Ds | 51,054  | 51,640  | 52,226  | 52,817  | 53,415  |
| Council amount raised (£m) | 57.6    | 58.3    | 60.1    | 62.0    | 63.9    |

The current band D charge would remain at £1,128.03 in 2014/15 and 2015/16. This would mean that the Council would have frozen council tax in four out of five years.

1.4.7 The impact is that for:

- 2014/15 – council tax is frozen
- The council will be eligible for a council tax freeze grant in 2014/15 resulting in additional funding to the council of £662k in 2014/15 and 2015/16 based on the provisional finance settlement

- 2015/16 – council tax is frozen
- The council will be eligible for a council tax freeze grant in 2015/16 resulting in additional funding to the council of £694k in 2015/16
- 2016/17 to 2023/24 – an increase of 2.00% for planning purposes
- The localisation of council tax benefit scheme remains at 30%, set at a rate to recover the reduction in council tax benefit passed on from government when the council tax benefit scheme was localised. Full Council are due to approve the local scheme on 29 January 2014. The council is conscious of the impact of the local scheme on claimants and continued protection arrangements for pensioners which account for 40% of the 18,000 claimants, therefore a freeze in council tax will benefit those claimants subject to the 30% reduction by maintaining a reduction of 30%.

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

- Police and fire – they have been offered a similar incentive grant enabling them to potentially levy no increase in council tax.
- Parish Councils – they do not receive any direct funding from the Government so no grant is available for them.

1.4.8 The proposal to freeze council tax will mean that the council will not be subject to the calculation to determine whether the council will need to undertake a referendum for setting an excessive council tax. The principle to determine that a council has set an excessive council tax has not yet been announced as it is usually announced alongside the provisional settlement, however, there is wide speculation that government are considering lowering the current threshold of 2.00% increase in its basic relevant amount of council tax. Police and fire have similar calculations to undertake and parish councils are exempt from this principle.

1.4.9 If the council were to consider increasing council tax by 2.00% then tax payers would be paying an extra £1.2m across Peterborough, however the council would lose the freeze grant and as such this would only generate an additional £0.5m of income, therefore for every extra pound of income generated, the tax payer would be paying more than £2.

1.4.10 If the referendum threshold was reduced to 1.50% and the council considered increasing council tax by 1.50%, then tax payers would be paying £0.9m across Peterborough, however the council would lose the freeze grant and as such this would only generate an additional £0.2m of income, therefore for every extra pound of income generated, the tax payer would be paying more than £4.

1.4.11 The Cabinet believe this proposal strikes the right balance between investing in our city, delivering efficiencies and keeping council tax as low as we can.

## 1.5 BUDGET SUMMARY

1.5.1 The summary figures underpinning the council tax proposals are:

|   | 2014/15<br>£k  | 2015/16<br>£k  | 2016/17<br>£k  | 2017/18<br>£k  | 2018/19<br>£k  |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Funding</b>                              |                |                |                |                |                |
| Dedicated Schools Grant                     | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        |
| Revenue Support Grant                       | 45,962         | 33,172         | 30,229         | 29,424         | 28,602         |
| Business Rates                              | 45,014         | 46,215         | 48,200         | 49,179         | 50,141         |
| Other Council Grant                         | 30,088         | 31,530         | 30,842         | 30,734         | 31,785         |
| Benefit Grant                               | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         |
| Parish Precepts                             | 391            | 391            | 391            | 391            | 391            |
| Council Tax                                 | 57,591         | 58,252         | 58,913         | 60,772         | 62,689         |
| Collection Fund Surplus<br>(Business Rates) | 919            | 0              | 0              | 0              | 0              |
| <b>Total Funding</b>                        | <b>417,265</b> | <b>406,860</b> | <b>405,875</b> | <b>407,800</b> | <b>410,908</b> |
|   |                |                |                |                |                |
| <b>Total Expenditure</b>                    | <b>417,265</b> | <b>424,708</b> | <b>428,361</b> | <b>431,643</b> | <b>437,415</b> |
|   |                |                |                |                |                |
| <b>Budget Surplus(+)/ Deficit(-)</b>        | 0              | -17,848        | -22,486        | -23,843        | -26,507        |
| <b>Year on year deficit targets</b>         |                |                | -4,638         | -1,357         | -2,664         |

1.5.2 Whilst the council has been able to balance 2014/15 with the savings proposals within this budget consultation and absorb the further grant reduction based on the provisional funding announcement for the council, there remains a significant gap in 2015/16. The estimated further grant reduction the council is now expecting in 2014/15 is £12.3m and is a large part of the 2014/15 deficit. The table below illustrates the predicted deficits that the council is facing from 2015/16

|                                     | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Deficit</b>                      | 0             | -17,848       | -22,486       | -23,843       | -26,507       |
| <b>Year on year deficit targets</b> |               |               | -4,638        | -1,357        | -2,664        |

1.5.3 Given the uncertainty on the future of the council's funding and needing to fully assess the implications and opportunities arising from localising business rates, the council's approach has been to balance 2014/15 and look at the scale of deficits over a ten year plan. The scale of the challenge in 2015/16 to balance the budget requires transformational change of service delivery, generating income from increased business rate or other income generation opportunities and working collaboratively with other organisations. The council has moved towards becoming a commissioning focused organisation and will develop proposals with Cabinet over the next twelve months to implement further savings.

## Capacity Bids

1.5.4 In preparing the MTFS it is important to ensure unavoidable spending pressures are accurately reflected in future budgets. A summary of these items are shown below, with full detail outlined in the MTFS

|              | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Inescapable  | 10,093                | 12,160                | 12,421                | 9,306                 | 9,628                 |
| Essential    | 250                   | 250                   | 250                   | 250                   | 250                   |
| <b>Total</b> | <b>10,343</b>         | <b>12,410</b>         | <b>12,671</b>         | <b>9,556</b>          | <b>9,878</b>          |

The items are a mix of pressures that the council cannot avoid or has a legal duty to meet, as well as investments in delivering our priorities and improved services.

## Savings

1.5.5 The council's approach is to protect, as far as possible, front line services and its vision for the city through reducing bureaucracy and costs, and improving efficiency to ensure value for money by:

- Reducing the demand residents have for our services and enabling them to live independent and healthy lives;
- Providing services that prevent residents needing critical and more expensive services and where there is a need to provide specialist services, ensuring that those services properly target the residents' needs or allow the residents to choose the care they want to purchase;
- Building a strong and healthy economy which provides jobs for our residents thereby removing dependency on welfare benefits;
- Focusing on educational attainment in schools and developing University provision to give our young people and residents the skills to take up the new job opportunities;
- Income generating in the new ways through, for example, its renewables project, to make the council less dependent on taxing its residents and on government funding and making the council independent to support its residents and their needs.

The scale of the financial challenge facing the Council, along with the fact that many transformational savings have been achieved, mean that the Council has to consider some service reductions. The new savings proposals are set out in the MTFS and can be summarised as follows:

|                              | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Service Reductions           | 2,712                 | 3,063                 | 3,063                 | 3,063                 | 3,063                 |
| New savings and efficiencies | 12,779                | 12,134                | 11,714                | 11,732                | 11,105                |
| Additional Income            | 515                   | 515                   | 515                   | 515                   | 515                   |
| Terms and Conditions         | 283                   | 573                   | 1,146                 | 1,719                 | 2,292                 |
| <b>Total</b>                 | <b>16,289</b>         | <b>16,285</b>         | <b>16,438</b>         | <b>17,029</b>         | <b>16,975</b>         |

## 1.6 Reserves

- 1.6.1 For the Chief Finance Officer to recommend the level of reserves and provisions the council should hold, consideration is given to the general economic conditions facing the authority, the internal control framework in operation, and the probability and financial impact of service risks, including specific budget risks identified within the budget process.
- 1.6.2 The council regularly reviews the level of reserves as part of in year budget monitoring, setting the budget and at the end of the financial year in line with the council's reserve policy. Final proposals for reserve usage are approved by members as part of the budget and final accounts approval process. Reserves are reviewed and monitored during the year to ensure that the adequacy and application of reserve are valid and appropriate.
- 1.6.3 There is much debate nationally and more recently locally in the general level of reserves held by councils. Reserves are set aside for either a specific purpose, consideration to the general market conditions, the internal control framework in operation and the probability and financial impact of service risks.
- 1.6.4 Estimated levels of reserves for the next two years are outlined below. This includes sums that we hold on behalf of others and sums that we are independently advised to hold e.g. insurance reserve.

|  | Estimated<br>balance at<br>31.04.14<br>£k | Estimated<br>balance at<br>31.04.15<br>£k |
|--|---|---|
| <b>Earmarked Reserves</b>  |   |   |
| <b>Departmental Reserve</b> – The majority of this reserve relates to City College Peterborough who operate on academic year funding and retain a reserve for potential claw back from awarding bodies | 632                                       | 508                                       |
| <b>Schools Capital Expenditure Reserve</b> - Monies held on behalf of schools for capital spend  | 381                                       | 381                                       |
| <b>Insurance, and other minor reserves</b> – These reserves are held for a specific purpose and cannot therefore be used for budget setting purposes   | 3,350                                     | 3,259                                     |
| <b>TOTAL Earmarked reserves for specific purposes</b>  | <b>4,363</b>                              | <b>4,148</b>                              |
| <b>General Fund</b> – Set aside to meet unforeseen issues and risks  | 6,000                                     | 6,000                                     |
| <b>Capacity Building Reserve</b> – This enables us to implement saving proposals   | 2,746                                     | 1,483                                     |

- 1.6.5 Projected movements on reserves for this MTFS are shown in the reserves section later in the MTFS.
- 1.6.6 The challenging financial position presents the Council with several issues with regards to reserves:
- The new funding arrangements expose the council to risk if business rates decline. The government will only provide support if the council's business rates declines beyond 7.5%, the safety net threshold set by the new funding arrangements. For 2014/15, the safety net threshold

will be in the region of £2.8m on the council's funding level. However, the council will benefit with increased funding if business rates growth exceeds baseline funding levels subject to a levy payment. The council will keep 41.7 pence in the pound in growth achieved above the baseline funding level for the council.

- The new funding arrangements expose the council to volatility in business rates income throughout the year, for example the impact of business rates appeals that are concluded during the financial year even if the costs relate to previous financial years
- The savings proposals put forward in this consultation document in 2014/15 total 16.3m. If these savings proposals are updated during the budget consultation any shortfall will need to be covered from either finding other saving proposals, reducing bids, increasing council tax or from reserves
- The capacity fund assumes an estimate to fund the costs associated with implementing the savings proposals including headcount implications. It may be necessary to increase / decrease this estimate.
- There remains a significant forecast gap for the council to close in 2015/16 of £18m. To deliver savings of this scale, the council will need to utilise these reserves as appropriate under an invest to save approach.

1.6.7 The MTFS specifically addresses this as follows:

- During the span of the years covered within the MTFS, balances within the general fund are maintained at the £6m level considered prudent.
- The figures for the capacity fund include a prudent estimate of the likely use to support transformation projects, including the voluntary redundancy programme.

1.6.8 The Director has reviewed the financial risks identified (see Section 1.7 below), and the expected level of reserves at 1 April 2014. On this basis the Director is satisfied with the reserves proposals in the MTFS.

## **1.7 ROBUSTNESS OF ESTIMATES**

1.7.1 In setting a budget for 2014/15, including a medium term financial plan to 2023/24, it is important that Members consider the risks inherent in the financial figures presented and the potential for there to be variances and events that may occur that may significantly impact on them.

1.7.2 The following is a summary of other matters that Members should take into account when considering the budget:



| Area           | Risk   | Action to Mitigate Risk   |
|----------------|--|---|
| Overall Budget | <p>The current grant settlement is for 2014/15 with an illustrative 2015/16 settlement. Government have not published future grant settlements and the funding may reduce beyond current forecasts</p> <p>Delivery of the £12.3m grant reduction already announced for 2015/16</p> <p>Final announcement may differ from the provisional announcement</p>  | <p>Prudent approach to forecasting outlined in section 1.3.7 above.</p> <p>Ensure council actively reviews new proposals to assess impact for future planning including review of the government announcements and policy reviews.</p> <p>Accelerate our transformation programme</p> <p>Review government websites for the most up to date information</p> |
| Overall Budget | <p>Specific grants allocated by government underpinning the council's budget reducing through:</p> <ul style="list-style-type: none"> <li>• New Homes Bonus – It is anticipated that the government will be reviewing the New Homes Policy to ensure that the policy is delivering intended outcomes</li> <li>• Welfare Reform Grant – The DWP are no longer providing this funding from 2015/16</li> <li>• Public Health Grant is under review by NHS England including public health functions</li> <li>• Adoption Reform Grant – not yet announce for 2014/15</li> </ul> <p>Any change to the provisional announcement and the grants not yet announced will have a financial consequence on the council's budget setting</p> | <p>Where information has been released by government as part of the settlement, funding forecasts have been updated.</p> <p>The council will monitor government websites to confirm allocations at the earliest opportunity and budgets reviewed as appropriate.</p> <p>Continue to lobby the government</p>  |
| Overall Budget | <p>Pooled NHS Funding – 'Better Care Fund'. The council will need to work in partnership with the NHS to agree deliverables and outcomes on health funding available to councils from 2015/16. Dependent on the outcomes and performance achieved,</p>   | <p>The allocation of funding has not been factored into the councils budget position and will be subject to an agreed local plan between the Clinical Commissioning Group and the Council</p>   |

| Area           | Risk   | Action to Mitigate Risk   |
|----------------|--|---|
|                | the funding available may be different.  |   |
| Overall Budget | <p>Business rate 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. Furthermore the safety net payment scheme to top up councils for loss in business rates income would require a decrease in business rates of 7.5%.</p> | <p>Given that the business rates retention scheme is in its first year of operation, the council has not assumed growth in future years given the financial risk that the council is exposed to.</p> <p>The finance team will align forecasts using a more detailed approach with planning and revenue and benefit colleagues to monitor business and dwelling growth as part of the budget setting process and at regular intervals during the financial year.</p> <p>On a monthly basis reports will be available to monitor business rates income.</p> |
| Overall Budget | Business Rates – Achieving growth in business rate income through supporting infrastructure in the acknowledgment of a revaluation in 2017 and impact on business rate income forecasts.   | As above  |
| Overall Budget | <p>Business Rate appeals – The council has @ 34% of rateable value under appeal by businesses and has no influence over the outcome of the appeals but is now required to set aside an estimate of its share of income loss including any possible backdating of appeals.</p> <p>The provision set aside by the council may not be sufficient.</p>   | As above  |
| Overall Budget | <p>Inflation increases above forecasts assumed in the budget setting process.</p> <p>Budget assumes that inflation remains consistent with government forecasts.</p> <p>Interest rates may change</p>  | <p>Monitor inflation position and forecasts, and review impact on budget through budget monitoring process.</p> <p>Active procurement approach in partnership with Serco to secure improved rates and avoid inflationary increases. Again contract provides for level of guaranteed savings</p>   |

| Area           | Risk   | Action to Mitigate Risk   |
|----------------|--|---|
|                |  | <p>Capital financing estimates developed using latest forecasts of interest rates for MTFS (which allow for a level of increase).</p> <p>Review capital programme and debt portfolio if rates increase beyond forecast levels.</p>  |
| Overall Budget | <p>The council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, benefiting from reduced interest rates on PWLB loans by 20 basis points. The council is assuming that there will be a similar scheme in place when this scheme expires and that it will again qualify.</p> | <p>If this risk materialises, the council will continue to monitor alternative sources of funding in market, then if not available the council would refresh budget forecasts as part of setting future budgets.</p>  |
| Overall Budget | <p>Increase in employer's contribution rate to the pension scheme in future years (next triennial valuation due December 2013) if Hutton review does not deliver savings expected.</p>   | <p>Following recent discussions with the Actuary, the sums previously included in the MTFS anticipating the next valuation from April 2014 is sufficient.</p> <p>It should also be noted that actuaries look forward over several decades – well beyond our planning horizon</p>  |
| Overall Budget | <p>Wind and solar energy</p> <p>The council is pursuing wind and solar energy and income generation that will deliver savings to the council in future. The net income has been built into the budget.</p> <p>If the projects do not proceed, then the budget gaps the council face will widen</p>                                     | <p>The council has assumed a twelve month delay of the existing projects to allow time for appropriate discussion and approvals to be sought.</p> <p>Any further delay or stopping of these projects, the council will need to find alternative savings to offset any reduction in income. The latest timelines from Scrutiny's December meeting have been included in the MTFS forecasts.</p> <p>Provide an update report to Cabinet on 24 February.</p> |
| Overall Budget | <p>The council has moved towards a commissioning function.</p>   | <p>Implement a transformation programme and review of future service delivery options.</p>  |

| Area                                | Risk  | Action to Mitigate Risk   |
|-------------------------------------|---|---|
|                                     | Future delivery of services will need to be within cash limits and align with all resources available to the council  | Regular review of progress by CMT including risks and issues.   |
| Overall Budget                      | <p>Demand led service pressures.</p> <p>The Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's and adult social care. The demographics of the latter will remain under review due to Peterborough's ageing population above national average and complexities in cases being identified. The need for such services remains difficult to predict, and support must be provided where needed.</p> <p>This includes reform on implementing the Social Care Bill</p> | <p>Reviewed through monitoring of budget and management information on a monthly basis.</p> <p>Specific provision has been included in the budget plans for estimates of increased demand for children's and adult social care.</p> <p>Savings plans are also based intervention and reducing need and service demand</p> |
| Overall Budget                      | The achievement of a balanced budget is reliant on a challenging savings programme and organisational capacity to deal with speed of change. There is a risk that both savings already extracted from budgets and the new savings programme will not be achieved.   | <p>Progress will be monitored via the monthly budget monitoring process.</p> <p>Specific provision has been made in the budget to support the costs of change needed to provide capacity to deliver these savings.</p> <p>The business transformation programme will be delivered in partnership with Serco.</p>          |
| Overall Budget                      | Impact of reserves and balances   | Reserves are reviewed and monitored during the year to ensure that the adequacy and application of reserve are valid and appropriate  |
| Council Tax and Council Tax Benefit | The budget assumes a 2.00% increase in council tax from 2016/17 onwards. These forecasts may need to be revised if the government decrease the referendum threshold limit for 2014/15 when announced in the next few weeks.   | <p>The council will revise future year forecasts on the next Cabinet report.</p> <p>Cabinet will need to consider council tax implications as part of setting future budgets.</p>   |

| Area                                | Risk  | Action to Mitigate Risk   |
|-------------------------------------|---|---|
|                                     | For budget planning purposes, the council does not assume that a council tax referendum will be held and therefore only considers increasing council tax to the threshold level.  |   |
| Council Tax and Council Tax Benefit | Localisation of council tax benefit scheme if eligible claimants increase beyond forecasts, non collection of council tax and future council tax increases may result in a pressure if future schemes are no longer viable to be self-financing | The council tax benefit scheme is required to be approved annually by Full Council.<br><br>At regular intervals during the financial year, an assessment will be completed to assess actual data against the budget forecast through budget monitoring and budget setting.  |
| Council Tax and Council Tax Benefit | Implementation of the Universal Credit by the Department for Work and Pensions may have a financial consequence arising from shared data between the council and DWP to confirm council tax claimants   | The Department for Work and Pensions continue to affirm that they intend to work closely with councils to provide and share data accordingly. This will be regularly monitored during the financial year.<br><br>At regular intervals during the financial year, an assessment will be completed to assess actual data against the budget forecast through budget monitoring and budget setting |
| Capital Expenditure                 | The proposed Capital Programme is reliant on asset disposals being achieved. Any slippage will impact on capital financing requirements   | The estimates used are based on the latest information available in terms of both timing and capital receipt. Schemes will be carefully managed and regular reporting will continue.<br><br>Capital plans will be amended if asset disposals cannot be realised   |
| Capital Expenditure                 | The proposed Capital Programme is reliant on developer contributions being achieved.  | As above  |

## 1.8 FEES AND CHARGES

- 1.8.1 Last year the council approved indicative fees and charges for 2014/15 and 2015/16 based on an overall approach to increase fees and charges by 2.5% per annum. The fees and charges range from 0% to 6% increase on 2013/14 fees and charges. Schedule of fees and charges has been included in the MTFS

## 1.9 EDUCATION FUNDING

- 1.9.1 Funding for schools and settings is provided directly through a specific grant known as the Dedicated Schools Grant. The majority of this grant is delegated directly to schools, but some is held centrally and spent on education and children's services across the city.
- 1.9.2 The estimated Dedicated Schools Grant for 2014/15 is £165m. The final figure for 2014/15 will not be confirmed until early 2014, when pupil numbers are finalised.
- 1.9.3 Funding per pupil national remains static but Peterborough's overall DSG has increased as a result of further investment into 2 year old education and to represent the 1,000 extra pupils in the city between October 2012 and October 2013. Further detail can be seen in the consultation document.
- 1.9.4 The funding for the majority of education support services comes through a per pupil allocation through the 'Education Services Grant'. This grant is adjusted annually in light of schools that have become academies and this year the per pupil rate has declined slightly. The grant for 2015/2016 is likely to be cut by up to 25%.

## 1.10 CAPITAL PROGRAMME 2014/15 TO 2023/24

1.10.1 The capital programme is driven by the Council's contribution to the sustainable community strategy. In addition, it is based around the Capital Strategy that is integrated with the Council's Asset Management Plan. These are included as appendices.

1.10.2 In summary, the programme is in the next table.

|   | 2014/15        | 2015/16        | 2016/17       | 2017/18       | 2018/19       |
|---|----------------|----------------|---------------|---------------|---------------|
|   | £k             | £k             | £k            | £k            | £k            |
| <b>Total Capital Expenditure</b>          | <b>259,808</b> | <b>144,711</b> | <b>61,200</b> | <b>26,579</b> | <b>19,842</b> |
| <b>Financed by:</b>                       |                |                |               |               |               |
| Grants & Third Party Contributions        | 28,407         | 10,012         | 11,827        | 10,327        | 5,827         |
| Capital Receipts                          | 9,764          | 7,620          | 2,425         | 2,775         | 1,000         |
| Capital Financing Requirement (Borrowing) | 221,637        | 127,079        | 46,948        | 13,477        | 13,015        |
| <b>Total Capital Financing</b>            | <b>259,808</b> | <b>144,711</b> | <b>61,200</b> | <b>26,579</b> | <b>19,842</b> |

### Capital Programme 2019/20 to 2023/24

|   | 2019/20       | 2020/21       | 2021/22       | 2022/23       | 2023/24       |
|---|---------------|---------------|---------------|---------------|---------------|
|   | £k            | £k            | £k            | £k            | £k            |
| <b>Total Capital Expenditure</b>          | <b>15,780</b> | <b>14,782</b> | <b>15,523</b> | <b>15,700</b> | <b>15,700</b> |
| <b>Financed by:</b>                       |               |               |               |               |               |
| Grants & Third Party Contributions        | 5,827         | 5,827         | 5,650         | 5,827         | 5,827         |
| Capital Receipts                          | -             | -             | -             | -             | -             |
| Capital Financing Requirement (Borrowing) | 9,953         | 8,955         | 9,873         | 9,873         | 9,873         |
| <b>Total Capital Financing</b>            | <b>15,780</b> | <b>14,782</b> | <b>15,523</b> | <b>15,700</b> | <b>15,700</b> |

- 1.10.3 Members should also be aware that the programme is reliant on capital receipts generated through asset disposal, and in some cases from the receipt of developer contributions (S106, POIS and CIL). Hence some capital schemes will only be initiated if resources are actually achieved.
- 1.10.4 Capital schemes will not progress until external funding has been secured where supporting a scheme.
- 1.10.5 The Local Government Act 2003 introduced the prudential capital system. The key objectives of the prudential system are to ensure, within a clear framework, that local authority capital investment plans are affordable, prudent and sustainable and have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code.
- 1.10.6 The revenue impact of borrowing has been factored into the budget. The impact of this, including the report on the Prudential Code, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy are attached.
- 1.10.7 The council has also looked carefully at how it borrows to support the capital programme. The MTFs is based on the following borrowing assumptions for the next ten years. However, the borrowing strategy is under constant review throughout the year as a result to changes in interest rates and borrowing opportunities. The proposed strategy for 2014/15 financial year is:
- a) To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.
  - b) If there was a significant risk of a sharp fall in long and short term rates e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
  - c) If there was a significant risk of a much sharper rise in long and short term rates than currently forecast, perhaps rising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
  - d) To maintain an appropriate balance between PWLB and 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.

## **1.11 ASSET MANAGEMENT PLAN**

- 1.11.1 Attached is the Corporate Asset Management Plan (AMP). This document sets out how the Council will manage Council Property Assets in the future and builds upon the AMP prepared last year. The AMP sets out how we will address future challenges including:
- A property portfolio that is ageing with increasing liabilities for repairs and maintenance.
  - A property portfolio that is not suited to Council needs for service delivery now and into the future.

- Until recently there was an ad-hoc approach to management of the portfolio i.e. currently service departments manage their property in isolation leading to inconsistencies across the Council. The process to bring asset management together has started but significant work is required to ensure consistency.

1.11.2 In addition, it sets out how we will get the most from our property portfolio. This will include:

- The delivery of in excess of £24m of Capital Receipts in a difficult market over the next ten years to support the Council's Capital Budget.
- Maintaining revenue streams in a difficult market. Current forecasts indicate rental stream of £3.25m to year end 2013/2014.

## **1.12 BUDGET VIREMENT**

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

1.12.2 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.

1.12.3 The virement limits for 2014/15 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



## **Appendix A - Peterborough City Council's consultation response to:**

### **Local government finance settlement 2014-15 consultation**

The council welcomes the opportunity to respond to the local government finance settlement 2014/15 consultation and in addition to the questions asked, the council would like government to note the further comments made in this response.

The council remains supportive of the principle of allowing councils to retain locally raised business rate income, however the issue still remains on whether the proportion that the council can retain acts as a disincentive to deliver growth. The council believe it would be a greater incentive if the council could retain more than half of locally raised business rate income helping to bring forward business cases and viable projects to deliver growth working with the businesses and investors.

The level of grant reduction already announced for 2015/16 in excess of £11m for Peterborough against a net budget of £150m is a significant challenge and urge the government to consider an approach to protect councils for any further reductions in 2015/16 in a similar way to protecting schools and the NHS. Implementing any further reductions in 2015/16 will compromise the work the council is already undertaking to reshape service delivery.

The council remains concerned over the lateness of the provisional settlement announcement and the absence of key information such as the council tax referendum threshold and business rate documentation to enable council's to make decisions on challenging deficit reductions and urges government to publish future local government information at the earliest opportunity. The scale of the financial challenge and continual reduction in local government spending requires significant lead time to deliver transformational change and reshaping of council services in the future. It is not acceptable for government to make further cuts at such a late stage in the year, giving insufficient time for councils to consult fully on budget proposals.

With regards to the technical aspects of the provisional settlement, the council is seeking clarity on the protection in cash terms to the 2011/12 council tax freeze compensation given that the element included in the business rates has been capped at 2%. This has the presentational effect of reducing the element due following the capping of business rates. Although the council is expected to be compensated for the capping of business rate impact net of levy, confirmation is required that this is just a presentational issue and the council has not lost funding through this policy implemented by government. A similar issue exists with the Learning Disability and Health Reform Grant.

#### ***Question 1 – Do you agree with the Government's proposal to remove the capitalisation holdback and re-allocate the funds?***

The council does agree to the principle that any monies held back should be returned councils on a fair and equitable basis. The return of this funding will enable councils to utilise this funding in the most appropriate way to deliver sustainable budgets given the further challenges ahead. However, the council does not agree to the capitalisation monies being withheld to fund the rural sparsity funding for authorities explained further in question 3.

***Question 2 – Do you agree with the Government’s proposal to reduce the New Homes Bonus holdback from £800m to £700m?***

The council does support the Government’s proposal to reduce the holdback of the New Homes Bonus as previously responded to in the summer consultation. However, this is not new funding, as the council were expecting this funding to be returned to local government via a S31 grant as provisionally announced last year so is merely a presentation change.

***Questions 3 – Do you agree with the Government’s proposal to increase and roll in funding for rural authorities?***

No, the council strongly disagrees with the government’s proposal and would suggest that the existing efficiency support grant allocated in 2013/14 continues to be funded outside of the Settlement Funding Assessment given its original purpose was to allow certain council’s whose spending power was in excess of the threshold set by government given some protection and look to deliver service efficiencies in the future. If further councils require this support in 2014/15, then these monies should be provided via a S31 grant in 2014/15. The policy on providing the efficiency support grant should be reviewed once the localisation of business rates scheme has been operational for more than one year and a review of local authorities’ balance sheet has been undertaken to understand council sustainability.

There should not be an inclusion of efficiency support for services in sparse areas and instead the monies returned to council’s in full after protecting the council’s affected by the reduction in spending power above the government’s threshold level. The draft finance report suggests that this funding is to support local authorities in sparse areas to help transform their services. Almost all councils have significant financial challenges in future years and will need resources to deliver transformational change.

On reviewing the council’s affected, most councils are top up authorities that were subject to damping arrangements in the previous funding methodology. A similar argument could be put forward by groups of local authorities impacted by other issues, for example excessive population growth as experienced in Peterborough that has during the current Spending Review lose in excess of £12m through the claw back mechanism.

***Question 4 – Do you have any comments on the impact of the 2014-15 settlement on protected groups, as set out in the draft Equality Statement?***

No. Every council will have differing impacts on protected groups which will be assessed on decisions made locally.

## 1. Key Figures

|  | 2014/15        | 2015/16        | 2016/17        | 2017/18        | 2018/19        | 2019/20        | 2020/21        | 2021/22        | 2022/23        | 2023/24        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | £k             | £k             | £k             | £k             | £k             | £k             | £k             | £k             | £k             | £k             |
| <b>Funding</b>                           |                |                |                |                |                |                |                |                |                |                |
| Schools Funding                          | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        | 164,700        |
| Business Rates                           | 45,014         | 46,215         | 48,200         | 49,179         | 50,141         | 51,122         | 52,123         | 53,144         | 54,185         | 55,247         |
| RSG                                      | 45,962         | 33,172         | 30,229         | 29,424         | 28,602         | 27,765         | 26,910         | 26,038         | 25,149         | 24,243         |
| Other Grants                             | 30,088         | 31,530         | 30,842         | 30,734         | 31,785         | 34,263         | 37,112         | 39,681         | 42,751         | 42,751         |
| Housing Benefit Grant                    | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         | 72,600         |
| Parish Precepts                          | 391            | 391            | 391            | 391            | 391            | 391            | 391            | 391            | 391            | 391            |
| Council Tax Base                         | 56,580         | 57,590         | 58,252         | 60,091         | 61,987         | 63,942         | 65,958         | 68,036         | 70,179         | 72,389         |
| Council Tax Growth Estimate              | 1,011          | 661            | 661            | 681            | 702            | 723            | 744            | 767            | 790            | 815            |
| Council Tax Increase                     | 0              | 0              | 1,178          | 1,215          | 1,254          | 1,293          | 1,334          | 1,376          | 1,420          | 1,464          |
| Collection Fund Surplus                  | 919            | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Total Funding</b>                     | <b>417,265</b> | <b>406,859</b> | <b>407,053</b> | <b>409,015</b> | <b>412,162</b> | <b>416,799</b> | <b>421,872</b> | <b>426,733</b> | <b>432,165</b> | <b>434,600</b> |
| <b>Gross Departmental Control Totals</b> | <b>423,211</b> | <b>428,582</b> | <b>433,306</b> | <b>440,330</b> | <b>445,765</b> | <b>452,782</b> | <b>460,100</b> | <b>467,358</b> | <b>471,100</b> | <b>474,555</b> |
| Less: Savings 2014/15                    |                |                |                |                |                |                |                |                |                |                |
| New Savings and Efficiencies             | -12,779        | -12,134        | -11,714        | -11,732        | -11,105        | -10,523        | -10,293        | -10,238        | -10,237        | -9,889         |
| Additional Income                        | -515           | -515           | -515           | -515           | -515           | -515           | -515           | -515           | -515           | -515           |
| Terms and Conditions                     | -283           | -573           | -1,146         | -1,719         | -2,292         | -2,865         | -3,438         | -4,011         | -4,584         | -4,584         |
| Service Reductions                       | -2,712         | -3,063         | -3,063         | -3,063         | -3,063         | -3,063         | -3,063         | -3,063         | -3,063         | -3,063         |
| <b>Sub Total</b>                         | <b>-16,289</b> | <b>-16,285</b> | <b>-16,438</b> | <b>-17,029</b> | <b>-16,975</b> | <b>-16,966</b> | <b>-17,309</b> | <b>-17,827</b> | <b>-18,399</b> | <b>-18,051</b> |
| Capacity Bids 2014/15                    |                |                |                |                |                |                |                |                |                |                |
| Capacity Bid - Inescapable               | 10,093         | 12,160         | 12,421         | 9,306          | 9,628          | 9,744          | 9,905          | 9,484          | 10,212         | 10,672         |
| Capacity Bid - Essential                 | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 250            | 250            |
| <b>Sub Total</b>                         | <b>10,343</b>  | <b>12,411</b>  | <b>12,671</b>  | <b>9,556</b>   | <b>9,878</b>   | <b>9,994</b>   | <b>10,155</b>  | <b>9,734</b>   | <b>10,462</b>  | <b>10,922</b>  |
| <b>Total Expenditure</b>                 | <b>417,265</b> | <b>424,707</b> | <b>429,539</b> | <b>432,857</b> | <b>438,668</b> | <b>445,810</b> | <b>452,946</b> | <b>459,265</b> | <b>463,163</b> | <b>467,426</b> |
| <b>Budget Surplus/Deficit(-)</b>         | <b>0</b>       | <b>-17,848</b> | <b>-22,486</b> | <b>-23,842</b> | <b>-26,506</b> | <b>-29,011</b> | <b>-31,074</b> | <b>-32,532</b> | <b>-30,998</b> | <b>-32,826</b> |

|                                    | 2014/15       | 2015/16       | 2016/17       | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       | 2022/23       | 2023/24       |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                    | £k            | £k            | £k            | £k            | £k            | £k            | £k            | £k            | £k            | £k            |
| Council Tax increase               | 0.00%         | 0.00%         | 2.00%         | 2.00%         | 2.00%         | 2.00%         | 2.00%         | 2.00%         | 2.00%         | 2.00%         |
| Council Tax Band D £               | 1,128.03      | 1,128.03      | 1,150.59      | 1,173.60      | 1,197.07      | 1,221.01      | 1,245.43      | 1,270.34      | 1,295.75      | 1,321.67      |
| Council Tax Base - Band Ds         | 51,054        | 51,640        | 52,226        | 52,817        | 53,415        | 54,019        | 54,629        | 55,245        | 55,866        | 56,495        |
| <b>Council Tax Base</b>            | 56,580        | 57,590        | 58,252        | 60,091        | 61,987        | 63,942        | 65,958        | 68,036        | 70,179        | 72,389        |
| <b>Council Tax Growth Estimate</b> | 1,011         | 661           | 661           | 681           | 702           | 723           | 744           | 767           | 790           | 815           |
| <b>Council Tax Increase</b>        | 0             | 0             | 1,178         | 1,215         | 1,254         | 1,293         | 1,334         | 1,376         | 1,420         | 1,464         |
|                                    | <b>57,591</b> | <b>58,251</b> | <b>60,091</b> | <b>61,987</b> | <b>63,943</b> | <b>65,958</b> | <b>68,036</b> | <b>70,179</b> | <b>72,389</b> | <b>74,668</b> |

## 2. Capacity Bids

### Appendix 2a – Capacity Bids – Inescapable

| Dept  | Area  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---|---|---------------|---------------|---------------|---------------|---------------|
| Adult Social Care and Health and Wellbeing<br>(Adult Social Care) | Welfare Reform                                      | 108           | 108           | 108           | 108           | 108           |
| Adult Social Care and Health and Wellbeing<br>(Adult Social Care) | Winterbourne Review                                 | 945           | 945           | 945           | 945           | 945           |
| Adult Social Care and Health and Wellbeing<br>(Adult Social Care) | Contracts and procurement                           | 396           | 396           | 396           | 396           | 396           |
| Chief Executive<br>(Operations)                                   | Tourist Information Centre and Travelchoice Centres | 115           | 115           | 115           | 115           | 115           |
| Communities<br>(Children Services)                                | Support for looked after children                   | 919           | 919           | 919           | 919           | 919           |
| Communities<br>(Operations)                                       | Increased costs to prevent Homelessness             | 150           | 150           | 150           | 150           | 150           |
| Communities<br>(Children Services)                                | Looked After Children Transport                     | 100           | 100           | 90            | 80            | 70            |
| Governance<br>(Chief Executive)                                   | Expanding the legal team to meet demand             | 126           | 126           | 126           | 126           | 126           |
| Governance<br>(Chief Executive)                                   | Coroner Reforms                                     | 250           | 250           | 250           | 250           | 250           |
| Governance<br>(Chief Executive)                                   | Changes to electoral system                         | 50            | 50            | 50            | 50            | 50            |

| <b>Dept</b>   | <b>Area</b>                                | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governance<br>(Operations)  | Late Night Levy Income – removal of budget | 25                    | 25                    | 25                    | 25                    | 25                    |
| Growth and Regeneration<br>(Operations)                           | Street Lighting Energy Costs               | 340                   | 340                   | 340                   | 340                   | 340                   |
| Growth and Regeneration<br>(Operations)                           | Resilience function                        | 66                    | 66                    | 66                    | 66                    | 66                    |
| Growth and Regeneration<br>(Operations)                           | Concessionary Fares                        | 0                     | 200                   | 400                   | 600                   | 800                   |
| Growth and Regeneration<br>(Operations)                           | Opportunity Peterborough                   | 50                    | 0                     | 0                     | 0                     | 0                     |
| Resources<br>(Strategic Resources)                                | Carbon Reduction Commitment                | 140                   | 140                   | 140                   | 140                   | 140                   |
| Resources<br>(Strategic Resources)                                | Business Transformation                    | 2,528                 | 2,396                 | 2,806                 | 2,485                 | 2,801                 |
| Resources<br>(Strategic Resources)                                | Vivacity                                   | 47                    | 47                    | 47                    | 47                    | 47                    |
| Resources<br>(Strategic Resources)                                | Football Ground income adjustment          | 303                   | 134                   | 134                   | 134                   | 134                   |
| Resources<br>(Strategic Resources)                                | Increase to employer's NI contribution     | 0                     | 0                     | 1,026                 | 1,026                 | 1,026                 |
| Resources<br>(Children Services)                                  | Special School Transport                   | 164                   | 164                   | 164                   | 164                   | 164                   |
| Adult Social Care and Health and Wellbeing<br>(Adult Social Care) | Social Care Funding changes                | 0                     | 319                   | 322                   | 391                   | 391                   |

| <b>Dept</b>  | <b>Area</b>                                       | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Carers Responsibilities                           | 0                     | 146                   | 260                   | 374                   | 374                   |
| Resources<br><i>(Strategic Resources)</i>                                | Energy Parks                                      | 384                   | 4,193                 | 2,930                 | -359                  | -575                  |
| Resources<br><i>(Strategic Resources)</i>                                | Capital Financing - Investment costs              | 2322                  | 187                   | 66                    | 212                   | 212                   |
| Resources<br><i>(Strategic Resources)</i>                                | Energy inflation indices updated to DECC forecast | 70                    | 149                   | 51                    | 27                    | 59                    |
| Corporate  | Pay Award 2013/14                                 | 495                   | 495                   | 495                   | 495                   | 495                   |
|  |   | <b>10,093</b>         | <b>12,160</b>         | <b>12,421</b>         | <b>9,306</b>          | <b>9,628</b>          |

**Appendix 2b – Capacity Bids – Essential**

| <b>Dept</b>                        | <b>Area</b>              | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2017/18<br/>£k</b> |
|------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Resources<br>(Strategic Resources) | Move ICT server to Cloud | 250                   | 250                   | 250                   | 250                   | 250                   |
|                                    |                          | <b>250</b>            | <b>250</b>            | <b>250</b>            | <b>250</b>            | <b>250</b>            |



### 3. Savings

#### Appendix 3a – Savings – Service Reductions

| Dept  | Area  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---|---|---------------|---------------|---------------|---------------|---------------|
| Adult Social Care and Health and Wellbeing<br>(Adult Social Care) | Transforming Day Opportunities for Adults Under 65                                    | 400           | 400           | 400           | 400           | 400           |
| Adult Social Care and Health and Wellbeing<br>(Adult Social Care) | Transport savings   | 175           | 175           | 175           | 175           | 175           |
| Communities<br>(Children Services)                                | Children Centres  | 931           | 1,181         | 1,181         | 1,181         | 1,181         |
| Communities<br>(Operations)                                       | St Georges Hydrotherapy pool  | 45            | 45            | 45            | 45            | 45            |
| Governance<br>(Operations)  | Re-organisation of the licensing team   | 70            | 70            | 70            | 70            | 70            |
| Growth and Regeneration<br>(Operations)                           | Remove historic and natural environment grant and reduce biodiversity strategy budget | 25            | 25            | 25            | 25            | 25            |
| Resources<br>(Strategic Resources)                                | Reduce funding for parish councils  | 0             | 40            | 40            | 40            | 40            |
| Resources<br>(Strategic Resources)                                | Council Tax support grant for parish councils   | 0             | 61            | 61            | 61            | 61            |
| Resources<br>(Strategic Resources)                                | Introduce charge for garden waste collection service                                  | 804           | 804           | 804           | 804           | 804           |
| Resources<br>(Strategic Resources)                                | Sports clubs' caretaker service   | 45            | 45            | 45            | 45            | 45            |

| <b>Dept</b>                        | <b>Area</b>                                    | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Resources<br>(Strategic Resources) | Play area inspections                          | 15                    | 15                    | 15                    | 15                    | 15                    |
| Resources<br>(Strategic Resources) | Grass cutting service                          | 78                    | 78                    | 78                    | 78                    | 78                    |
| Resources<br>(Strategic Resources) | Changing planting and creating wildlife havens | 58                    | 58                    | 58                    | 58                    | 58                    |
| Resources<br>(Strategic Resources) | WEEE facility                                  | 66                    | 66                    | 66                    | 66                    | 66                    |
|                                    |  | <b>2,712</b>          | <b>3,063</b>          | <b>3,063</b>          | <b>3,063</b>          | <b>3,063</b>          |

**Appendix 3a – Savings – New Savings and Efficiencies**

| <b>Dept</b>  | <b>Area</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Transformation and Personalisation                                   | 637                   | 637                   | 637                   | 637                   | 637                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Older People Day Services  | 150                   | 150                   | 150                   | 150                   | 150                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Physical Disability & Sensory Impairment Services                    | 150                   | 150                   | 150                   | 150                   | 150                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Personal Assistants  | 75                    | 75                    | 75                    | 75                    | 75                    |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Creating One Central Team for Training and Development – Joint teams | 100                   | 100                   | 100                   | 100                   | 100                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Continuing Health Care   | 75                    | 75                    | 75                    | 75                    | 75                    |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Development of new respite policy                                    | 150                   | 150                   | 150                   | 150                   | 150                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Assistive Technology   | 80                    | 80                    | 80                    | 80                    | 80                    |

| <b>Dept</b>  | <b>Area</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Direct Payments and Personal Budgets                                  | 100                   | 100                   | 100                   | 100                   | 100                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Mental Health Employment Services                                     | 80                    | 80                    | 80                    | 80                    | 80                    |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Support cost efficiencies   | 50                    | 50                    | 50                    | 50                    | 50                    |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Eligibility   | 100                   | 100                   | 100                   | 100                   | 100                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Panel reviews   | 100                   | 100                   | 100                   | 100                   | 100                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Reablement  | 200                   | 200                   | 200                   | 200                   | 200                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Support Cost Estimate   | 125                   | 125                   | 125                   | 125                   | 125                   |
| Adult Social Care and Health and Wellbeing<br><i>(Adult Social Care)</i> | Supporting Planning   | 160                   | 160                   | 160                   | 160                   | 160                   |
| Chief Executive<br><i>(Operations)</i>                                   | Markets –reduce cleansing expenditure through contract negotiation    | 40                    | 40                    | 40                    | 40                    | 40                    |
| Chief Executive<br><i>(Operations)</i>                                   | CCTV – reduce expenditure on line rental through contract negotiation | 16                    | 16                    | 16                    | 16                    | 16                    |

| <b>Dept</b>                              | <b>Area</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Children Services<br>(Children Services) | Social Care improvement – management costs / efficiency                                    | 678                   | 867                   | 867                   | 867                   | 867                   |
| Children Services<br>(Children Services) | Reviewing Education Support Services   | 524                   | 524                   | 524                   | 524                   | 524                   |
| Children Services<br>(Children Services) | Youth Offending Service  | 50                    | 50                    | 50                    | 50                    | 50                    |
| Children Services<br>(Children Services) | Reviewing Support Services to Children's Services  | 84                    | 84                    | 84                    | 84                    | 84                    |
| Children Services<br>(Children Services) | New central training and development team and joint transitioning team                     | 23                    | 23                    | 23                    | 23                    | 23                    |
| Communities<br>(Children Services)       | Looked After Children Costs  | 245                   | 713                   | 913                   | 1,255                 | 1,255                 |
| Communities<br>(Operations)              | Increase in public health Government grant and re-organising services to make efficiencies | 1,090                 | 1,090                 | 1,090                 | 1,090                 | 1,090                 |
| Communities<br>(Operations)              | Supplies and services  | 50                    | 50                    | 50                    | 50                    | 50                    |
| Communities<br>(Children Services)       | Careers Advice and Guidance  | 132                   | 132                   | 132                   | 132                   | 132                   |
| Governance<br>(Chief Executive)          | Re-organisation of legal and governance services   | 203                   | 203                   | 203                   | 203                   | 203                   |
| Governance<br>(Operations)               | Reduce Community Leadership Fund   | 183                   | 183                   | 183                   | 183                   | 183                   |
| Governance<br>(Chief Executive)          | HR re-organisation   | 57                    | 57                    | 57                    | 57                    | 57                    |
| Governance<br>(Chief Executive)          | Creation of a corporate team for workforce development and training                        | 24                    | 24                    | 24                    | 24                    | 24                    |

| <b>Dept</b>   | <b>Area</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Growth and Regeneration<br>(Operations)                   | Reduction in expenditure on Local Plan  | 61                    | 61                    | 61                    | 61                    | 61                    |
| Growth and Regeneration<br>(Operations)                   | Climate change and Environment Capital conference                                     | 16                    | 16                    | 16                    | 16                    | 16                    |
| Growth and Regeneration<br>(Operations)                   | Re-organisation of Planning, Transport and Engineering service                        | 101                   | 101                   | 101                   | 101                   | 101                   |
| Growth and Regeneration<br>(Strategic Resources)          | Trees and woodlands   | 100                   | 100                   | 100                   | 100                   | 100                   |
| Resources<br>(Strategic Resources)                        | Further savings in finance team   | 72                    | 72                    | 72                    | 72                    | 72                    |
| Resources<br>(Strategic Resources)                        | External Audit costs  | 30                    | 30                    | 30                    | 30                    | 30                    |
| Resources<br>(Strategic Resources)                        | Re-organise the Client Services Team in line with changes to the council's structure  | 100                   | 100                   | 100                   | 100                   | 100                   |
| Resources<br>(Children Services)<br>(Strategic Resources) | Reductions in Serco Strategic Partnership and business support                        | 775                   | 775                   | 775                   | 775                   | 775                   |
| Resources<br>(Strategic Resources)                        | Reduce costs of office accommodation  | 453                   | 580                   | 580                   | 580                   | 580                   |
| Resources<br>(Strategic Resources)                        | Develop new ways to generate income and make savings from all council-owned buildings | 220                   | 220                   | 220                   | 220                   | 220                   |
| Resources<br>(Strategic Resources)                        | Reviewing all ICT projects and reducing ICT support costs                             | 461                   | 461                   | 461                   | 461                   | 461                   |

| <b>Dept</b>                        | <b>Area</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------------------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Resources<br>(Strategic Resources) | Reduced costs through new Broadband provision                     | 141                   | 271                   | 517                   | 513                   | 513                   |
| Resources<br>(Strategic Resources) | Enterprise contract cost control (indexation)                     | 149                   | 149                   | 149                   | 149                   | 149                   |
| Resources<br>(Strategic Resources) | Reduced landfill costs  | 100                   | 100                   | 0                     | 0                     | 0                     |
| Resources<br>(Strategic Resources) | Vivacity - capital investment to generate efficiency savings      | 133                   | 53                    | 53                    | 53                    | 53                    |
| Resources<br>(Strategic Resources) | Vivacity - Peterborough Arts Festival                             | 45                    | 45                    | 45                    | 45                    | 45                    |
| Resources<br>(Strategic Resources) | Vivacity - Move Central library to one floor                      | 50                    | 50                    | 50                    | 50                    | 50                    |
| Resources<br>(Strategic Resources) | Vivacity - increased income from the new Hampton Premier facility | 37                    | 79                    | 79                    | 79                    | 79                    |
| Resources<br>(Strategic Resources) | Vivacity - reducing the book fund                                 | 70                    | 48                    | 48                    | 48                    | 48                    |
| Resources<br>(Strategic Resources) | Vivacity - Further savings to be considered                       | 0                     | 260                   | 260                   | 260                   | 260                   |
| Resources<br>(Children Services)   | Special School Transport  | 60                    | 60                    | 60                    | 60                    | 60                    |
| Resources<br>(Strategic Resources) | Risk Management contingency                                       | 207                   | 207                   | 207                   | 207                   | 207                   |
| Resources<br>(Strategic Resources) | Council tax freeze grant  | 0                     | 1,533                 | 1,533                 | 1,533                 | 1,533                 |
| Resources<br>(Strategic Resources) | School capitalisations  | 250                   | 0                     | 0                     | 0                     | 0                     |
| Resources<br>(Strategic Resources) | Inflation   | 606                   | 366                   | 366                   | 366                   | 366                   |

| <b>Dept</b>                               | <b>Area</b>                           | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Resources<br><i>(Strategic Resources)</i> | Increase in energy initiatives target | 12                    | 44                    | 64                    | 64                    | 64                    |
| Resources<br><i>(Strategic Resources)</i> | Capital Financing - Savings           | 2799                  | -35                   | -821                  | -1,141                | -1,768                |
|   |                                       | <b>12,779</b>         | <b>12,134</b>         | <b>11,714</b>         | <b>11,732</b>         | <b>11,105</b>         |



**Appendix 3a – Savings – Additional Income**

| <b>Dept</b>                              | <b>Area</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Chief Executive<br>(Operations)          | Self-funding parking enforcement service   | 30                    | 30                    | 30                    | 30                    | 30                    |
| Chief Executive<br>(Operations)          | Increase Great Eastern Run income  | 50                    | 50                    | 50                    | 50                    | 50                    |
| Children Services<br>(Children Services) | Adoption Placements  | 25                    | 25                    | 25                    | 25                    | 25                    |
| Communities<br>(Operations)              | Increase charges to Registered Social Landlords for Choice-based Lettings  | 50                    | 50                    | 50                    | 50                    | 50                    |
| Communities<br>(Operations)              | Issue Energy Performance Certificates and enforce, via Fixed Penalty Notices, against premises failing to display an EPC | 200                   | 200                   | 200                   | 200                   | 200                   |
| Growth and Regeneration<br>(Operations)  | Increase in income to Housing Strategy   | 20                    | 20                    | 20                    | 20                    | 20                    |
| Resources<br>(Strategic Resources)       | Increased Income – Bereavement Service   | 46                    | 46                    | 46                    | 46                    | 46                    |
| Resources<br>(Strategic Resources)       | Increased Income – Registration Service  | 54                    | 54                    | 54                    | 54                    | 54                    |
| Resources<br>(Strategic Resources)       | Charging developers for new bins   | 40                    | 40                    | 40                    | 40                    | 40                    |
|  |  | <b>515</b>            | <b>515</b>            | <b>515</b>            | <b>515</b>            | <b>515</b>            |

**Appendix 3a – Savings – Terms and Conditions**

| <b>Dept</b> | <b>Area</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Corporate   | Pay Award from 2014/15 onwards held at 1% provides saving | 283                   | 573                   | 1,146                 | 1,719                 | 2,292                 |
|             |   | <b>283</b>            | <b>573</b>            | <b>1,146</b>          | <b>1,719</b>          | <b>2,292</b>          |

## 4. Fees and Charges Schedule

| Directorate                             | Service Area                  | Charge                            | Average % increase in fees & Charges | Council Lead/Statutory | Comments   |
|---|-------------------------------|-----------------------------------|--------------------------------------|------------------------|--|
| Adult Social Care, Health and Wellbeing | Independent Sector Placements | Homecare - hourly rate            | -3.5%                                | Council Lead           | Recharged at cost - new contract results in reduced charges for services users                       |
| Adult Social Care, Health and Wellbeing | Independent Sector Placements | Extra Care Schemes                | 2.6%                                 | Council Lead           |  |
| Adult Social Care, Health and Wellbeing | Independent Sector Placements | Day services                      | 2.3%                                 | Council Lead           |  |
| Adult Social Care, Health and Wellbeing | Independent Sector Placements | Direct payment rates              | 0.0%                                 | Council Lead           |  |
| Adult Social Care, Health and Wellbeing | Independent Sector Placements | Respite                           | 2.5%                                 | Council Lead           |  |
| Adult Social Care, Health and Wellbeing | Independent Sector Placements | Meals on wheels                   | 11.9%                                | Council Lead           | Frozen Meals remain unchanged, Hot meals subsidy reduced by £1, charge increases from £4.20 to £5.20 |
| Chief Executive                         | Parking Services              | Off Street Parking                | 0.0%                                 | Council Lead           |  |
| Chief Executive                         | Parking Services              | Off Street Parking Season tickets | 0.0%                                 | Council Lead           |  |
| Chief Executive                         | Parking Services              | PCN's - All Off Street Parking    | 0.0%                                 | Statutory              |  |
| Chief Executive                         | Parking Services              | Staff Parking                     | 0.0%                                 | Council Lead           |  |
| Chief Executive                         | Parking Services              | On Street Parking                 | 0.0%                                 | Council Lead/Statutory |  |
| Chief Executive                         | Parking Services              | Residential Parking               | 0.0%                                 | Council Lead           |  |
| Chief Executive                         | City Centre Services          | City Services Street Trading      | 0.0%                                 | Council Lead           |  |

| Directorate         | Service Area          | Charge  | Average % increase in fees & Charges | Council Lead/Statutory                                      | Comments   |
|---------------------|-----------------------|---|--------------------------------------|---|--|
| Chief Executive     | Tourism               | Tickets sold on behalf of event organisers    | 0.0%                                 | Council Lead  |  |
| Children's Services | Childrens Social Care | Unauthorised absence penalty notice           | 20.0%                                | Statutory   | Nationally set charge. Main charge rises from £50 to £60 |
| Children's Services | Learning & Skills     | Placement costs recovery                      | 0.0%                                 | Statutory   |  |
| Children's Services | Learning & Skills     | Parental contribution to Bus Passes issued    | 0.3%                                 | Council Lead  |  |
| Communities         | Enforcement           | Houses of Multiple Occupation License         | 0.0%                                 | Statutory   |  |
| Communities         | Children & Families   | Accommodation charges                         | 0.0%                                 | Council Lead  |  |
| Communities         | Children & Families   | Inter-agency adoption fee                     | 105.5%                               | Statutory   | Nationally set charge rising from £13k to £27k           |
| Governance          | Licensing             | Public Entertainment Licences                 | 0.0%                                 | Statutory   |  |
| Governance          | Licensing             | Gambling Act Licensing                        | 0.0%                                 | Statutory   |  |
| Governance          | Licensing             | Hackney Carriage Licensing                    | 4.0%                                 | Council Lead  |  |
| Governance          | Licensing             | Animal Welfare Licensing                      | 3.1%                                 | Council Lead  |  |
| Governance          | Business Regulations  | Other Environmental Health Licensing          | 4.0%                                 | Council Lead  |  |
| Governance          | Business Regulations  | Construction, Design and Management Fees      | 3.0%                                 | Statutory   |  |
| Governance          | Business Regulations  | Trading Standards                             | 0.4%                                 | LACORS (Local Authority Coordination of Regulated Services) |  |
| Governance          | Business Regulations  | Street Trading Consents (Non Pedestrian Area) | 3.4%                                 | Council Lead  |  |

| Directorate             | Service Area          | Charge                       | Average % increase in fees & Charges | Council Lead/Statutory | Comments  |
|-------------------------|-----------------------|------------------------------|--------------------------------------|------------------------|---|
| Governance              | Licensing             | Lottery Licensing            | 50.0%                                | Statutory              | Renewal rises from £20 to £40 in line with initial application fee which remains at £40 |
| Governance              | Community Protection  | Environmental Protection Act | 0.0%                                 | Statutory              |   |
| Governance              | Business Regulations  | Other charges                | 15.4%                                | Council Lead/Statutory | Average increase for high hedge disputes fee £217, other fees remain unchanged          |
| Governance              | Community Protection  | Environmental Enforcement    | 8.3%                                 | Statutory              | Average increase of £5 across numerous statutory fees                                   |
| Growth and Regeneration | Passenger Transport   | Queensgate Bus Station       | 0.0%                                 | Council Lead           |   |
| Growth and Regeneration | Street Works          | Licenses and permits         | 5.4%                                 | Council Lead           |   |
| Growth and Regeneration | Trans and Development | Highways Development         | 0.0%                                 | Council Lead           |   |
| Growth and Regeneration | Planning              | Planning Fees and Charges    | 0.0%                                 | Council Lead/Statutory |   |
| Resources               | Mayoralty/Civic       | Civic Room Lettings          | 5.0%                                 | Council Lead           |   |
| Resources               | Land charges          | Search fees                  | 0.0%                                 | Council Lead/Statutory |   |
| Resources               | Bereavement Services  | Crematorium fees             | 5.0%                                 | Council Lead           |   |
| Resources               | Bereavement Services  | Memorial Sales               | 5.3%                                 | Council Lead           |   |

| <b>Directorate</b> | <b>Service Area</b>   | <b>Charge</b>                          | <b>Average % increase in fees &amp; Charges</b> | <b>Council Lead/Statutory</b> | <b>Comments</b>   |
|--------------------|-----------------------|--|---|-------------------------------|---|
| Resources          | Bereavement Services  | Cemetery fees                          | 2.7%  | Council Lead                  |   |
| Resources          | Registration Services | Private Citizenship Ceremonies         | 4.2%  | Council Lead                  |   |
| Resources          | Registration Services | Approved Premises/Registration Office  | 5.0%  | Council Lead                  |   |
| Resources          | Registration Services | Nationality Checking                   | 19.5%   | Council Lead                  | Average increase of £17 per fee                           |
| Resources          | Registration Services | Baby Naming/Renewal of Vows            | 6.5%  | Council Lead                  |   |
| Resources          | Registration Services | Registration Services – Statutory fees | 0.0%  | Statutory                     |   |
| Resources          | Strategic Property    | Property Rents                         | Varies - see comment                            | Council Lead                  | Increases in rent are dictated by the terms of the leases |

## 5. Reserves Position

|                                      | 2013/14                                     | 2014/15                                     | 2015/16                                     | 2016/17                                     | 2017/18                                     | 2018/19                                     |
|--------------------------------------|---|---|---|---|---|---|
|                                      | Estimated<br>Balance at<br>31.03.14<br>£000 | Estimated<br>Balance at<br>31.03.15<br>£000 | Estimated<br>Balance at<br>31.03.16<br>£000 | Estimated<br>Balance at<br>31.03.17<br>£000 | Estimated<br>Balance at<br>31.03.18<br>£000 | Estimated<br>Balance at<br>31.03.19<br>£000 |
| <b>Earmarked Reserves</b>            |   |   |   |   |   |   |
| Departmental Reserve                 | 632   | 508   | 503   | 498   | 493   | 488   |
| Schools Capital Expenditure Reserve  | 381   | 381   | 381   | 381   | 381   | 381   |
| Insurance and Other minor reserves   | 3,350                                       | 3,259                                       | 3,167                                       | 2,929                                       | 2,818                                       | 2,707                                       |
| <b>Subtotal - Earmarked Reserves</b> | <b>4,363</b>                                | <b>4,148</b>                                | <b>4,051</b>                                | <b>3,808</b>                                | <b>3,692</b>                                | <b>3,576</b>                                |
| General Fund Balance                 | 6,000                                       | 6,000                                       | 6,000                                       | 6,000                                       | 6,000                                       | 6,000                                       |
| Capacity Building Reserve            | 2,746                                       | 1,483                                       | 1,483                                       | 1,483                                       | 1,483                                       | 1,483                                       |

## 6. Budget Monitoring – Probable Outturn

### BUDGET MONITORING POSITION NOVEMBER 2013

#### 1 Revenue Monitoring

- 1.1 A balanced budget was approved for 2013/14 by Council on 6<sup>th</sup> March 2013. During the course of the year the budgetary position is updated monthly and reported in detail to departmental management teams and is summarised to CMT. As risks and pressures arise directors and their staff take appropriate action to minimise the impact by managing the pressures and risks downwards, reviewing planned expenditure and commitments and by making additional efficiency savings within the service.
- 1.2 When compared to the approved budget the latest forecast of the year end position is an overspending of £271k which represents an improvement of £1,959k compared to the position reported to Cabinet on 23<sup>rd</sup> September 2013 based upon July figures. Table 1 below summarises the budget monitoring position for November which is set out in more detail in Appendix A.
- 1.3 The budget has been reallocated to the new departments following the recent senior management review and amendments have been made to the July variance where significant budget transfers have taken place to aid comparison. As an interim measure prior to finalisation of all budget allocations the further breakdown shown within Appendix A is based upon the previous department and service. The organisational change process is still subject to some change which will need to be reflected in future budget reports. For information Appendix B shows the latest variance compared to the position reported to September Cabinet in the old departmental structure.
- 1.4 It has been assumed that the forecast overspend of £271k will continue to be managed downwards by departments and that they will be fully contained within budget by year end and therefore no drawdown of reserves is planned.

**Table 1**

| <b>Forecast<br/>Variance July<br/>£k</b> | <b>DEPARTMENT</b>                           | <b>Budget<br/>2013/14<br/>£k</b> | <b>Forecast<br/>Spend<br/>2013/14<br/>£k</b> | <b>Forecast<br/>Variance<br/>2013/14<br/>£k</b> |
|--|---|----------------------------------|--|---|
| -755                                     | Adult Social Care, Health and Wellbeing     | 43,240                           | 42,978                                       | 262   |
| 9  | Chief Executive's Department                | -929                             | -756   | -173  |
| 294                                      | Children Services                           | 14,334                           | 14,167                                       | 167   |
| -1,644                                   | Communities                                 | 44,634                           | 46,121                                       | -1,487  |
| -13                                      | Governance                                  | 6,362                            | 6,591  | -229  |
| -102                                     | Growth and Regeneration                     | 16,090                           | 15,728                                       | 362   |
| -19                                      | Resources                                   | 32,882                           | 32,055                                       | 827   |
| <b>-2,230</b>                            | <b>Total Underspend (+) / Overspend (-)</b> | <b>156,613</b>                   | <b>156,884</b>                               | <b>-271</b>                                     |



## **2 Departmental Position and Key Variances**

2.1 The report to Cabinet in September forecast a year end position of £2.2m overspending which included significant cost pressures relating to:

- Increased demand on statutory services the council has to provide, including extra demand to support vulnerable people within Adult Social Care in the Independent Sector Placement budget (£163k) and in Children services with ongoing pressure of Looked after Children placements (£1,027k).
- Pressures within neighbourhood budgets arising from costs within supporting people budgets (£369k).
- Street energy lighting costs arising from increased energy costs and an increased network of street lighting from new developments ((£340k)
- Implementing the nationally agreed pay award from April 2013 (£495k)

2.2 The overall reported position on the General Fund has been gradually improving since July and it is anticipated that the position will improve further prior to year end. Since the report to Cabinet in September the position has improved by £2m, the key improvements being:

- The council to receive a government grant in 2013/14 to pay for loss of the council's share of business rate income in relation to the continuation of the doubling of the small business rate relief to businesses by government (£625k)
- Reduction in borrowing costs associated with updates to the capital programme during the financial year (£385k)
- Additional income and grant income offsetting in part pressures within social care budgets (£896k)

2.3 Last year the government announced an extension to the temporary doubling of the small business relief scheme for an additional year, 2013/14; which has again been extended in the Autumn statement for 2014/15. In both of these instances the government undertook to fund this cost as it impacts upon the level of business rates the council receives under the new business rates retention system. However due to the complexity of the business rates system it is unclear as to how much and in which year this income would be received and formal details are still not available however it has recently become clearer that an amount will be available for 2013/14. On this basis an amount of £625k has been included in the Resources department forecast outturn for 2013/14, as set out in paragraph 2.2.

## **3 Capital Monitoring**

3.1 Since the report to Cabinet on 23<sup>rd</sup> September the forecast outturn position has moved from £173.6m to £132.3m. The table and commentary below have been updated to reflect this new position. The table sets out the position for the Council's capital investment at departmental level together with the associated financing as at the end of November 2013. Appendix C provides a table in the previous council structures.

| Capital Programme by new Directorate | Budget 01/04/2013 | Budget as at November 2013 | Budget to Date | Actual Expenditure to date | Total Spent Against Budget to date | Forecast Outturn |
|--------------------------------------|-------------------|----------------------------|----------------|----------------------------|------------------------------------|------------------|
|                                      | £000              | £000                       | £000           | £000                       |                                    | £000             |
| Adult Social Care                    | 949               | 297                        | 223            | 27                         | 12%                                | 297              |
| Chief Executives                     | 895               | 672                        | 504            | 359                        | 71%                                | 672              |
| Communities                          | 3,795             | 3,591                      | 2,693          | 1,082                      | 40%                                | 3,591            |
| Growth & Regeneration                | 34,589            | 25,459                     | 18,992         | 8,638                      | 45%                                | 25,459           |
| Resources                            | 203,443           | 99,904                     | 65,486         | 40,815                     | 62%                                | 99,904           |
| Resources - Renewable Energy         | 17,005            | 2,685                      | 2,938          | 210                        | 7%                                 | 2,685            |
| <b>Total</b>                         | <b>260,676</b>    | <b>132,608</b>             | <b>90,836</b>  | <b>51,131</b>              | <b>56%</b>                         | <b>132,608</b>   |
| <b>Financed by:</b>                  |                   |                            |                |                            |                                    |                  |
| Grants & Contributions               | 37,558            | 37,558                     | 19,015         | 19,014                     | 100%                               | 37,558           |
| Capital Receipts                     | 13,228            | 3,051                      | 2,268          | 2,268                      | 100%                               | 3,051            |
| Borrowing - Invest to Save           | 96,240            | 4,080                      | 53             | 443                        | 0%                                 | 4,080            |
| Borrowing                            | 113,650           | 87,919                     | 69,500         | 29,406                     | 42%                                | 87,919           |
| <b>Total</b>                         | <b>260,676</b>    | <b>132,608</b>             | <b>90,836</b>  | <b>51,131</b>              | <b>56%</b>                         | <b>132,608</b>   |

- 3.2 The table shows that the current year's budget has been reduced significantly by £128.1m which has been reprofiled into future years, predominantly into 2014/15. The key change is under the renewable energy budget where £92.1m has been reprofiled and where specific schemes are been reviewed and assessed on the basis of rigorous business cases.
- 3.3 The other key changes to the programme are the reprofiling of the Wind and Solar Farms (15.8m), Affordable Housing Scheme (2.2m), Broadway infrastructure (£2.8m), Long Causeway Public Realm (1.5m), Cemetery Provision (£1.1m), Waste Management Strategy (£5.6m) and Oracle upgrade (£1m).
- 3.4 On the current programme the actual expenditure to date of £51.1m is £39.7m short of the profiled budget to date (£90.8m) and represents a spending level of 56% of corresponding budget. However all departments are forecasting full spend of the current budget by the year end and therefore no variance against the revised forecast is being forecast.
- 3.5 The key impact of the reprofiling on the financing requirements for 2013/14 is the reduction of the Council's borrowing requirement by £118m (including invest to save schemes).
- 3.6 The Invest to Save **outturn** of £4,080k in 2013/14 includes £600k for the Energy Performance contract which has incurred expenditure of £443k, £3.0m for Phase 2 of the Schools Solar Panel Scheme which has not commenced and £480k for other renewable projects.

#### 4 Reserves

4.1 Estimated levels of reserves for the next two years are outlined below. This includes sums that we hold on behalf of others and sums that we are independently advised to hold e.g. insurance reserve.

|  | <b>Estimated<br/>balance at<br/>31.04.14<br/>£k</b> | <b>Estimated<br/>balance at<br/>31.04.15<br/>£k</b> |
|--|---|---|
| <b>Earmarked Reserves</b>  |   |   |
| <b>Departmental Reserve</b> – The majority of this reserve relates to City College Peterborough who operate on academic year funding and retain a reserve for potential claw back from awarding bodies | 632   | 508   |
| <b>Schools Capital Expenditure Reserve</b> - Monies held on behalf of schools for capital spend  | 381   | 381   |
| <b>Insurance, and other minor reserves</b> – These reserves are held for a specific purpose and cannot therefore be used for budget setting purposes   | 3,350   | 3,259   |
| <b>TOTAL Earmarked reserves for specific purposes</b>  | <b>4,363</b>  | <b>4,148</b>  |
| <b>General Fund</b> – Set aside to meet unforeseen issues and risks  | 6,000   | 6,000   |
| <b>Capacity Building Reserve</b> – This enables us to implement saving proposals   | 2,746   | 1,483   |

**Appendix A**  
**REVENUE MONITORING REPORT AS AT 30th NOVEMBER 2013 (PROBABLE OUTTURN)**

| <b>Forecast Variance 2013/14 July update for CPF £k</b> | <b>New Department (showing previous department and service area)</b> | <b>Budget 2013/14 £k</b> | <b>Forecast Spend 2013/14 £k</b> | <b>Forecast Variance 2013/14 £k</b> |
|---|--|--------------------------|----------------------------------|-------------------------------------|
|   | <b>ADULT SOCIAL CARE, HEALTH AND WELLBEING</b>                       |                          |                                  |                                     |
| -35   | ASC- Directors Office  | 445                      | 447                              | -2                                  |
| -35   | ASC - Care Services  | 6,674                    | 6,510                            | 164                                 |
| -813  | ASC - ISP  | 35,810                   | 36,440                           | -630                                |
| 127   | ASC - Quality Information and Performance                            | 1,148                    | 995                              | 153                                 |
| 1   | ASC - Finance and Organisational change                              | -837                     | -1,414                           | 577                                 |
| <b>-755</b>   | <b>TOTAL ADULT SOCIAL CARE, HEALTH AND WELLBEING</b>                 | <b>43,240</b>            | <b>42,978</b>                    | <b>262</b>                          |
|   |  |                          |                                  |                                     |
|   | <b>CHIEF EXECUTIVE'S DEPARTMENT</b>                                  |                          |                                  |                                     |
| 0   | CEX- Chief Execs Office  | 338                      | 338                              | 0                                   |
| 10  | CEX - Chief Execs Departmental Support                               | 121                      | 111                              | 10                                  |
| -1  | OPS - Commercial Operations  | -1,388                   | -1,205                           | -183                                |
| <b>9</b>  | <b>TOTAL CHIEF EXECUTIVE'S DEPARTMENT</b>                            | <b>-929</b>              | <b>-756</b>                      | <b>-173</b>                         |
|   |  |                          |                                  |                                     |
|   | <b>CHILDREN SERVICES</b>   |                          |                                  |                                     |
| 214   | CHS - Education  | 6,404                    | 6,179                            | 225                                 |
| -425  | CHS - Safeguarding families and communities                          | 7,930                    | 8,347                            | -417                                |
| 505   | Savings plan to be agreed  |                          | -359                             | 359                                 |
| <b>294</b>  | <b>TOTAL CHILDREN SERVICES</b>                                       | <b>14,334</b>            | <b>14,167</b>                    | <b>167</b>                          |
|   |  |                          |                                  |                                     |
|   | <b>COMMUNITIES</b>   |                          |                                  |                                     |
| -207  | ASC - Strategic Commissioning  | 3,693                    | 3,701                            | -8                                  |
| -1,162  | CHS - Strategy, Commissioning and Prevention                         | 38,221                   | 39,357                           | -1,136                              |
| -275  | OPS - Neighbourhoods   | 3,211                    | 3,554                            | -343                                |
|   | OPS - Public Health  | -491                     | -491                             | 0                                   |
| <b>-1,644</b>   | <b>TOTAL COMMUNITIES</b>   | <b>44,634</b>            | <b>46,121</b>                    | <b>-1,487</b>                       |
|   |  |                          |                                  |                                     |
|   | <b>GOVERNANCE</b>  |                          |                                  |                                     |
| 14  | ASC- Quality, Information and Performance                            | 300                      | 261                              | 39                                  |
| 97  | CEX- Legal   | 3,657                    | 3,655                            | 2                                   |
| 21  | CEX - Communications   | 583                      | 766                              | -183                                |
| 5   | CEX - Human Resources  | 992                      | 969                              | 23                                  |
| -150  | OPS - Neighbourhoods   | 830                      | 940                              | -110                                |
| <b>-13</b>  | <b>TOTAL GOVERNANCE</b>  | <b>6,362</b>             | <b>6,591</b>                     | <b>-229</b>                         |
|   |  |                          |                                  |                                     |
|   | <b>GROWTH AND REGENERATION</b>                                       |                          |                                  |                                     |
| 0   | CEX - Growth and Regeneration  | 1,806                    | 1,806                            | 0                                   |
| -102  | OPS - Planning Transport and engineering                             | 14,284                   | 13,922                           | 362                                 |
| <b>-102</b>   | <b>TOTAL GROWTH AND REGENERATION</b>                                 | <b>16,090</b>            | <b>15,728</b>                    | <b>362</b>                          |

| Forecast Variance 2013/14 July update for CPF £k | New Department (showing previous department and service area) | Budget 2013/14 £k | Forecast Spend 2013/14 £k | Forecast Variance 2013/14 £k |
|--|---|-------------------|---------------------------|------------------------------|
|  | <b>RESOURCES</b>  |                   |                           |                              |
| 0  | SR - Director's Office  | 199               | 199                       | 0                            |
| -610   | SR - Corporate Services                                       | 17,075            | 16,806                    | 269                          |
| -45  | SR - Environment Capital                                      | -260              | -215                      | -45                          |
| 44   | SR - Internal Audit   | 295               | 251                       | 44                           |
| 0  | SR - Insurance  | 41                | 41                        | 0                            |
| 562  | SR - Strategic Client Services                                | 5,624             | 5,062                     | 562                          |
| 0  | SR - Peterborough Serco Strategic Partnership                 | 8,825             | 8,825                     | 0                            |
| 0  | SR - ICT  | 3,972             | 3,972                     | 0                            |
| 200  | SR - Waste and Operational Services Management                | 14,259            | 14,059                    | 200                          |
| -90  | SR - Cultural Services  | 4,075             | 4,198                     | -123                         |
| 100  | SR - Registration and Bereavement                             | -937              | -1,045                    | 108                          |
| -16  | SR - Westcombe Engineering                                    | 7                 | 28                        | -21                          |
| -180   | CHS- Resources  | -20,641           | -20,461                   | -180                         |
| 0  | CEX - Growth and Regeneration                                 | 147               | 147                       | 0                            |
| 16   | OPS - Planning Transport and engineering                      | 201               | 188                       | 13                           |
| <b>-19</b>                                       | <b>TOTAL RESOURCES</b>  | <b>32,882</b>     | <b>32,055</b>             | <b>827</b>                   |
|  |   |                   |                           |                              |
| <b>-2,230</b>                                    | <b>TOTAL GENERAL FUND</b>                                     | <b>156,613</b>    | <b>156,884</b>            | <b>-271</b>                  |

## Appendix B

### REVENUE MONITORING REPORT AS AT 30th NOVEMBER 2013 (PROBABLE OUTTURN)

| Previous Variance (Jul) £k | Old Departmental Structure                       | Budget 2013/14 £k | Forecast Spend 2013/14 £k | Forecast Variance 2013/14 £k |
|----------------------------|--|-------------------|---------------------------|------------------------------|
|                            | <b>ADULT SOCIAL CARE</b>                         |                   |                           |                              |
| -35                        | Director of Adult Social Care                    | 445               | 447                       | -2                           |
| -207                       | Strategic Commissioning                          | 3,693             | 3,701                     | -8                           |
| -35                        | Care Services Delivery                           | 6,674             | 6,510                     | 164                          |
| -813                       | Independent Sector Placements                    | 35,810            | 36,440                    | -630                         |
| 141                        | Quality, Information and Performance             | 1,448             | 1,256                     | 192                          |
| 1                          | Finance and Organisational Change                | -837              | -1,414                    | 577                          |
| <b>-948</b>                | <b>TOTAL ADULT SOCIAL CARE</b>                   | <b>47,233</b>     | <b>46,940</b>             | <b>293</b>                   |
|                            |  |                   |                           |                              |
|                            | <b>CHILDREN SERVICES</b>                         |                   |                           |                              |
| -507                       | Education and Resources                          | 3,949             | 4,659                     | -710                         |
| -1,543                     | Strategy, Commissioning and Prevention           | 20,099            | 21,712                    | -1,613                       |
| -503                       | Safeguarding Family and Communities              | 7,865             | 8,407                     | -542                         |
| 1,000                      | Savings Achieved to be allocated to services     | 0                 | -1,357                    | 1,357                        |
| 505                        | Departmental Action Plan to be achieved          | 0                 | -359                      | 359                          |
| <b>-1,048</b>              | <b>TOTAL CHILDREN SERVICES</b>                   | <b>31,913</b>     | <b>33,062</b>             | <b>-1,149</b>                |
|                            |  |                   |                           |                              |
|                            | <b>OPERATIONS</b>                                |                   |                           |                              |
| 0                          | Business Support                                 | 40                | 40                        | 0                            |
| -25                        | Commercial Operations                            | -1,388            | -1,205                    | -183                         |
| 58                         | Directors Office                                 | 713               | 505                       | 208                          |
| -402                       | Neighbourhoods                                   | 4,040             | 4,493                     | -453                         |
| -143                       | Planning, Environment, Transport and Engineering | 13,733            | 13,566                    | 167                          |
| 0                          | Public Health                                    | -491              | -491                      | 0                            |
| 0                          | Departmental Action Plan                         |                   | 0                         | 0                            |
| <b>-512</b>                | <b>TOTAL OPERATIONS</b>                          | <b>16,647</b>     | <b>16,908</b>             | <b>-261</b>                  |
|                            |  |                   |                           |                              |
|                            | <b>CHIEF EXECUTIVE'S DEPARTMENT</b>              |                   |                           |                              |
| 0                          | Chief Executive's Office                         | 338               | 338                       | 0                            |
| 97                         | Legal and Governance Services                    | 3,657             | 3,655                     | 2                            |
| 10                         | Chief Executive Departmental Support             | 121               | 111                       | 10                           |
| 0                          | Growth and Regeneration                          | 1,953             | 1,953                     | 0                            |
| 21                         | Communications                                   | 583               | 766                       | -183                         |
| 5                          | Human Resources                                  | 992               | 969                       | 23                           |
| <b>133</b>                 | <b>TOTAL CHIEF EXECUTIVE'S DEPARTMENT</b>        | <b>7,644</b>      | <b>7,792</b>              | <b>-148</b>                  |
|                            |  |                   |                           |                              |
|                            | <b>STRATEGIC RESOURCES</b>                       |                   |                           |                              |
| 0                          | Director's Office                                | 199               | 199                       | 0                            |
| -610                       | Corporate Services                               | 17,076            | 16,807                    | 269                          |
| -45                        | Environment Capital                              | -260              | -215                      | -45                          |
| 44                         | Internal Audit                                   | 295               | 251                       | 44                           |
| 0                          | Insurance  | 41                | 41                        | 0                            |

| <b>Previous<br/>Variance<br/>(Jul)<br/>£k</b> | <b>Old Departmental Structure</b>            | <b>Budget<br/>2013/14<br/>£k</b> | <b>Foreca<br/>st<br/>Spend<br/>2013/14<br/>£k</b> | <b>Forecast<br/>Variance<br/>2013/14<br/>£k</b> |
|---|--|----------------------------------|---|---|
| 562   | Strategic Client Services                    | 5,624                            | 5,062   | 562   |
| 0   | Peterborough Serco Strategic Partnership     | 8,825                            | 8,825   | 0   |
| 0   | ICT  | 3,972                            | 3,972   | 0   |
| 200   | Waste and Operational Services<br>Management | 14,259                           | 14,059  | 200   |
| -90   | Cultural Services                            | 4,075                            | 4,198   | -123  |
| 100   | Registration and Bereavement                 | -937                             | -1,045  | 108   |
| -16   | Westcombe Engineering                        | 7                                | 28  | -21   |
| <b>145</b>                                    | <b>TOTAL STRATEGIC RESOURCES</b>             | <b>53,176</b>                    | <b>52,182</b>                                     | <b>994</b>                                      |
|   |  |                                  |   |   |
| <b>-2,230</b>                                 | <b>TOTAL GENERAL FUND</b>                    | <b>156,613</b>                   | <b>156,884</b>                                    | <b>-271</b>                                     |

## Appendix C

| Capital Programme<br>by Directorate | Budget<br>01/04/2013 | Budget as<br>at<br>November<br>2013 | Budget<br>to Date | Actual<br>Expenditure<br>to date | Total<br>Spent<br>Against<br>Profiled<br>Budget<br>to date | Forecast<br>Outturn |
|-------------------------------------|----------------------|-------------------------------------|-------------------|----------------------------------|--|---------------------|
|                                     | £000                 | £000                                | £000              | £000                             |  | £000                |
| Adult Social Care                   | 1,850                | 2,277                               | 1,518             | 27                               | 2%   | 2,277               |
| Chief Executive<br>Department       | 18,967               | 17,274                              | 11,546            | 2,481                            | 21%  | 17,274              |
| Childrens Services                  | 41,895               | 41,002                              | 27,334            | 23,851                           | 87%  | 41,002              |
| Operations                          | 31,226               | 23,868                              | 18,361            | 9,015                            | 49%  | 23,868              |
| Strategic Resources                 | 53,493               | 41,422                              | 29,086            | 15,104                           | 52%  | 41,422              |
| Invest to Save                      | 96,240               | 4,080                               | 53                | 443                              | 0%   | 4,080               |
| Renewable Energy                    | 17,005               | 2,685                               | 2,938             | 210                              | 0%   | 2,685               |
| <b>Total</b>                        | <b>260,676</b>       | <b>132,608</b>                      | <b>90,836</b>     | <b>51,131</b>                    | <b>56%</b>   | <b>132,608</b>      |
| <b>Financed by:</b>                 |                      |                                     |                   |                                  |  |                     |
| Grants &<br>Contributions           | 37,558               | 37,558                              | 19,015            | 19,014                           | 100%   | 37,558              |
| Capital Receipts                    | 13,228               | 3,051                               | 2,268             | 2,268                            | 100%   | 3,051               |
| Borrowing - Invest to<br>Save       | 96,240               | 4,080                               | 53                | 443                              | 0%   | 4,080               |
| Borrowing                           | 113,650              | 87,919                              | 69,500            | 29,406                           | 42%  | 87,919              |
| <b>Total</b>                        | <b>260,676</b>       | <b>132,608</b>                      | <b>90,836</b>     | <b>51,131</b>                    | <b>56%</b>   | <b>132,608</b>      |





The Prudential Code  
&  
Treasury Management Strategy  
2014/15 to 2023/24

Including the Minimum Revenue Policy 2014/15

## 1. Introduction

### 1.1 Background

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

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

1.1.3 CIPFA defines treasury management as:

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

### 1.2 Reporting requirements

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

1.2.2 The Prudential Code and Treasury Strategy report will cover:

- the capital programme (including prudential indicators)
- a Minimum Revenue Provision (MRP) Policy

- the Treasury Management Strategy including treasury indicators; and

- an Investment Strategy

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

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

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

### 1.3 Treasury Management Strategy for 2014/15

1.3.1 The strategy for 2014/15 will cover

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

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

#### 1.4 Treasury Management Advisors

- 1.4.1 The Council uses Capita Asset Services, as its external treasury management advisors who have a contract until December 2014.
- 1.4.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external advisors.
- 1.4.3 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are

properly agreed and documented and subjected to regular review.

#### 2. Capital Prudential Indicators 2014/15 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 nine financial years.

| (1a) Capital Expenditure | 2012/13<br><i>Actual</i><br>£m | 2013/14<br>Est.<br>£m | 2014/15<br>Est.<br>£m | 2015/16<br>Est.<br>£m | 2016/17<br>Est.<br>£m | 2017/18<br>Est.<br>£m | 2018/19<br>Est.<br>£m | 2019/20<br>Est.<br>£m | 2020/21<br>Est.<br>£m | 2021/22<br>Est.<br>£m | 2022/23<br>Est.<br>£m | 2023/24<br>Est.<br>£m |
|--------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Adult Social Care        | 1.4                            | 0.3                   | 1.3                   | 0.2                   | 0.2                   | 0.2                   | 0.2                   | 0.2                   | 0.2                   | 0.2                   | 0.2                   | 0.2                   |
| Chief Executives         | 0.2                            | 0.7                   | 0.6                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   |
| Communities              | 3.4                            | 3.6                   | 4.9                   | 2.4                   | 2.4                   | 2.4                   | 2.4                   | 2.4                   | 2.4                   | 2.4                   | 2.4                   | 2.4                   |
| Growth & Regeneration    | 12.3                           | 25.0                  | 34.8                  | 26.2                  | 15.0                  | 12.0                  | 8.9                   | 7.6                   | 7.6                   | 7.6                   | 7.6                   | 7.6                   |
| Resources                | 91.7                           | 83.7                  | 124.9                 | 115.8                 | 43.5                  | 11.9                  | 8.2                   | 5.5                   | 4.5                   | 5.2                   | 5.4                   | 5.4                   |
| Invest to Save           | 2.7                            | 4.0                   | 93.3                  | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| <b>Total</b>             | <b>111.7</b>                   | <b>117.3</b>          | <b>259.8</b>          | <b>144.7</b>          | <b>61.2</b>           | <b>26.6</b>           | <b>19.8</b>           | <b>15.8</b>           | <b>14.8</b>           | <b>15.5</b>           | <b>15.7</b>           | <b>15.7</b>           |

2.3 The table below summaries the capital expenditure on the previous page and how it will be funded either from grants,

contributions, or capital receipts with the remaining 'net financing need for the year' to be sourced via borrowing.

| (1b) Capital Expenditure & Financing | 2012/13             | 2013/14     | 2014/15      | 2015/16      | 2016/17     | 2017/18     | 2018/19     | 2019/20     | 2020/21    | 2021/22    | 2022/23    | 2023/24    |
|--------------------------------------|---------------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|
|                                      | <i>Actual</i><br>£m | Est.<br>£m  | Est.<br>£m   | Est.<br>£m   | Est.<br>£m  | Est.<br>£m  | Est.<br>£m  | Est.<br>£m  | Est.<br>£m | Est.<br>£m | Est.<br>£m | Est.<br>£m |
| Capital Expenditure                  | 111.7               | 117.3       | 259.8        | 144.7        | 61.2        | 26.6        | 19.8        | 15.8        | 14.8       | 15.5       | 15.7       | 15.7       |
| <b>Financed by:</b>                  |                     |             |              |              |             |             |             |             |            |            |            |            |
| Capital receipts                     | 5.1                 | 3.5         | 9.8          | 7.6          | 2.4         | 2.8         | 1.0         | -           | -          | -          | -          | -          |
| Capital grants & contributions       | 31.4                | 35.5        | 28.4         | 10.0         | 11.8        | 10.3        | 5.8         | 5.8         | 5.8        | 5.7        | 5.8        | 5.8        |
| <b>Net financing requirement</b>     | <b>75.2</b>         | <b>78.3</b> | <b>221.6</b> | <b>127.1</b> | <b>47.0</b> | <b>13.5</b> | <b>13.0</b> | <b>10.0</b> | <b>9.0</b> | <b>9.8</b> | <b>9.9</b> | <b>9.9</b> |

2.4 The Invest to Save scheme, Renewable Energy projects and the Energy From Waste plant are included in the tables that detail total capital expenditure and the funding resources to be used. However, these schemes will either generate income or generate savings or avoid additional costs e.g. landfill tax. Therefore the borrowing costs associated with these projects will have no overall impact on the Council's MTFs position. The generated income / savings are detailed in previous pages of this MTFs.

2.5 **Indicator 2** - Capital Financing Requirement (CFR) - the CFR is the total historic capital expenditure which has not yet been

paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR.

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

2.7 The following table shows the CFR estimates for the next ten financial years:

| (2) Capital Financing Requirement | 2012/13      | 2013/14     | 2014/15      | 2015/16      | 2016/17     | 2017/18      | 2018/19      | 2019/20      | 2020/21       | 2021/22       | 2022/23       | 2023/24       |
|-----------------------------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
|                                   | Actual<br>£m | Est.<br>£m  | Est.<br>£m   | Est.<br>£m   | Est.<br>£m  | Est.<br>£m   | Est.<br>£m   | Est.<br>£m   | Est.<br>£m    | Est.<br>£m    | Est.<br>£m    | Est.<br>£m    |
| CFR B/fwd                         | 250.2        | 316.1       | 384.4        | 594.1        | 705.5       | 734.6        | 729.5        | 723.6        | 714.1         | 703.1         | 692.9         | 682.2         |
| Borrowing                         | 63.0         | 64.2        | 116.4        | 111.4        | 29.1        | (5.1)        | (5.9)        | (9.5)        | (11.0)        | (10.2)        | (10.7)        | (11.7)        |
| Invest to Save*                   | 2.9          | 4.1         | 93.3         | 0.0          | 0.0         | 0.0          | 0.0          | 0.0          | 0.0           | 0.0           | 0.0           | 0.0           |
| CFR C/fwd                         | 316.1        | 384.4       | 594.1        | 705.5        | 734.6       | 729.5        | 723.6        | 714.1        | 703.1         | 692.9         | 682.2         | 670.5         |
| <b>Movement in CFR</b>            | <b>65.9</b>  | <b>68.3</b> | <b>209.7</b> | <b>111.4</b> | <b>29.1</b> | <b>(5.1)</b> | <b>(5.9)</b> | <b>(9.5)</b> | <b>(11.0)</b> | <b>(10.2)</b> | <b>(10.7)</b> | <b>(11.7)</b> |
| Net financing requirement         | 75.2         | 78.3        | 221.6        | 127.1        | 47.0        | 13.5         | 13.0         | 10.0         | 9.0           | 9.8           | 9.9           | 9.9           |
| Less MRP & other financing        | (9.3)        | (10.0)      | (11.9)       | (15.7)       | (17.9)      | (18.6)       | (18.9)       | (19.5)       | (20.0)        | (20.0)        | (20.6)        | (21.6)        |
| <b>Movement in CFR</b>            | <b>65.9</b>  | <b>68.3</b> | <b>209.7</b> | <b>111.4</b> | <b>29.1</b> | <b>(5.1)</b> | <b>(5.9)</b> | <b>(9.5)</b> | <b>(11.0)</b> | <b>(10.2)</b> | <b>(10.7)</b> | <b>(11.7)</b> |

\* The cost of borrowing associated with this scheme will be offset by the income generated in accordance with the approved business case (see comment in 2.4)

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.

| 3) Ratio of financing costs to net revenue budget | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | Actual  | Est.    | Est.    | Est.    | Est.    | Est.    | Est.    | Est.    | Est.    | Est.    | Est.    | Est.    |
| Total ratio *                                     | 5.2%    | 6.0%    | 7.1%    | 8.8%    | 10.2%   | 10.4%   | 10.5%   | 10.6%   | 10.6%   | 10.5%   | 10.6%   | 11.7%   |

2.9 **Indicator 4** - Actual and estimates of the incremental impact of capital investment decisions on council tax.

2.10 The calculation of this indicator is based upon the estimated amount of the capital programme that is to be financed from borrowing.

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

2.12 This indicator shows the incremental impact on the 'adjusted' council tax base.

| <b>(4) Incremental impact of capital investment decisions on Council Tax</b>            | <b>2012/13<br/>Actual</b> | <b>2013/14<br/>Est.</b> | <b>2014/15<br/>Est.</b> | <b>2015/16<br/>Est.</b> | <b>2016/17<br/>Est.</b> | <b>2017/18<br/>Est.</b> | <b>2018/19<br/>Est.</b> | <b>2019/20<br/>Est.</b> | <b>2020/21<br/>Est.</b> | <b>2021/22<br/>Est.</b> | <b>2022/23<br/>Est.</b> | <b>2023/24<br/>Est.</b> |
|---|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Incremental change in capital financing budget between MTFS's on Band D Council Tax (£) | (£71.88)                  | (£31.55)                | (£72.33)                | (£128.45)               | (£51.39)                | (£23.23)                | (£9.85)                 | £3.15                   | £11.33                  | £16.34                  | £23.57                  | £36.61                  |

### 3. Minimum Revenue Provision (MRP) Policy

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

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

3.3. The Council is recommended to approve the following MRP statement:

| <b>Capital Expenditure Incurred</b>   | <b>MRP Methodology</b>  |
|---|---|
| Historic debt liability and expenditure funded by supported borrowing   | Continue to be charged at the rate of 4% in accordance with existing practice outlined in former CLG regulations  |
| Expenditure funded by unsupported borrowing reflected within the debt liability after the 31 <sup>st</sup> March 2008 and up to 31 <sup>st</sup> March 2009 | Asset Life Method, equal instalments - MRP will be based on the estimated life of assets equally across each year |

| <b>Capital Expenditure Incurred</b>   | <b>MRP Methodology</b>   |
|---|--|
| Expenditure funded by unsupported borrowing reflected within the debt liability after the 31 <sup>st</sup> March 2010 | Asset Life Method, 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. |

- 3.4. The Council participates in the Local Authority Mortgage Scheme (LAMS). During 2011/12 the Council deposited £1m with Lloyds and a further £1m during 2013/14. The Council has the authority to make a total contribution of £10m but with the introduction of the Help To Buy scheme any future contributions will be given further consideration before any decisions are made.
- 3.5. Such deposits are treated as capital expenditure, as a loan to a third party. The CFR will increase by the total of these indemnities. Operation of the Scheme sees these deposits returned in full at maturity, period of five years, with interest paid annually. Once the deposit matures, and funds are returned to the Council, the funds are classed as a capital receipt (as it is a loan) and the CFR will reduce accordingly. As this is a temporary five year arrangement and the funds are anticipated to be returned in full, there is no MRP application. However, the Council has agreed to place a proportion of the interest received on the deposit into an earmarked reserve to mitigate the impact if the indemnity is used over that period of the Scheme.
- 3.6. Repayments included in annual PFI and finance leases are applied as MRP, and the associated amounts are included in these Prudential Indicators.

3.7. For more detailed guidance on MRP see the CLG website [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/11297/2089512.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11297/2089512.pdf)

## **4. Treasury Management Strategy**

### **4.1 Treasury Management Policy**

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

4.1.2 The Council's primary treasury management objectives are:

- a) to invest available cash balances with a number of high quality investment counterparties (see 4.7.1.2) over a spread of maturity dates in accordance with the Council's lending list;
- b) to reduce the revenue cost of the Council's debt in the medium term by obtaining financing at the cheapest rate possible; and
- c) to seek to reschedule debt at the optimum time.

### **4.2 Current Treasury Position**

4.2.1 **Indicator 5** - The Council's treasury position at 31<sup>st</sup> March 2013, with estimates for future years, are summarised below. The table below shows the actual external borrowing (Gross Debt) against the CFR.

| (5) Gross debt & capital financing requirement | 2012/13<br><i>Actual</i><br>£m | 2013/14<br>Est.<br>£m | 2014/15<br>Est.<br>£m | 2015/16<br>Est.<br>£m | 2016/17<br>Est.<br>£m | 2017/18<br>Est.<br>£m | 2018/19<br>Est.<br>£m | 2019/20<br>Est.<br>£m | 2020/21<br>Est.<br>£m | 2021/22<br>Est.<br>£m | 2022/23<br>Est.<br>£m | 2023/24<br>Est.<br>£m |
|--|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>External Borrowing</b>                      |                                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Market Borrowing                               | 132.9                          | 208.9                 | 279.0                 | 488.5                 | 604.2                 | 635.0                 | 635.0                 | 635.0                 | 635.0                 | 635.0                 | 635.0                 | 635.0                 |
| Repayment of borrowing                         | 0.0                            | (38.0)                | (44.0)                | (17.0)                | (7.0)                 | (13.0)                | (6.0)                 | 0.0                   | 0.0                   | 0.0                   | (7.1)                 | 0.0                   |
| Expected change in borrowing                   | 76.0                           | 108.1                 | 253.4                 | 132.7                 | 37.8                  | 13.0                  | 6.0                   | 0.0                   | 0.0                   | 0.0                   | 7.1                   | 0.0                   |
| Other long-term liabilities                    | 41.2                           | 39.4                  | 37.4                  | 35.6                  | 34.0                  | 32.6                  | 31.3                  | 30.0                  | 28.7                  | 27.8                  | 26.9                  | 25.8                  |
| <b>Gross Debt at 31 March</b>                  | <b>250.1</b>                   | <b>318.4</b>          | <b>525.8</b>          | <b>639.8</b>          | <b>669.0</b>          | <b>667.6</b>          | <b>666.3</b>          | <b>665.0</b>          | <b>663.7</b>          | <b>662.8</b>          | <b>661.9</b>          | <b>660.8</b>          |
| CFR  | 316.1                          | 384.4                 | 594.1                 | 705.5                 | 734.6                 | 729.5                 | 723.6                 | 714.1                 | 703.1                 | 692.9                 | 682.2                 | 670.5                 |
| <b>% of Gross Debt to CFR</b>                  | <b>79.0%</b>                   | <b>82.8%</b>          | <b>88.5%</b>          | <b>90.7%</b>          | <b>91.0%</b>          | <b>91.5%</b>          | <b>92.0%</b>          | <b>93.1%</b>          | <b>94.4%</b>          | <b>95.6%</b>          | <b>97.0%</b>          | <b>98.5%</b>          |

4.2.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its total borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

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



| <b>(6) Operational Boundary</b> | <b>2012/13<br/>Actual<br/>£m</b> | <b>2013/14<br/>Est.<br/>£m</b> | <b>2014/15<br/>Est.<br/>£m</b> | <b>2015/16<br/>Est.<br/>£m</b> | <b>2016/17<br/>Est.<br/>£m</b> | <b>2017/18<br/>Est.<br/>£m</b> | <b>2018/19<br/>Est.<br/>£m</b> | <b>2019/20<br/>Est.<br/>£m</b> | <b>2020/21<br/>Est.<br/>£m</b> | <b>2021/22<br/>Est.<br/>£m</b> | <b>2022/23<br/>Est.<br/>£m</b> | <b>2023/24<br/>Est.<br/>£m</b> |
|---------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Borrowing                       | 208.9                            | 598.3                          | 629.3                          | 629.1                          | 633.4                          | 635.0                          | 635.0                          | 635.0                          | 635.0                          | 635.0                          | 635.0                          | 635.0                          |
| Other long term liabilities     | 41.2                             | 39.4                           | 37.4                           | 35.6                           | 34.0                           | 32.6                           | 31.3                           | 30.0                           | 28.7                           | 27.8                           | 26.9                           | 25.8                           |
| <b>Total</b>                    | <b>250.1</b>                     | <b>637.7</b>                   | <b>666.7</b>                   | <b>664.7</b>                   | <b>667.4</b>                   | <b>667.6</b>                   | <b>666.3</b>                   | <b>665.0</b>                   | <b>663.7</b>                   | <b>662.8</b>                   | <b>661.9</b>                   | <b>660.8</b>                   |

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

- This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an

option to control either the total of all Council's plans, or those of a specific Council, although this power has not yet been exercised.

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

| <b>(7) Authorised Limit</b> | <b>2012/13<br/>Actual<br/>£m</b> | <b>2013/14<br/>Est.<br/>£m</b> | <b>2014/15<br/>Est.<br/>£m</b> | <b>2015/16<br/>Est.<br/>£m</b> | <b>2016/17<br/>Est.<br/>£m</b> | <b>2017/18<br/>Est.<br/>£m</b> | <b>2018/19<br/>Est.<br/>£m</b> | <b>2019/20<br/>Est.<br/>£m</b> | <b>2020/21<br/>Est.<br/>£m</b> | <b>2021/22<br/>Est.<br/>£m</b> | <b>2022/23<br/>Est.<br/>£m</b> | <b>2023/24<br/>Est.<br/>£m</b> |
|-----------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Borrowing                   | 208.9                            | 608.3                          | 779.9                          | 668.2                          | 643.4                          | 645.0                          | 645.0                          | 645.0                          | 645.0                          | 645.0                          | 645.0                          | 645.0                          |
| Other long term liabilities | 41.2                             | 39.4                           | 37.4                           | 35.6                           | 34.0                           | 32.6                           | 31.3                           | 30.0                           | 28.7                           | 27.8                           | 26.9                           | 25.8                           |
| <b>Total</b>                | <b>250.1</b>                     | <b>647.7</b>                   | <b>817.3</b>                   | <b>703.8</b>                   | <b>677.4</b>                   | <b>677.6</b>                   | <b>676.3</b>                   | <b>675.0</b>                   | <b>673.7</b>                   | <b>672.8</b>                   | <b>671.9</b>                   | <b>670.8</b>                   |

### 4.3 Prospects for interest rates

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

forecast for bank base rate and PWLB new borrowing is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

| <b>Interest Rate</b><br>(All rates shown as %) | <b>Now</b> | <b>Mar 14</b> | <b>Jun 14</b> | <b>Sep 14</b> | <b>Dec 14</b> | <b>Mar 15</b> | <b>Jun 15</b> | <b>Sep 15</b> | <b>Dec 15</b> | <b>Mar 16</b> | <b>Jun 16</b> | <b>Sep 16</b> | <b>Dec 16</b> | <b>Mar 17</b> |
|--|------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Bank Rate View                                 | 0.50       | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.75          | 1.00          | 1.00          | 1.25          |
| 5yr PWLB Rate                                  | 2.50       | 2.50          | 2.60          | 2.70          | 2.70          | 2.80          | 2.80          | 2.90          | 3.00          | 3.10          | 3.20          | 3.30          | 3.40          | 3.40          |
| 10yr PWLB Rate                                 | 3.70       | 3.60          | 3.70          | 3.80          | 3.80          | 3.90          | 3.90          | 4.00          | 4.10          | 4.20          | 4.30          | 4.30          | 4.40          | 4.50          |
| 25yr PWLB Rate                                 | 4.40       | 4.40          | 4.50          | 4.50          | 4.60          | 4.60          | 4.70          | 4.80          | 4.90          | 5.00          | 5.10          | 5.10          | 5.10          | 5.10          |
| 50yr PWLB Rate                                 | 4.40       | 4.40          | 4.50          | 4.50          | 4.60          | 4.70          | 4.80          | 4.90          | 5.00          | 5.10          | 5.20          | 5.20          | 5.20          | 5.20          |
| Budget Assumption                              | 4.40       | 4.58          |               |               |               | 4.95          |               |               |               | 5.20          |               |               |               |               |

4.3.2 The Council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, during the period 1 November 2013 to 31 October 2014. This results in the Council being able to benefit from reduced interest rates on PWLB loans by 20 basis points (0.20%). The Council is assuming that there will be a similar scheme in place when this scheme expires. The Council will submit a new application to ensure it qualifies.

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

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

- Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, the economy has grown in quarter 1 and 2 of 2013. Growth prospects remain strong going forward in all three main sectors, services, manufacturing and construction.

- There is still some risk of Quantitative Easing (QE) if there is a dip in strong growth or the Monetary Policy Committee (MPC) take action to reverse the rapid increase in market rates.
- This economic outlook and structure of market interest rates and government debt yields have several treasury management implications:
  - Eurozone sovereign debt difficulties still cause concern and how the levels of debt will be managed over the next few years. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter term periods.
  - Investment returns are likely to remain low during 2014/15 and beyond.
  - Borrowing interest rates have risen significantly during 2013 and are on a rising trend.
  - There will remain a cost of capital - any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

#### 4.4 Borrowing Strategy

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

4.4.2 The MTFS is based on the following borrowing assumptions for the next ten years. However, the borrowing strategy is under constant review throughout the year as a result to changes in interest rates and borrowing opportunities. The proposed strategy for 2014/15 financial year is:

- a) To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.
- b) If there was a significant risk of a sharp fall in long and short term rates e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- c) If there was a significant risk of a much sharper rise in long and short term rates than currently forecast, perhaps rising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding

will be drawn whilst interest rates were still relatively cheap.

- d) Loans will primarily be arranged from the PWLB and other Local Authorities.
- e) To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.
- f) To give full consideration to other debt instruments e.g. Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations. The Council is monitoring the development of the scheme and may participate if this proves beneficial.

4.4.3 There are three debt treasury indicators which ensure the activity of the treasury function remains within certain limits. This manages risk and reduces the impact of any adverse movement in interest rates. The indicators are:

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

| Interest Rate Exposure<br>(Upper Limits)                       | 2012/13<br><i>Actual</i><br>£m | 2013/14<br>Est.<br>£m | 2014/15<br>Est.<br>£m | 2015/16<br>Est.<br>£m | 2016/17<br>Est.<br>£m | 2017/18<br>Est.<br>£m | 2018/19<br>Est.<br>£m | 2019/20<br>Est.<br>£m | 2020/21<br>Est.<br>£m | 2021/22<br>Est.<br>£m | 2022/23<br>Est.<br>£m | 2023/24<br>Est.<br>£m |
|--|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>(8) Limits on fixed interest rates based on net debt</b>    | 208.9                          | 608.3                 | 779.8                 | 668.2                 | 643.3                 | 645.0                 | 645.0                 | 645.0                 | 645.0                 | 645.0                 | 645.0                 | 645.0                 |
| <b>% of fixed interest rate exposure</b>                       | 100%                           | 100%                  | 100%                  | 100%                  | 100%                  | 100%                  | 100%                  | 100%                  | 100%                  | 100%                  | 100%                  | 100%                  |
| <b>(9) Limits on variable interest rates based on net debt</b> | 0.0                            | 152.1                 | 195.0                 | 167.7                 | 160.8                 | 161.2                 | 161.2                 | 161.2                 | 161.2                 | 161.2                 | 161.2                 | 161.2                 |
| <b>% of variable interest rate exposure</b>                    | 0%                             | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   |

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

| <b>(10) Maturity Structure of borrowing</b> | <b>Upper Limit</b> |
|---|--------------------|
| Under 12 months                             | 40%                |
| 12 months to 2 years                        | 40%                |
| 2 years to 5 years                          | 80%                |
| 5 years to 10 years                         | 80%                |
| 10 years and above                          | 100%               |

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

- 4.5.1 The Council will not borrow more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. However, at any time the Council may obtain a loan or other financing at what are considered advantageous opportunities in anticipation of future capital expenditure, which can be invested temporarily. The Council may also borrow in the day to day management of its cash flow operations or as an alternative to redeeming higher yielding investments.
- 4.5.2 Any decision to borrow in advance of need will be within forward approved CFR estimates, and will be considered carefully to ensure value for money.

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

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

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

#### **4.6 Debt Rescheduling on Existing Debt Portfolio**

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

4.6.2 The reasons for rescheduling will include:

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

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

#### **4.7 Annual Investment Policy**

4.7.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

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

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

#### **4.7.4 Investment Counterparty Selection Criteria and Investment Strategy**

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

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

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing

investment counterparties with adequate security and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

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

4.7.8 The Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by the three credit agencies and two meet the Council's criteria and the other one does not, the institution will fall outside the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

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

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

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

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

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

- UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF)).
- Bank of Scotland call account (part of the Lloyds Banking Group).
- UK Local Authorities.
- Barclays Bank, the Council's own banker. If Barclays fall below the criterion in 4.7.15 then the following strategy will be followed:
  - The Council would withdraw any money held in the call account, current limit £5m, and place with the Debt Management Office, Bank of Scotland or UK Local Authorities.

- As the Council will still require to use the Barclays accounts for transactional purposes, a minimum balance of £300k (increased from £100k to ensure adequate cash flow management ability) will be left overnight to prevent the account becoming overdrawn and incurring overdraft fees
- An amendment to the Treasury Strategy could be proposed to lower the minimum ratings and would be taken to both Audit Committee and Council for approval. This could also be an option if all the UK banks were downgraded at the same time and not just Barclays.
- Seek advice from Capita Asset Services.

The above approach has been developed following consideration of:

- that the Council needs banking facilities to process daily banking transactions, and such activity presents a lower risk profile compared to investment activity
- the significant impact, resource requirement, and risk exposure of changing bank provider
- the possible state and stability of the banking sector and viable alternative suppliers
- Local Authority Mortgage Scheme. Under this scheme the Council has placed funds of £2m with Lloyds Bank for a period of five years. This is classified as being an indemnity arrangement and therefore accounted for as a capital expenditure transaction, rather than a treasury management investment. Therefore LAMS is outside the Specified/Non specified categories but is included in this Strategy for completeness. The Council can place a further £8m into LAMS and the limit per counterparty is £2m. Any other counterparty used will fall outside the

Specified/Non specified categories as per the reason stated above. Therefore the minimum credit criteria need not apply to the LAMS scheme.

- Banks Group 1 - Part nationalised UK banks - Lloyds Banking Group Plc. (Bank of Scotland and Lloyds) and Royal Bank of Scotland Group Plc. (National Westminster Bank, The Royal Bank of Scotland and Ulster Bank Ltd). These banks can be included if they continue to be part nationalised and / or they meet the ratings below.
- Banks Group 2 – good credit quality - the Council will only use banks which are UK banks and have, as a minimum the following credit ratings: (See Appendix 3 for explanation of the credit ratings)

| Agency                       | Short Term | Long Term | Viability / financial strength | Support |
|------------------------------|------------|-----------|--------------------------------|---------|
| <b>Fitch</b>                 | F1         | A         | a                              | 1       |
| <b>Moody's</b>               | P-1        | Aa        | C                              |         |
| <b>Standard &amp; Poor's</b> | A-1        | A         |                                |         |

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

closely monitored to ensure funds continue to be transferred daily.

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

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

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

4.7.16 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval. During this time of significant economic uncertainty due regard will be taken of the selection criteria outlined in 4.7.15, when using the options outlined in Appendix 1.

4.7.17 Investment returns expectations - Bank Base Rate is forecast to remain unchanged at 0.50% before starting to rise from quarter three in 2016. Bank Rate forecasts for financial year ends are:

| <b>Financial Year</b> | <b>Bank Base Rate</b> | <b>Forecast</b>  |
|-----------------------|-----------------------|--|
| 2013/14               | 0.50%                 | There is an upside risk to these forecasts (i.e. if increases in Bank Rate occurs sooner than forecast) if economic growth remains strong and unemployment falls faster than expected. However there is also a downside risk if the pace of growth falls back particularly if the Bank of England inflation forecasts for the rate of unemployment prove to be too optimistic. |
| 2014/15               | 0.50%                 |  |
| 2015/16               | 0.50%                 |  |
| 2016/17               | 1.25%                 |  |



4.7.18 **Indicator 11** - Upper limit for total principal sums invested for over 364 days. This limit is set with regard to the Council's liquidity requirements and to reduce the need for an early sale of an investment, and is based on the availability of funds

after each year-end and up-dates are reported to the Audit Committee at midyear. These upper limits are to provide approved flexibility for future LAMS contributions.

| <b>(11) Interest Rate Exposure (Upper Limits)</b> | <b>2012/13</b>       | <b>2013/14</b>     | <b>2014/15</b>     | <b>2015/16</b>     | <b>2016/17</b>     | <b>2017/18</b>     | <b>2018/19</b>     | <b>2019/20</b>     | <b>2020/21</b>     | <b>2021/22</b>     | <b>2022/23</b>     | <b>2023/24</b>     |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | <i>Actual<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> | <i>Est.<br/>£m</i> |
| Principal sums invested > 364 days                | 1.0                  | 2.0                | 4.0                | 6.0                | 8.0                | 10.0               | 10.0               | 10.0               | 10.0               | 10.0               | 10.0               | 10.0               |

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

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

#### 4.8 Treasury Management Scheme of Delegation

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

Full Council / Audit Committee

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

#### Audit Committee / S151 Officer (Executive Director Resources)

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

#### Section 151 Officer (Executive Director Resources) / Head of Strategic Resources / Financial Manager-Corporate Accounting

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

- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service advisors.

## Specified and Non-Specified Investments

## APPENDIX 1

### Specified Investment:

- Offer high perceived security such as placements with Central Government Agencies, Local Authorities or with organisations that have strong credit ratings
- They offer high liquidity i.e. short term or easy access to funds
- Are denominated in £ sterling
- Have maturity dates of no more than 1 year
- For an institution scheme to qualify as a 'Specified Investment' it must have a minimum rating (see 4.7.9)

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

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

**Non-Specified Investment:**

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

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

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

## Summary of capital and treasury prudential indicators

| Summary of capital & treasury prudential indicators                      | 2012/13  | 2013/14  | 2014/15  | 2015/16   | 2016/17  | 2017/18  | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|----------|----------|----------|-----------|----------|----------|---------|---------|---------|---------|---------|---------|
|  | Actual   | Est.     | Est.     | Est.      | Est.     | Est.     | Est.    | Est.    | Est.    | Est.    | Est.    | Est.    |
| (1) Capital expenditure (£m)   | £111.7m  | £117.3m  | £259.8m  | £144.7m   | £61.2m   | £26.6m   | £19.8m  | £15.8m  | £14.8m  | £15.5m  | £15.7m  | £15.7m  |
| (2) Capital Financing Req. (CFR) (£m)                                    | £316.1m  | £384.4m  | £594.1m  | £705.5m   | £734.6m  | £729.5m  | £723.6m | £714.1m | £703.1m | £692.9m | £682.2m | £670.5m |
| (3) Ratio of financing costs to net revenue budget                       | 5.2%     | 6.0%     | 7.1%     | 8.8%      | 10.2%    | 10.4%    | 10.5%   | 10.6%   | 10.6%   | 10.5%   | 10.6%   | 11.7%   |
| (4) Incremental impact of capital investment on Council Tax (£) Adjusted | (£71.88) | (£31.55) | (£72.33) | (£128.45) | (£51.39) | (£23.23) | (£9.85) | £3.15   | £11.33  | £16.34  | £23.57  | £36.61  |
| (5) % of gross debt to the CFR   | 79.0%    | 82.8%    | 88.5%    | 90.7%     | 91.0%    | 91.5%    | 92.0%   | 93.1%   | 94.4%   | 95.6%   | 97.0%   | 98.5%   |
| (6) Operational boundary for External Debt (£m)                          | £250.1m  | £637.7m  | £666.7m  | £664.7m   | £667.4m  | £667.6m  | £666.3m | £665.0m | £663.7m | £662.8m | £661.9m | £660.8m |
| (7) Authorised Limit for External debt (£m)                              | £250.1m  | £647.7m  | £817.3m  | £703.8m   | £677.4m  | £677.6m  | £676.3m | £675.0m | £673.7m | £672.8m | £671.9m | £670.8m |
| (8) Upper limit for fixed interest rate exposure (£m)                    | £208.9m  | £608.3m  | £779.8m  | £668.2m   | £643.3m  | £645.0m  | £645.0m | £645.0m | £645.0m | £645.0m | £645.0m | £645.0m |
| (9) Upper limit for variable interest rate exposure (£m)                 | £0.0m    | £152.1m  | £195.0m  | £167.7m   | £160.8m  | £161.2m  | £161.2m | £161.2m | £161.2m | £161.2m | £161.2m | £161.2m |
| (10) – Maturity Structure of Borrowing – See Section 4.4.3 for details   |          |          |          |           |          |          |         |         |         |         |         |         |
| (11) Interest Rate Exposure (Upper Limits) >364 days                     | £1.0m    | £2.0m    | £4.0m    | £6.0m     | £8.0m    | £10.0m   | £10.0m  | £10.0m  | £10.0m  | £10.0m  | £10.0m  | £10.0m  |

**Explanation of credit ratings**

**APPENDIX 3**

| Agency                       | Short Term  | Long Term  | Viability/financial strength   | Support   |
|------------------------------|---|--|--|---|
| <b>Fitch</b>                 | <b>F1</b> -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.   | <b>A</b> -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. | <b>a</b> - High fundamental credit quality. ‘a’ ratings denote strong prospects for ongoing viability. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to default .This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. | <b>1</b> -A bank for which there is an extremely high probability of external support. The potential provider of support is highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long Term Rating floor of ‘A-’. |
| <b>Moody’s</b>               | <b>P-1</b> -superior ability to repay short-term debt obligations   | <b>Aa</b> -high quality and are subject to very low credit risk  | <b>C</b> -Possess intrinsic financial strength. Typically, they will be institutions with more limited but still valuable business franchises. These banks will display either acceptable financial fundamentals within a predictable and stable operating environment or good financial fundamentals within a less predictable and stable operating environment.                            |   |
| <b>Standard &amp; Poor’s</b> | <b>A-1</b> -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. | <b>A</b> -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.  |  |   |



**8. Capital Strategy, Programme and Disposals**

# Capital Strategy

2014 – 2024



## Contents

## Page

|   |  |     |
|---|--|-----|
| 1 | Introduction and Strategic Principles .....                | 98  |
| 2 | Aims of the Strategy .....                                 | 99  |
| 3 | Strategic Context .....                                    | 99  |
|   | Sustainable Community Strategy (SCS) .....                 | 99  |
|   | Peterborough Planning Policy Framework.....                | 100 |
| 4 | Key Areas of Council Capital Investment.....               | 101 |
|   | Adult Social Care .....                                    | 101 |
|   | Delivery of Growth Schemes (Growth and Regeneration) ..... | 102 |
|   | Transport (Growth and Regeneration).....                   | 103 |
|   | Culture and Leisure (Resources) .....                      | 104 |
|   | Strategic Property and ICT (Resources).....                | 104 |
|   | School Places (Resources) .....                            | 105 |
|   | Community Infrastructure (Communities).....                | 106 |
|   | Children’s Services .....                                  | 108 |
|   | Invest to Save and Renewable Energy .....                  | 110 |
| 5 | Managing the Capital Programme.....                        | 114 |
| 6 | Sources of Capital Funding .....                           | 114 |
| 7 | Procurement Strategy .....                                 | 116 |
| 8 | Conclusion .....   | 116 |

Prepared by:

Resources Department  
Peterborough City Council  
Town Hall  
Peterborough. PE1 1HG

## 1 Introduction and Strategic Principles

- 1.1 The Capital Strategy outlines how Peterborough City Council (PCC) will manage its capital 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 strategy is intrinsically linked with the Medium Term Financial Strategy (MTFS) and the Asset Management Plans (AMPs) of the Council and should be read in conjunction with these documents.
- 1.3 Over the period of the MTFS, the Council needs capital 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 capital resources and stated priorities. It ensures this happens through the four core principles below:
- 1.4 **Principle 1** – Managing the impact of investment decisions on revenue budgets
  - Ensuring capital investment decisions do not place excessive pressure on the Medium Term Financial Strategy 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 capital investment which enables invest to save outcomes.
  - Making sure assets yield maximum return, through effective ongoing asset management, consistent with levels of investment. (See Asset Management Plan).
- 1.5 **Principle 2** – Optimise the availability of capital funding where that funding supports the priorities for Peterborough
  - Disposal of surplus assets (including asset transfer to community organisations where appropriate) and reinvestment.
  - Effective working relationships with potential funders.
  - Listening to and supporting effective partnering arrangements.
  - Having clear policies for the consumption of any reserves.
- 1.6 **Principle 3** – Ensure effective pre and post project appraisal
  - Ensuring a system of competition exists for project approval.
  - Building into project appraisal recognition of environmental sustainability.
  - Fully considering project risk.
  - Carefully considering value for money and efficiency of every project.
- 1.7 **Principle 4** – Performance manage the capital programme
  - Integrating the capital programme into the performance management framework.
  - Integrating the capital programme with the Verto project management system, Infrastructure Planning systems/processes e.g. Infrastructure Delivery Schedule (IDS) and other service plans.
  - Ensuring the capital schemes use appropriate project management tools.

- Ensuring responsibility for the delivery of the capital programme is clearly defined.

## **2 Aims of the Strategy**

2.1 The specific aims of this strategy are to ensure:

- Physical assets and related resources are efficiently and effectively used to support the Council's priorities. These inputs when reviewed against the outputs from capital 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 capital investment decisions and the management of its capital 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 capital and treasury management; (see the Prudential Code and Treasury Management Strategy and Minimum Revenue Provision Policy);
- Optimal use of the Council's existing assets, and reflects the AMP;
- Asset management plans are reviewed to identify surplus assets which can move through a disposal process to generate new capital resources; (see AMP);
- Capital spending plans are affordable, financially prudent, sustainable and integrated with the MTFS;
- Support for our partners by maximising the potential for joint working and match funding, where this secures better outcomes than could be achieved in isolation.

## **3 Strategic Context**

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

### **3.2 Sustainable Community Strategy (SCS)**

- 3.2.1 An influence for the need of capital investment is the major growth aspirations of the Council. Growth requires investment in infrastructure, and the Council plays a major role in securing and providing such investment. The context for the growth ambition is Peterborough's SCS which sets ambitious plans for a 'bigger and better Peterborough', including the delivery of 'substantial and truly sustainable growth'
- 3.2.2 Like the MTFS the Capital Strategy is driven by the SCS, which sets out a vision and overall strategy for the future of the city and surrounding villages and rural areas, covering the period 2008 - 2021. It reflects both the agenda for growth

and the clear desire to ensure that Peterborough grows in the right way, so that economic and population growth leads to genuine improvements in key areas, particularly those where Peterborough currently has specific problems or issues. It takes account of both national and local improvement priorities that are established through effective consultation with residents and partners. The local priorities underpinning the SCS are set out in the Single Delivery Plan (SDP) which identifies the key priorities for the next five years. These have both informed the production of this Capital Strategy.

### **Peterborough Planning Policy Framework<sup>1</sup>**

- 3.2.3 To facilitate and coordinate this growth, the City Council is well advanced in preparing its statutory planning policy framework, or 'Local Plan', which is a set of planning policy documents to guide growth. The key planning policy documents are:
- The Peterborough Core Strategy Development Plan Document (DPD), which sets the headline growth targets (25,500 dwellings, 20,000 new jobs) and sustainable development policy – adopted 2011
  - The Site Allocations DPD, which allocates sites and identifies on a map the precise locations for new development – adopted 2012
  - Minerals and Waste Core Strategy and Site Allocations Documents – adopted 2011 and 2012 respectively
  - Planning Policies DPD - adopted 2012
  - City Centre Plan, which will set detailed policy and identify opportunity areas within the city centre – programmed for public examination and adoption in 2014.
- 3.2.4 Having these up to date plans in place puts the Council in an excellent position to encourage and guide public and private investment decisions.
- 3.2.5 The major growth identified in the above policy documents will require substantial funding for the infrastructure requirements, which such growth generates (on top of funding required to maintain our existing infrastructure). The sources of such funding are wide ranging, including government grants, private sector investment and our own corporate resources. It should also be noted that this growth will also in turn generate additional funding which will offset some of the investment cost, such as increases in Council Tax revenues from additional homes built, additional New Homes Bonus grant from government, and through the new funding arrangements surrounding Business Rates where local authorities are able to keep an element relating to growth.
- 3.2.6 To coordinate the infrastructure requirements associated with growth, the Council has embarked on preparing an Infrastructure Delivery Schedule (IDS)<sup>2</sup>; the first such schedule was approved by Cabinet on 24 September 2012. The IDS is intended to be refreshed and approved annually by Cabinet. The IDS is a 'live' schedule of the entire infrastructure needed to support sustainable growth in Peterborough, with an indication of when such infrastructure is needed and how much it might cost. The IDS is linked into the Council's project management system (Verto). A variety of funding sources will then be used to pay for the items on the IDS, in a prioritised way, including from:
- Developer Contributions.

---

<sup>1</sup> PPPF – [http://www.peterborough.gov.uk/planning\\_and\\_building/planning\\_policy/planning\\_policy\\_framework.aspx](http://www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework.aspx)

<sup>2</sup>IDS - <http://www.peterborough.gov.uk/pdf/3.%20IDS%202012%20PDCS%20Versiona.pdf>

- Government and Other Grants.
- City Council's own capital investment.

## **4 Key Areas of Council Capital Investment**

4.1 The Council's Capital Programme for 2014/15 to 2023/24 totals £590m and is summarised in Annex 1. Individual schemes are itemised in Annex 3.

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

### **Adult Social Care**

#### **4.3 Adult Social Care**

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

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

- Extra Care housing is an area where development is needed as an alternative to more expensive residential care. The Council no longer has any in-house residential care homes following the closure of its two remaining care homes in 2012/13 however independent residential care home provision has been made available. Additional investment in Extra Care is required as part of the Older Person's Accommodation strategy.
- The provision of supported housing within Peterborough for people with learning disabilities or mental health difficulties will continue to be a requirement. It is intended that such housing will be provided by social housing landlords and private sector landlords. However, funding may be required in order to alter existing properties to make them fit for their new purpose of providing supported housing.
- Investment in aids and adaptations and assistive technology is essential in delivering cost effective services which support people to remain living at home. This will include investment for mental health services aimed to decrease social exclusion, encourage healthy lifestyles and support mental health recovery.
- Information Technology continues to be an important area of investment to effectively manage the business. A new client record system (Frameworki) was introduced in December 2012 and further enhancements will be required to get the most out of the system from a performance management perspective and meet changes arising from the Care Bill. There is also likely to be a requirement for investment in Electronic Document Record Management (EDRM) associated with the Frameworki system. Additional capital investment is planned to enable implementation of mobile working for Social Workers as part of the Transformation programme.

- The Council will continue to develop services to support people with dementia. The Dementia Resource centre will open in Spring 2014 and there has been provision made for capital investment for future years for Dementia resources in this MTFS, in line with the Dementia Strategy.
- 4.3.3 The strategy as presented is in the context of a developing service relating to the Transformation of Social Care and the implications of the emerging Care Bill and future integration with health, so will need to be kept under constant review.

### **Delivery of Growth Schemes (Growth and Regeneration)**

#### **4.4 Delivery of Growth Schemes – Growth and Regeneration**

- 4.4.1 Through its Planning Policy Framework, the City Council is translating the Sustainable Community Strategy into a series of land allocations and planning policies to guide public and private investment decisions. The various documents making up the Framework identify and programme new growth which will require funding for the infrastructure requirements it generates. This sits alongside existing and emerging developer contributions and community infrastructure levy mechanisms for securing the necessary contributions towards funding and maintaining this infrastructure.
- 4.4.2 Work is well advanced on the City Centre Development Plan<sup>3</sup> and this will be 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.
- 4.4.3 Improving the city centre began in earnest with the completion of the first phase of a revitalised public realm in Cathedral Square and the nearby St John's Square. This gave a much-needed face lift to a key part of the city centre, helping Peterborough to better compete regionally, and has been continued with major improvements in Cowgate and down the length of Bridge Street, with a further scheme being developed for Long Causeway.
- 4.4.4 The Peterborough Long Term Transport Strategy identified the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and is set out in the Peterborough Infrastructure Delivery Plan (IDP) and associated schedule (IDS). The third Peterborough Local Transport Plan (LTP3) was adopted in April 2011 and sets out the Long Term Transport Strategy (LTTS)<sup>4</sup> for the area to 2026 and a more detailed programme of works to 2016.
- 4.4.5 The delivery of major growth schemes in a difficult economic climate requires different arrangements to those of the boom of the preceding years. The proposals agreed by Cabinet in December 2009 have now been further developed. The Growth and Regeneration function has been centralised under one new directorate who will commission Opportunity Peterborough and a new Wholly Owned Company (WOC) that will focus on the physical regeneration. Opportunity Peterborough will continue to focus on core economic development strength.

<sup>3</sup> City Centre Action Plan – [fly-through demonstration link](#)

<sup>4</sup> LTTS - <http://www.peterborough.gov.uk/pdf/traffic-strategic-transportpolicy-ltp3-Section7.pdf>

- 4.4.6 The willingness and ability of the Council to leverage its own assets where possible and appropriate to bring sites forward remains a pillar-stone for delivering this growth agenda, playing a key part in the task of making sites financially viable. The development now in progress on the “Carbon Challenge” site, which aims to minimise carbon emissions and traditional energy uses in its new dwellings, is an example of this working in practice for the redevelopment of the South Bank area. Working alongside the Homes and Communities Agency and its predecessor organisations has been a primary partner at this site throughout the development process.
- 4.4.7 In addition the Council is taking forward the development of the South Bank - now called the Fletton Quays Opportunity Area. This is one of the most significant developments in the East of England and can only move forward because the Council are prepared to use their land holdings to form the basis of the development. It is anticipated that this will be one of the first projects delivered through the revised management structures.

### **Transport (Growth and Regeneration)**

#### **4.5 Transport (Growth and Regeneration)**

- 4.5.1 Transport incorporates new roads, bus and railway stations, street lighting, footways / cycle ways and other transport related infrastructure items for the period 2014-2024.
- 4.5.2 To provide the context, the third Peterborough LTP (LTP3) was adopted in April 2011 and sets out the Peterborough Long Term Transport Strategy (LTTS) for the area to 2026 and a more detailed programme of works to 2016. The LTTS identifies the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and a programme of works is set out in the transport element of the IDS.
- 4.5.3 The transport capital programme, as reflected in the IDS, takes account of the following five goals for transport:
- Tackling climate change
  - Promoting equality of opportunity
  - Improving quality of life and promoting a healthy natural environment
  - Supporting economic growth
  - Contributing to better safety, security and health
- 4.5.4 LTP3 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 capital maintenance works.
- 4.5.5 The Council awarded as of 1<sup>st</sup> October 2013 a new 10 Year Highway Services contract, which can be extendable by a further 10 years. This contract gives the authority more flexibility in meeting its strategic objectives and goals in an efficient and effective manner.
- 4.5.6 The Council has progressed a Transport Asset Management Plan (TAMP) in accordance with Department for Transport requirements. The TAMP will help define the extent of additional sums required firstly to tackle the backlog of maintenance work and thereafter, maintain the existing highway infrastructure.



- 4.5.7 The Council has experienced a reduction in transport capital allocations through a reduction in Government LTP allocations in 2011/12 partly as a result of the cessation of Primary Route Network (PRN) structures funding. However, a number of medium sized transport schemes shown on the table below are under development for delivery through corporate capital funding in 2014/15.

#### **Culture and Leisure (Resources)**

#### **4.6 Culture and Leisure (Resources)**

- 4.6.1 Peterborough's projected growth places greater challenges on its cultural services than at any time in the city's past. Not only will population growth lead to increases in demand, but the increasing variety of demographics across the city will change the nature of that demand. The Council has recognised this, and the need to respond to current challenges, and its commitment to protecting and enhancing cultural services, both now and in the future, has been demonstrated by the establishment of the city's Cultural Trust – Vivacity.
- 4.6.2 Cultural Services within the city face significant challenges which relate to growth and the re-development of existing facilities to meet changing customer expectations.
- 4.6.3 Customers are demanding ever increasing quality of service and much of the city's cultural infrastructure falls short of customer aspiration. We will ensure that our cultural services take into account the access needs of disabled people and we will routinely consult with the Disability Forum during any development work. Development underway includes:
- Development of sports facilities to refresh and upgrade existing provision.
- 4.6.4 Consideration is being given to investment to refurbish the Regional Pool and undertake the upgrade of air conditioning and lighting at the Central Library.
- 4.6.5 PCC has recently taken out a lease from a private developer for a new sports centre at Hampton. The new facility is one of the first private/ local government / charity ventures. The facility includes a state of the art gym and a new 25 metre pool thus helping to meet the shortage of swimming provision in the city.
- 4.6.6 PCC has constructed a new state of the art dual use facility in Hampton. The building incorporates a primary school, library and a sports centre. The sports facility offers a multi-use sports hall, new gym facility, fitness studios and outdoor sports pitches.
- 4.6.7 PCC is in discussion with British Cycling with the aim of providing a new purpose built cycling track on the embankment site. It is hoped that half of the £300k capital investment will be met from external grants. The cycling track will make the city one of the leading councils in the country for cycle provision. British Cycling have stated that the new track could lead to national cycling events visiting the city.
- 4.6.8 The ENPC contract will see a range of improvements to the Leisure Trust Property portfolio which will result in significant energy and CO2 savings across the property portfolio. The works will also reduce the maintenance back log on the estate.

#### **Strategic Property and ICT (Resources)**

#### **4.7 Strategic Property and ICT (Resources)**

- 4.7.1 The Council keeps its property portfolio under constant review; ensuring assets are kept only for specific reasons. Co-location and other rationalisation are expected to improve overall efficiency of all partners' estates and will be used to contribute to the overall growth of Peterborough.
- 4.7.2 Peterborough is no different from other local authorities in-so-much as the operational property portfolio is old and coming to a point where major investment is required to maintain it in a 'fit' state for the delivery of Council objectives.
- 4.7.3 The recent improvements to Bayard Place have enabled the Council to increase the number of workstations by 85. The Council now has a major opportunity to rationalise the property portfolio whilst introducing new working practices. Over the next 12 months the Council will continue to move forward on the rationalisation of the portfolio, for further information see the Asset Management Plan.
- 4.7.4 Overall the Council aims to dispose of surplus assets and use the capital receipts raised to support other initiatives. A 'best consideration' approach may also be applied where the site is in a key growth area. Work is ongoing to identify further sites that are suitable for disposal but it should be noted that in the current economic climate the disposal decision is no longer the only clear option. The final decision takes into account issues such as holding costs.
- 4.7.5 ICT has put together a programme of works that will enable departments to undertake transformation projects without any restrictions placed on it due to the ICT infrastructure within the Council. By moving to hosted and cloud based services and improvements in current hardware staff will be truly mobile and "infrastructure free" and ICT will act as an enabler to future transformation projects within Directorates. The investment and therefore the changes that ICT will introduce over the coming years will comply with the Councils ICT Strategy and allow ICT to work more closely with departments and meet their requirements and move away from back end maintenance tasks. ICT will have a key role to play in the transformation of the Council and the service needs to be in a position to help deliver this.

### **School Places (Resources)**

#### **4.8 School Places (Resources)**

The schemes currently provisionally proposed for 2014/15 onwards are shown in the table. The list is under constant review as the school place planning situation changes in the city.

| <b>Scheme</b>         | <b>Description</b>  | <b>Expected Year of Opening</b> | <b>Additional places created</b> |
|-----------------------|---|---------------------------------|----------------------------------|
| Thomas Deacon Academy | Thomas Deacon Academy will extend its age range to take 360 KS2 (junior) pupils     | September 2014                  | 360                              |
| Gladstone Park School | Redevelopment of Gladstone community centre to incorporate primary school provision | September 2014                  | 420                              |

| <b>Scheme</b>                          | <b>Description</b>  | <b>Expected Year of Opening</b> | <b>Additional places created</b>      |
|--|---|---------------------------------|---------------------------------------|
| West Town Primary                      | Move existing school to new site and increase capacity  | September 2016                  | 315                                   |
| Woodston Primary                       | Increase by one to two forms of entry (FE)  | September 2014                  | 210                                   |
| Ravensthorpe                           | Expansion by one to two FE using existing space in school   | Feb 2015                        | 210                                   |
| Orton Wistow                           | Increase capacity by 0.5 FE to support housing development at East of England Showground  | September 2014                  | 105                                   |
| Orton St John's                        | Increase school up to two FE using the Department for Education 'Priority schools building programme' and funded through a government operated capital scheme | September 2015                  | 148                                   |
| Hampton Secondary School provision     | Joint development of secondary school with Cambridgeshire County Council to support growing needs in the South West of Peterborough.                          | September 2017                  | 1,500(including 6 <sup>th</sup> form) |
| Additional Stanground Primary capacity | Current forecasts suggest a further one FE is required in Stanground as an expansion to an existing school  | September 2017                  | 210                                   |
| Hampton Leys Primary                   | First of two new two FE primary schools to support new developments east of A15   | September 2018                  | 420                                   |
| Paston Reserve Primary School          | A new two FE primary school to support new development  | September 2017                  | 420                                   |
| St Michael's, Stanground               | Phase 2 extension from one FE to two FE in response to growth at the Cardea development   | September 2017                  | 210                                   |
| Great Haddon Primary Schools           | Three primary schools are planned under Section 106 agreement   | September 2018                  | 1,260                                 |
| Great Haddon Secondary                 | A seven FE secondary school is planned for the new township only  | September 2018                  | 1,050                                 |
| Additional PE1 Provision               | Further primary school places to be identified to meet demand   | September 2016                  | 420                                   |

## **Community Infrastructure (Communities)**

### **4.9 Community Infrastructure (Communities)**

- 4.9.1 Community Infrastructure incorporates community centres, sports facilities, open space, affordable housing, and ensuring safe, warm and affordable housing in the private sector and other community infrastructure related items

for the period 2014-2024. Funding for community infrastructure needs primarily come forward via new developments as part of the S106/POIS/CIL.

- 4.9.2 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. The Council adopted a policy in 2011 setting out in detail how it would spend these receipts, but in summary they will be used to support the provision of new affordable housing in Peterborough. The current intention is to spend up to £4m per year should appropriate projects come forward in line with the adopted policy.
- 4.9.3 The majority 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. For 2013/14, current projections indicate at least 230 new affordable homes should be completed. The IDS has further details on specific affordable housing projects in the pipeline.
- 4.9.4 In 2009 PCC commissioned a city wide Private Sector Housing Stock Condition Survey in compliance with the Housing Act 2004 Part 1 Section 3. The report focused on the condition of the stock in the city including category 1 hazards under the Housing Act, decent homes and energy efficiency. The report found that 23% of the stock has a category 1 hazard and a further 22% of the stock has a category 2 hazard which if not addressed will become a category 1 hazard. This equates to 45% of the stock. The main category 1 hazards are excess cold, 15.6% of households in the city are in fuel poverty. The cost to remedy the urgent repairs in the private sector stock is £70.3m, and to remedy the basic repairs needed it will cost £106.5m. Repairs assistance is targeted at properties occupied by vulnerable elderly residents and families on low incomes who are likely to be in fuel poverty whose property has a category 1 hazard. PCC are committed to providing repairs assistance to these vulnerable households in the city to ensure their homes and health are improved. An updated stock survey is being commissioned in early 2014.
- 4.9.5 The Council are committed to delivering disabled facility grants in line with the Housing Grants, Construction and Regeneration Act 1996 to adapt disabled and elderly people's homes to meet their needs. PCC have an ageing population who the Council want to support to live independently in their own homes through the work and services of our Care and Repair Home Improvement Agency, working very closely with the Adult Social Care Occupational Therapy Team in delivering disabled facility grants, minor aids and adaptations, assistive technology and repair assistance. This is in line with the Council's Adult Social Care Older Person's Accommodation Strategy 2012. As at September 2013 there were 5468 households on the Council's Housing Register bidding for Housing Association properties through choice based lettings. The need for affordable housing in the city has never been greater, especially with the impact of the Welfare Reform Act now embedding its effect with the residents of the city. From 2015/16 the disabled facility grant will be transferred to the Better Care Fund rather than directly to the Council which raises uncertainty to the Council's future funding.

- 4.9.6 The Councils empty homes work bringing privately owned properties back into use is instrumental in updating the council tax records and therefore informing the homes bonus funding from Government.
- 4.9.7 Future Community Infrastructure will be delivered through a principle of 'co-located' facilities providing flexible use of space as a community hub which will incorporate multiple needs for service provision such as health, police/emergency services, community facilities, learning and skills, libraries etc. The revised approach is intended to provide greater consistency and innovative approaches to providing infrastructure which reduce cost whilst ensuring well designed, quality places to live and work.
- 4.9.8 Evidence for community infrastructure requirements will be captured via community needs assessments, Parish Plans and/or Neighbourhood Plans.
- 4.9.9 The Council is committed to working with the civil sector to assist successful community asset transfers in Peterborough that will result in successful, vibrant and inclusive community managed assets that are sustainable in the long term.
- 4.9.10 The Green Open Space Strategy (GOSS) for Peterborough has been developed by Enterprise Peterborough at part of their partnership commitment with the Council.
- 4.9.11 The Council recognises that there is a need within the city to provide adequate amenities to meet the needs of the Traveller and Gypsy community. Within Peterborough there are two permanent Traveller and Gypsy sites located at Norwood Lane and Oxney Road. We are exploring a range of delivery options to improve the way these current sites are managed and maintained.
- 4.9.12 The Council is also looking to change the way it responds to the needs of Gypsy and Travellers who visit the city for short to medium periods. Like many parts of the country, Peterborough has experienced a number of unauthorised Traveller sites. This can lead to distress and tensions within the resident population and significant costs to the Council in managing the site and eviction process. We are working on developing new policies based upon best practice in other parts of the country, which will lead to the establishment of lawful sites for temporary use by the Gypsy and Traveller community.

## **Children's Services**

### **4.10 Children's Services**

- 4.10.1 The Council is responsible for ensuring there are sufficient school places within its area to meet the needs of the population. The Council is responsible for providing transport where children have to access schools which are some distance from their home, often as a result of a shortage of school places.
- 4.10.2 The Council has some clear objectives in terms of school place planning:
- Local places for local children with the aim to meet parental preferences for catchment schools.
  - Offering a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies.
  - High quality places for people to learn that encourage high levels of achievement.
  - Avoiding significant changes to catchment areas

- Limited and temporary use only of mobile accommodation.

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

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

- Birth rates - Peterborough had the 6th highest birth rates in England and Wales in 2011. Our birth rate was almost a third higher than the England average at 86.8 live births per 1000 women as opposed to the England average of 65.7. Data from 2012 suggests that the number of births has levelled off but remains high. Numbers are monitored annually and forecast adjusted accordingly.
- Migration continues to have a significant impact but is more difficult to measure. However Peterborough exceeds all its statistical neighbours in terms of National Insurance number registrations for migrant workers and in terms of new GP registrations from those people living overseas. The number of languages spoken within the city continues to grow and now exceeds 100. The overall population of the city increased from 163,295 to 183,600 between 2007 and 2011.
- Economic growth / stability / employment – the buoyant local economy continues to retain workers whilst in other parts of the country, a significant number of migrant workers have returned home.
- The quality of the City's schools continues to attract students from other local authorities. Peterborough is a net importer of children overall which means the City has more children coming into it from outside the boundaries than Peterborough children studying at schools outside the boundaries.

4.10.4 Peterborough has been allocated government grants of £2.4m to cover capital maintenance in 2013-14 and £23.1m in basic need funding to provide additional school places for the two year period 2013-15. In addition £1.9m has been allocated to expand Fulbridge Academy following a Targeted Basic Need Programme bid and £0.7m for City College from Demographic Growth Capital.

4.10.5 The availability of land to create school places especially in certain areas of the city is limited. The Council is now looking at more creative solutions to finding suitable accommodation and this includes reusing buildings currently used for other purposes.

4.10.6 The Council needs to assess its 'school place needs' now and in the future. If schools are built to cater for a short-term pressure created by a high birth rate one year or the pressures of migration and this demand decreases in the future, this could lead to empty schools which would not be an efficient use of public funding. The challenge is to balance these short and long term issues to ensure public money is used as effectively and efficiently as it can be for now and the future.

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

4.10.8 Significant pressures are within primary schools where the number of four year olds in the city has risen from 2,165 in 2006 to an expected 3,200 in 2015. This has meant significant investment is required to meet basic numbers issues. The impact of this significant growth in primary school age children means that when these children grow up this will eventually put pressure on the Council's

secondary schools too. Current forecasts suggest pressure for year 7 places will start in 2015 and be critical by 2017.

4.10.9 The Children Services capital programme addresses the dual pressures caused by an increase in population and the growth in housing developments in the city.

4.10.10 The schemes provisionally proposed for 2013/14 onwards are shown in the capital programme. This list is under constant review as the school place planning situation changes in the City. Full costings are not yet known as school building specification continue to change and the value of projects are commercially sensitive. The Council continue to reduce building costs through procurement processes and costs will be further reduced by –

- Use of mobile classrooms to support temporary increase in numbers
- Review of options regarding pre-built, offsite, modular buildings – these are similar to ‘flat-pack’ buildings where the walls and roof are already together in sections and slot together to quickly form a building. This is how many fast food chains build their roadside restaurants.
- Seeking, where possible, to refurbish and alter existing buildings on school sites

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

### **Invest to Save and Renewable Energy**

#### **4.11 Invest to Save**

4.11.1 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, eg through income generation, etc. Therefore, each scheme will be self-financing so that Invest to Save schemes will have no overall impact against the Council’s bottom line.

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

- Each project needs to complete the Council’s standard full business case. This includes the required officer evaluation and approvals as for all business cases.
- Schemes should deliver savings that improve the financial position of the Council as presented in this MTFS.
- Schemes will also be considered that maintain the MTFS position (ie neither improve nor worsen the position), but contribute towards delivery of service improvements, or contribute to achievement of Council priorities.
- The MTFS assumes that payback from schemes commence in the same year the project starts. If this is not the case, proposals will need the following additional analysis in the business case:

- A full net present value (NPV) analysis
- An outline of how the finance will be covered across financial years if schemes are not cost neutral within each financial year
- Proposals will need to be subject to the Council's decision making requirements, eg any schemes above £500k will be subject to a Cabinet Member Decision Notice (CMDN) approved by the Cabinet Member for Resources and relevant portfolio holder.
- And update on schemes is included in future financial reports to Cabinet during the year.

#### 4.11.3 Invest to Save Current Schemes:

- **Schools Solar PV Installation** - £2.4m of Invest to Save budget was approved to carry out the installation of solar panels to school buildings. Phase 1 of the programme has already been completed where 12 schools now benefit from the renewable energy that is generated from these panels. A second phase of the programme is due to be rolled out shortly with further phases to follow. A further £5m has been agreed for this programme.
- **City Fibre** - Peterborough has been chosen as City Fibre's next Gigabit City. City Fibre is looking to invest up to £30m in laying a fibre network through the city. The Council is looking to maximise this investment for its own requirements and has taken a licence to use the network once built to serve all Council and Vivacity buildings and the majority of schools. This will not only give the Council and the schools access to one of the best networks in the UK, but the city one of the best city infrastructures in the world.

It was originally intended to use some of the Invest to Save pot to support the City Fibre but given the timing of this project, the Council capital programme now includes the specific capital budget required for this project and thus no longer uses the Invest to Save scheme.

- **Energy Performance Contracts** - The Council entered into an Energy Performance framework agreement (EnPC) with Honeywell Control Systems ("Honeywell") in June 2013 and the first call off contract under the framework ("Phase 1") was entered into in December 2013. There are two main types of proposals:
  - Energy conservation measures (ECM's) – the savings generated more than offset the costs of delivering the scheme, and each project makes a surplus.
  - Pool Filters – these are schemes that the Council needs to undertake across its pools, and has made appropriate budgetary provision for this work. The energy savings do not fully offset the investment costs, but as the Council has budget for the works, all of the energy savings contributes towards the MTFS targets

#### 4.12 Renewable Energy / Energy Efficiency

- **Wind and Solar Farms** - Development of Ground Mounted Solar Photovoltaic (PV) Panels (Solar Farms) and Wind Turbines – at the



Cabinet meeting of 10 July 2012 the proposal to submit planning applications in respect of development of ground mounted solar photovoltaic panels across three Council owned agricultural sites (Americas Farm, Morris Fen and farms at Newborough) was approved.

This scheme will make a significant contribution towards the Environment Capital Agenda as well as generating renewable energy which can be used by the Council to safeguard its budgets against future rising and uncertain, energy price inflation. Additionally, the energy generated can be sold to generate a significant new source of revenue to the Council that will help to close the Council's funding gap and help protect its ability to continue in the provision of front line services.

Planning applications for the development of ground mounted solar PV panels were submitted in December 2012. Since the submissions, the Council has been working towards resolving a number of key issues. Also, following a request from English Heritage, further detailed surveys are currently being undertaken before the applications can be determined. These works have resulted in a delay to the programme and the anticipated profile of spend on the project.

Public consultation by the Council was undertaken before the submission of the applications and then the Local Planning Authority undertook its own consultation after the submission.

Further studies are being undertaken with a view to developing wind turbines across Morris Fen and the farms at Newborough. An element to this is the installation of a meteorological mast which was completed in November 2013. The information provided from this will help to determine the final design proposals. The outcomes and proposed design will be presented to Cabinet in the future for consideration prior to submitting planning applications for these developments.

- **Energy Performance Contracts** - The Council entered into an Energy Performance framework agreement (EnPC) with Honeywell Control Systems ("Honeywell") in June 2013 by which energy efficiency improvements would be made initially to Council properties with the possibility of widening the scope of the scheme to other local authorities, social housing and other organisations.
- **District Heating Scheme** - The Council is also evaluating the creation of a district heating scheme based around the core locations of Regional Pool, Lido and Town Hall. As part of this work a feasibility study is being undertaken to consider the viability of extending this core scheme across the city centre. Further feasibility studies will also be undertaken to consider the application of this across other areas of the city and also any connectivity to the Energy from Waste plant.
- **British Gas Energy Efficiencies** - The Council is in discussions with British Gas around the launch of a competitive local energy supply package for domestic properties in the area. Subject to final details, it is anticipated that this will be launched by the end of February 2014. This will be the UK's first market-leading retail energy package of this type; offering both a competitive tariff for energy, as well as support for homeowners – particularly with those lower incomes – to install ECO and Green Deal energy efficiency measures. The intention is that after the Peterborough implementation, British Gas will roll this package out across the UK.

- **Acquisition and Development**

In addition to developments in and around the city the Council is also examining the possibility of acquisition or development of wind, ground mounted and EFW schemes across the UK

- **Regeneration**

The Council is currently undertaking a review of its regeneration sites and is considering third party funding opportunities in order to bring forward new commercial and residential development within the city boundaries.

The deep recession has seen a prolonged period of under investment in development opportunities across the UK. One reason for this is the unwillingness of developers to meet the cost of energy and civil infrastructure costs (and planning carbon offset obligations, such as "Allowable Solutions"). The powers of the Energy Service Company (ESCO) are sufficiently wide to allow the ESCO to participate as a potential "enabler" of infrastructure (which could be funded through Prudential borrowing). Subject to satisfying regulatory compliance issues, the approach would create a long term secure income stream for the ESCO through "Distribution and Use of Network" charging.

The impact would be twofold for the Council:

Actively helping to meet the challenge of enabling and unlocking development in Peterborough; and providing investment into the local economy, other than by way of grant funding methods. Notably, grant funding would provide economic development, but would not provide a long term income return back to the Council on the infrastructure capital injection.

The Council should note that it can always sell infrastructure assets to one of the seven independent network operators at a future date. This would allow the Council to recover any borrowing costs incurred (with a potential profit, given the income generative element to the asset).

As part of the regeneration strategy, we are also examining the feasibility of the introduction of smart energy grids in the city and the rollout of smart energy meters.

#### 4.13 **Energy from Waste Facility**

4.13.1 In February 2013 Peterborough City Council signed a contract with Viridor, to build and operate a new 'energy from waste' facility in the City. This investment will offer a more environmentally friendly and lower-cost alternative to burying the City's waste in landfills.

4.13.2 The energy from waste facility will save over 10,000 tonnes of CO<sub>2</sub> every year compared to sending the City's waste to landfill. The facility will be built close to the power station in Fengate, and is designed to meet the City's needs for the next 30 years. The facility will use heat to turn any waste that cannot be recycled to ash. In doing so, the weight of rubbish needing to be sent to landfill will be reduced by more than 93 per cent. The remaining ash can also be recycled, for example as aggregate for building roads, diverting potentially 100 per cent from landfill.

- 4.13.3 The facility will also harness the energy released in the process to generate around 53,000 megawatt hours of electricity, which can be used locally or sold to the National Grid. This is enough electricity to power approximately 15 per cent of the homes in Peterborough for a year.

## **5 Managing the Capital Programme**

- 5.1 To manage the capital programme the Council operates a project management system (Verto) which is governed by the Delivery and Commissioning Board. This board oversees business cases and monitors the performance of major Council projects. Option appraisals and feasibility studies are required to support and justify a business case for projects. The Programme Management Team are responsible for co-ordinating and monitoring this process. The longer term property and revenue implications (i.e. whole-life considerations) are part of this process which is consistent with the principles set down in the Prudential Code for Capital Finance in Local Authorities.
- 5.2 Project officers monitor the implementation of the Capital Programme on a regular basis with reports being submitted monthly to Verto. These updates are reviewed by the members of the Delivery and Commissioning Board. The chair of the board has delegated responsibilities from the Chief Executive. The board provides a project assurance role and acts on behalf of the Corporate Management Team (CMT), ensuring that projects and programmes have appropriate management, governance, and reporting arrangements in place that prompt ongoing critical appraisal and enquiry as to their capability of achieving the intended benefits.
- 5.3 The capital programme as a whole (both expenditure and income) is reported to CMT on a quarterly basis. The quarterly report sent to CMT contains an overview of the current position and provides CMT with the information required to ensure that the capital programme is sustainable in the long term through revenue support by the Council or its partners and that use of capital resources reflects what was agreed in the production of the Council's MTFS.

## **6 Sources of Capital Funding**

- 6.1 A summary of the sources of Capital funding is shown in Table 1, Annex 1.
- 6.1.1 External sources arise from the Council's aims, together with partners, to maximise opportunities for funding from any source, including European and Government Grants and applications for National Lottery funding for schemes. Corporate resources consist of capital receipts and borrowing. Under the Prudential Code for Capital 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.
- 6.1.2 The Council is required to pay the Homes and Communities Agency (HCA) a percentage of gross capital receipts from sales of Community Related Assets (CRA) transferred to it from the Peterborough Development Corporation. From August 2013, this is 48% (diminishing annually by 2%). Although this represents a significant loss of opportunity for the Council, the HCA is encouraged to reinvest the receipt back into Peterborough. The Council is currently awaiting consultation from the HCA regarding the policy surrounding these arrangements.

- 6.1.3 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 currently operated through Section 106 agreements with developers, assisted by the adopted Peterborough Planning Obligations Implementation Scheme (POIS).
- 6.1.4 However, following national legislation changes, the Council has commenced preparation of a Community Infrastructure Levy (CIL) Charging Schedule which will, once adopted, replace POIS and some elements of the Section 106 process. CIL will introduce a levy on new development via a fixed per square metre charge on net new floor space built. CIL receipts will be pooled by the Council and spent on infrastructure to support growth. Such receipts will become a major source of funding for capital projects in the future.
- 6.1.5 Legislation requires the Council to hand over a proportion of any CIL money it receives to the parish council 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. Provisionally, the Council has agreed that the remaining CIL receipts are to be split via the following thematic areas (though it is important to note that such thematic areas will receive other funding via other sources in addition to the CIL):

**Proposed funding split by infrastructure theme**

|                              |     |                      |    |
|------------------------------|-----|----------------------|----|
| Skills & Education           | 40% | Health & Wellbeing   | 5% |
| Transport                    | 30% | Emergency Services   | 5% |
| Community Infrastructure     | 10% | Utilities & Services | 5% |
| Environmental Sustainability | 5%  |                      |    |

**6.2 Alternative Financing Arrangements**

- 6.2.1 The Council has actively investigated public/private partnerships (PPP) and other innovative financing arrangements in relation to a range of capital projects. Examples include:-
- Close collaborative working with our private sector contractor and consultant 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.
  - For future delivery of the programme, investigations into Special Purpose Vehicles (SPV), which is a private, company that has been set up with a specific and sole objective of carrying out a given project.

**6.3 Capital Receipts**

- 6.3.1 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 current capital programme.

- 6.3.2 The Council takes a holistic approach to funding its capital 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.
- 6.3.3 The timing and value of asset sales is the most volatile element of funding, especially in the current financial climate. As a result, the Executive Director Resources closely monitors progress on asset disposal. Any in year shortfalls could potentially need to be met from increased corporate resources.
- 6.3.4 Receipts due to support the funding of the capital programme are shown in Annex 4 to this Strategy.

## **7 Procurement Strategy**

- 7.1 Procurement has an important part to play in the delivery of the Council's SCS and its core aims and objectives. Principally, this can be achieved through procurement activity that enhances quality, provides savings and better value for money and promotes equality of opportunity for service users and businesses. The Council continues to be under increasing external pressure to reduce costs and increase efficiency, particularly as a result of the spending review of October 2010. The Council's core aims and objectives, and the savings required, cannot be delivered without both effective and efficient procurement procedures and skilled, professional staff to deliver those processes across the Council and the wide range of goods and services that it requires.
- 7.2 In October 2010, the Council undertook a procurement exercise to outsource key services to an external provider, including Operational Procurement. As a result, on 28 November 2011, the Council awarded a contract to Serco Ltd as their Strategic Partner under the Peterborough Serco Strategic Partnership (PSSP). The Commercial and Procurement Unit (CPU) now falls under the partnership and as part of their tender submission, Serco has been engaged by the Council to carry out the 'business as usual' function for the Council as well as acting as agents for new procurements. In addition, Serco has guaranteed to reduce the Councils procurement spend by a range of initiatives which will generate savings for the Council.

## **8 Conclusion**

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

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

Table 1 - Summary Capital Programme

Annex One - Core Data

| Capital Expenditure by Service:              | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | 2019/20<br>£000 | 2020/21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Adult Social Care                            | 1,296           | 216             | 216             | 216             | 216             | 216             | 216             | 216             | 216             | 216             |
| Chief Executives                             | 639             | 100             | 100             | 100             | 100             | 100             | 100             | 100             | 100             | 100             |
| Communities                                  | 4,896           | 2,420           | 2,420           | 2,420           | 2,420           | 2,420           | 2,420           | 2,420           | 2,420           | 2,420           |
| Growth & Regeneration                        | 34,819          | 26,163          | 14,984          | 11,978          | 8,928           | 7,618           | 7,618           | 7,618           | 7,618           | 7,618           |
| Resources                                    | 191,866         | 51,012          | 19,481          | 11,865          | 8,178           | 5,426           | 4,428           | 5,169           | 5,346           | 5,346           |
| Invest To Save                               | 93.3            | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Resources - Renewable Energy                 | 26,200          | 64,800          | 23,999          | -               | -               | -               | -               | -               | -               | -               |
| <b>Total Capital Expenditure</b>             | <b>259,808</b>  | <b>144,711</b>  | <b>61,200</b>   | <b>26,579</b>   | <b>19,842</b>   | <b>15,780</b>   | <b>14,782</b>   | <b>15,523</b>   | <b>15,700</b>   | <b>15,700</b>   |
| <b>Financed by:</b>                          |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Grants & 3 <sup>rd</sup> Party Contributions | 28,407          | 10,012          | 11,827          | 10,327          | 5,827           | 5,827           | 5,827           | 5,650           | 5,827           | 5,827           |
| Capital Receipts                             | 9,764           | 7,620           | 2,425           | 2,775           | 1,000           | -               | -               | -               | -               | -               |
| Capital Financing Requirement (Borrowing)    | 221,637         | 127,079         | 46,948          | 13,477          | 13,015          | 9,953           | 8,955           | 9,873           | 9,873           | 9,873           |
| <b>Total Capital Financing</b>               | <b>259,808</b>  | <b>144,711</b>  | <b>61,200</b>   | <b>26,579</b>   | <b>19,842</b>   | <b>15,780</b>   | <b>14,782</b>   | <b>15,523</b>   | <b>15,700</b>   | <b>15,700</b>   |

## Summary of Fixed Asset Values

| Fixed Asset Values          | Gross book value<br>£000 | Depreciation<br>£000 | Net book value<br>£000 |
|-----------------------------|--------------------------|----------------------|------------------------|
| Land & buildings            | 333,231                  | (20,999)             | 312,232                |
| Vehicles, plant & equipment | 51,923                   | (34,556)             | 17,367                 |
| Infrastructure assets       | 184,378                  | (64,412)             | 119,966                |
| Community assets            | 4,083                    | (3,207)              | 876                    |
| Heritage assets             | 570                      | -                    | 570                    |
| Investment properties       | 35,208                   | -                    | 35,208                 |
| Surplus assets              | 25,567                   | (2,049)              | 23,518                 |
| Assets Under Construction   | 32,907                   | (318)                | 32,589                 |
| <b>Total</b>                | <b>667,867</b>           | <b>(125,541)</b>     | <b>542,326</b>         |

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

## **Annex Two**

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

[http://www.peterborough.gov.uk/pdf/Planning-policy\\_Planning%20Obligation%20Implementation%20Scheme%20SPD1.pdf](http://www.peterborough.gov.uk/pdf/Planning-policy_Planning%20Obligation%20Implementation%20Scheme%20SPD1.pdf)



Capital Programme Budget & Funding Summary 2014/15 to 2023/24

Annex Three

| Project  | 2014/15      | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      | 2021/22      | 2022/23      | 2023/24      | 2014 to 2019<br>Total 5 Yrs |                | 2014 to 2024<br>Total 10 Yrs |                |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------------------|----------------|------------------------------|----------------|
|  | Budget       | Budget       | Budget       | Budget       | Budget       | Budget       | Budget       | Budget       | Budget       | Budget       | Corp. Res.                  | 3rd Party Inc. | Corp. Res.                   | 3rd Party Inc. |
|  | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000         | £000                        | £000           | £000                         | £000           |
| <b>ADULT SOCIAL CARE</b>   |              |              |              |              |              |              |              |              |              |              |                             |                |                              |                |
| Aids and Adaptations   | 216          | 216          | 216          | 216          | 216          | 216          | 216          | 216          | 216          | 216          | 1,080                       | 0              | 2,160                        | 0              |
| Adults Personal Social Services Capital Grant  | 514          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0                           | 514            | 0                            | 514            |
| Frameworki   | 139          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 139                         | 0              | 139                          | 0              |
| Community Capacity   | 427          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0                           | 427            | 0                            | 427            |
| <b>Total Adult Social Care</b>   | <b>1,296</b> | <b>216</b>   | <b>216</b>   | <b>216</b>   | <b>216</b>   | <b>216</b>   | <b>216</b>   | <b>216</b>   | <b>216</b>   | <b>216</b>   | <b>1,219</b>                | <b>941</b>     | <b>2,299</b>                 | <b>941</b>     |
| <b>CHIEF EXECUTIVES</b>  |              |              |              |              |              |              |              |              |              |              |                             |                |                              |                |
| Wireless CCTV  | 240          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 240                         | 0              | 240                          | 0              |
| Solar Panels on Food Hall  | 25           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 25                          | 0              | 25                           | 0              |
| Off Street Car Parks - Structural Works And Resurfacing                                  | 250          | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 650                         | 0              | 1,150                        | 0              |
| Parking (Meter Replacement)  | 110          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 110                         | 0              | 110                          | 0              |
| Break Wurrina car park lease & bring in line with other PCC operated & managed car parks | 14           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 14                          | 0              | 14                           | 0              |
| <b>Total Chief Executives</b>  | <b>639</b>   | <b>100</b>   | <b>100</b>   | <b>100</b>   | <b>100</b>   | <b>100</b>   | <b>100</b>   | <b>100</b>   | <b>100</b>   | <b>100</b>   | <b>1,039</b>                | <b>0</b>       | <b>1,539</b>                 | <b>0</b>       |
| <b>COMMUNITIES</b>   |              |              |              |              |              |              |              |              |              |              |                             |                |                              |                |
| Mental Health Preventative Housing Project   | 150          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0                           | 150            | 0                            | 150            |
| Dementia Resources Centre  | 350          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 350                         | 0              | 350                          | 0              |
| Phase II Framework Project   | 50           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 50                          | 0              | 50                           | 0              |
| Extra Care Provision   | 1,500        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 1,500                       | 0              | 1,500                        | 0              |
| Communities - Infrastructure   | 63           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0                           | 63             | 0                            | 63             |
| Disabled Facilities Grant  | 1,400        | 1,400        | 1,400        | 1,400        | 1,400        | 1,400        | 1,400        | 1,400        | 1,400        | 1,400        | 2,355                       | 4,645          | 4,710                        | 9,290          |
| Repair Assistance  | 1,260        | 1,020        | 1,020        | 1,020        | 1,020        | 1,020        | 1,020        | 1,020        | 1,020        | 1,020        | 5,340                       | 0              | 10,440                       | 0              |
| Upgrade Norwood Lane Travellers Park   | 50           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 50                          | 0              | 50                           | 0              |
| Upgrade Oxney Road Travellers Park   | 30           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 30                          | 0              | 30                           | 0              |
| Case Management System   | 43           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0                           | 43             | 0                            | 43             |
| <b>Total Communities</b>   | <b>4,896</b> | <b>2,420</b> | <b>2,420</b> | <b>2,420</b> | <b>2,420</b> | <b>2,420</b> | <b>2,420</b> | <b>2,420</b> | <b>2,420</b> | <b>2,420</b> | <b>9,675</b>                | <b>4,901</b>   | <b>17,130</b>                | <b>9,546</b>   |
| <b>GROWTH &amp; REGENERATION</b>   |              |              |              |              |              |              |              |              |              |              |                             |                |                              |                |
| Peterborough Delivery partnership projects   | 2,237        | 500          | 500          | 500          | 500          | 500          | 500          | 500          | 500          | 500          | 4,237                       | 0              | 6,737                        | 0              |
| Other Infrastructure   | 3,780        | 60           | 60           | 60           | 60           | 0            | 0            | 0            | 0            | 0            | 1,920                       | 2,100          | 1,920                        | 2,100          |
| Local Transport Plan & Integrated Transport Plan   | 2,013        | 1,813        | 1,813        | 1,813        | 1,813        | 1,813        | 1,813        | 1,813        | 1,813        | 1,813        | 2,952                       | 6,313          | 4,517                        | 13,813         |
| Long Causeway Public Realm Works   | 1,500        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 1,500                       | 0              | 1,500                        | 0              |
| Local Sustainable Transport Fund   | 720          | 170          | 170          | 170          | 170          | 170          | 170          | 170          | 170          | 170          | 1,040                       | 360            | 1,890                        | 360            |
| Affordable Housing   | 4,173        | 8,635        | 1,456        | 500          | 500          | 500          | 500          | 500          | 500          | 500          | 15,264                      | 0              | 17,764                       | 0              |
| Roads and Bridges (including footpaths)  | 14,836       | 8,535        | 6,135        | 4,535        | 4,535        | 4,535        | 4,535        | 4,535        | 4,535        | 4,535        | 22,916                      | 15,660         | 30,891                       | 30,360         |
| Intelligent Transport Systems infrastructure   | 0            | 250          | 250          | 250          | 250          | 0            | 0            | 0            | 0            | 0            | 1,000                       | 0              | 1,000                        | 0              |
| Strategic Network Review   | 100          | 100          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 200                         | 0              | 200                          | 0              |
| Refurbishment of Traffic Signal sites nearing end of life                                | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 500                         | 0              | 1,000                        | 0              |
| Continuation of Public Realm   | 3,700        | 2,000        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 5,700                       | 0              | 5,700                        | 0              |
| Removal of Parkway Street Lighting   | 1,000        | 1,000        | 1,000        | 1,000        | 1,000        | 0            | 0            | 0            | 0            | 0            | 5,000                       | 0              | 5,000                        | 0              |
| Extreme Weather Damage +   | 500          | 500          | 500          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 1,500                       | 0              | 1,500                        | 0              |

| Project   | 2014/15        | 2015/16        | 2016/17       | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       | 2022/23       | 2023/24       | 2014 to 2019<br>Total 5 Yrs |                      | 2014 to 2024<br>Total 10 Yrs |                      |
|---|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------------|----------------------|------------------------------|----------------------|
|   | Budget         | Budget         | Budget        | Budget        | Budget        | Budget        | Budget        | Budget        | Budget        | Budget        | Corp.<br>Res.               | 3rd<br>Party<br>Inc. | Corp.<br>Res.                | 3rd<br>Party<br>Inc. |
|   | £000           | £000           | £000          | £000          | £000          | £000          | £000          | £000          | £000          | £000          | £000                        | £000                 | £000                         | £000                 |
| A47/AA15 Lincoln Road Junction 18 improvements  | 160            | 2,500          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 2,660                       | 0                    | 2,660                        | 0                    |
| A47/A15 Paston Parkway Junction 20 improvements | 0              | 0              | 3,000         | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 3,000                       | 0                    | 3,000                        | 0                    |
| Bourges Boulevard Crescent Bridge Roundabout    | 0              | 0              | 0             | 3,000         | 0             | 0             | 0             | 0             | 0             | 0             | 3,000                       | 0                    | 3,000                        | 0                    |
| Civil Enforcement Officers Cars                 | 0              | 0              | 0             | 50            | 0             | 0             | 0             | 0             | 0             | 0             | 50                          | 0                    | 50                           | 0                    |
| <b>Total Growth &amp; Regeneration</b>          | <b>34,819</b>  | <b>26,163</b>  | <b>14,984</b> | <b>11,978</b> | <b>8,928</b>  | <b>7,618</b>  | <b>7,618</b>  | <b>7,618</b>  | <b>7,618</b>  | <b>7,618</b>  | <b>72,439</b>               | <b>24,433</b>        | <b>88,329</b>                | <b>46,633</b>        |
| <b>RESOURCES</b>                                |                |                |               |               |               |               |               |               |               |               |                             |                      |                              |                      |
| London Road Stadium                             | 5,140          | 0              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 5,140                       | 0                    | 5,140                        | 0                    |
| Cost of Disposals                               | 2,200          | 500            | 500           | 500           | 500           | 500           | 500           | 500           | 500           | 500           | 4,200                       | 0                    | 6,700                        | 0                    |
| Modernisations                                  | 2,600          | 600            | 400           | 400           | 400           | 400           | 400           | 400           | 400           | 400           | 3,059                       | 1,341                | 5,059                        | 1,341                |
| New School Places                               | 25,858         | 19,000         | 13,100        | 7,100         | 2,800         | 0             | 0             | 0             | 0             | 0             | 44,849                      | 23,009               | 44,849                       | 23,010               |
| Other Schools                                   | 404            | 100            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 200                         | 304                  | 200                          | 304                  |
| Schools direct spend                            | 533            | 458            | 458           | 458           | 458           | 458           | 458           | 458           | 458           | 458           | 0                           | 2,365                | 0                            | 4,655                |
| Academies                                       | 2,500          | 6,500          | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 1,030                       | 7,970                | 1,030                        | 7,970                |
| Nursery Places for 2 year olds                  | 200            | 0              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 200                         | 0                    | 200                          | 0                    |
| Free Schools Meal Grant                         | 562            | 0              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0                           | 562                  | 0                            | 562                  |
| Health & Safety Adaptations                     | 313            | 225            | 225           | 225           | 225           | 225           | 225           | 225           | 225           | 225           | 1,213                       | 0                    | 2,338                        | 0                    |
| Spend on Council Properties                     | 2,835          | 2,740          | 2,716         | 1,660         | 2,885         | 2,560         | 1,660         | 2,401         | 2,578         | 2,578         | 12,836                      | 0                    | 24,790                       | (177)                |
| Investment Properties                           | 650            | 650            | 150           | 150           | 150           | 150           | 150           | 150           | 150           | 150           | 1,750                       | 0                    | 2,500                        | 0                    |
| Culture & Leisure Trust                         | 2,279          | 350            | 350           | 350           | 350           | 350           | 350           | 350           | 350           | 350           | 3,679                       | 0                    | 5,429                        | 0                    |
| Crematorium/Cemetery Development                | 818            | 340            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 1,109                       | 49                   | 1,109                        | 49                   |
| ICT Projects                                    | 6,650          | 1,050          | 330           | 0             | 0             | 250           | 250           | 250           | 250           | 250           | 8,030                       | 0                    | 9,280                        | 0                    |
| Local Authority Mortgage Scheme                 | 1,000          | 0              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 1,000                       | 0                    | 1,000                        | 0                    |
| Peterborough Strategic Serco Partnership        | 1,747          | 99             | 842           | 612           | 0             | 98            | 0             | 0             | 0             | 0             | 3,300                       | 0                    | 3,398                        | 0                    |
| ICT Managed Service                             | 300            | 225            | 225           | 225           | 225           | 250           | 250           | 250           | 250           | 250           | 1,200                       | 0                    | 2,450                        | 0                    |
| Play Areas                                      | 185            | 185            | 185           | 185           | 185           | 185           | 185           | 185           | 185           | 185           | 925                         | 0                    | 1,850                        | 0                    |
| Waste Management Strategy                       | 37,434         | 17,040         | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 54,474                      | 0                    | 54,474                       | 0                    |
| Roman Gallery & Georgian Operating Theatre      | 0              | 300            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 300                         | 0                    | 300                          | 0                    |
| Capitalisation                                  | 250            | 0              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 250                         | 0                    | 250                          | 0                    |
| City Centre Wi-fi extension                     | 0              | 150            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0                           | 150                  | 0                            | 150                  |
| Invest to Save Projects                         | 93,301         | 0              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 93,301                      | 0                    | 93,301                       | 0                    |
| City Fibre (Invest to Save)                     | 4,200          | 0              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 4,200                       | 0                    | 4,200                        | 0                    |
| Cycle Track - Embankment                        | 0              | 500            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 125                         | 375                  | 125                          | 375                  |
| <b>Total Resources</b>                          | <b>191,959</b> | <b>51,012</b>  | <b>19,481</b> | <b>11,865</b> | <b>8,178</b>  | <b>5,426</b>  | <b>4,428</b>  | <b>5,169</b>  | <b>5,346</b>  | <b>5,346</b>  | <b>246,370</b>              | <b>36,125</b>        | <b>269,972</b>               | <b>38,239</b>        |
| <b>RESOURCES - RENEWABLE ENERGY PROJECTS</b>    |                |                |               |               |               |               |               |               |               |               |                             |                      |                              |                      |
| Wind & Solar Energy Project                     | 25,700         | 64,300         | 23,999        | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 113,999                     | 0                    | 113,999                      | 0                    |
| Renewable Energy Projects                       | 500            | 500            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 1,000                       | 0                    | 1,000                        | 0                    |
| <b>Total Renewable Energy Projects</b>          | <b>26,200</b>  | <b>64,800</b>  | <b>23,999</b> | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>114,999</b>              | <b>0</b>             | <b>148,030</b>               | <b>0</b>             |
| <b>TOTAL CAPITAL PROGRAMME</b>                  | <b>259,808</b> | <b>144,711</b> | <b>61,200</b> | <b>26,579</b> | <b>19,842</b> | <b>15,780</b> | <b>14,782</b> | <b>15,523</b> | <b>15,700</b> | <b>15,700</b> | <b>445,741</b>              | <b>66,399</b>        | <b>494,268</b>               | <b>95,358</b>        |

**Capital Receipts Summary from 2014 to 2018**
**Annex Four**

| Asset   | 14/15 | 15/16 | 16/17 | 17/18 |
|---|-------|-------|-------|-------|
| 11 Commerce Road                                    | *     |       |       |       |
| 5 & 7 York Road                                     | *     |       |       |       |
| Adult Social Care Properties                        | *     | *     |       |       |
| Arthur Mellows caretakers house                     | *     |       |       |       |
| Bishops Road Car Park                               |       | *     |       |       |
| Bretton Court                                       |       | *     |       |       |
| Bretton Woods (Residential)                         |       | *     |       |       |
| Caxton Court / Coneygree Road                       | *     |       |       |       |
| City Clinic   | *     |       | *     |       |
| Covenants   | *     | *     | *     | *     |
| CRA Winfall   | *     | *     | *     | *     |
| Crocus Grove  | *     |       |       |       |
| Dickens Car Park                                    | *     |       |       |       |
| First Drove, Fengate                                | *     |       |       |       |
| Fleet   | *     |       |       |       |
| Food Hall & Market                                  |       |       |       | *     |
| Goswick - Orton Brimbles                            | *     |       |       |       |
| Herlington Centre                                   | *     |       |       |       |
| Hill Farm Barn (Farm Estate)                        |       | *     |       |       |
| Homenene House                                      | *     |       |       |       |
| Horsefair Car Park                                  |       | *     |       |       |
| John Mansfield (Remote site)                        | *     |       |       |       |
| John Mansfield Main Site                            | *     |       |       |       |
| Land at Splash Lane Woodlands Castor                |       | *     |       |       |
| Land at Tenterhill - Thistle Drove                  |       | *     |       |       |
| Land at the Dell, Woodston                          | *     |       |       |       |
| Land in & around Laxton Square                      |       |       |       | *     |
| Lindens   | *     |       |       |       |
| London Road (Former Allotment Land)                 |       | *     |       |       |
| Miscellaneous Farm Estate                           |       |       | *     | *     |
| New England Complex, Lincoln Road                   |       | *     |       |       |
| Northminster Car Park                               |       |       |       | *     |
| Northminster House, Ground Lease                    | *     |       |       |       |
| Operational Assets Pending Property Rationalisation | *     | *     | *     | *     |
| Orton Bowling Green                                 |       | *     |       |       |
| Orton Avenue Garage Site                            | *     |       |       |       |
| Orton Centre Filling Station                        |       | *     |       |       |

| <b>Asset</b>  | <b>14/15</b> | <b>15/16</b> | <b>16/17</b> | <b>17/18</b> |
|---|--------------|--------------|--------------|--------------|
| Primary School Surplus Land (extend to be determined) |              | *            | *            | *            |
| Land at Riseholme, Orton Goldhay                      |              |              |              |              |
| St Pauls Road   |              | *            |              |              |
| Substations   | *            |              |              |              |
| The Croft - Eye                                       | *            | *            |              |              |
| Thorney Tank Yard, Thorney                            |              |              |              |              |
| Verge Road  |              | *            |              |              |
| Welland Allotment Land at Nab Lane                    | *            |              |              |              |
| Welland Close (Land)                                  |              | *            |              |              |
| Welland House-ASCP                                    | *            |              |              |              |
| Wellington Street Car Park                            |              |              | *            |              |
| Westwood Centre Car Park (part)                       |              | *            |              |              |
| Wirrina Car Park                                      | *            |              |              |              |

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

**9. Asset Management Plan**

**Asset Management Plan**

**2014 – 2019**

|   |            |
|---|------------|
| <b>Preface</b> .....  | <b>127</b> |
| <b><u>Executive Summary</u></b> .....   | <b>128</b> |
| <b><u>Introduction</u></b> .....  | <b>129</b> |
| <b><u>Organisational Arrangements for Asset Management</u></b> .....                    | <b>131</b> |
| <u>CPO – Roles and Responsibilities</u> .....   | 131        |
| <u>Reporting Framework – Cabinet &amp; Corporate Management Team (CMT)</u> .....        | 132        |
| <u>Links to Strategies and Plans</u> .....  | 133        |
| <u>Asset Management and obtaining value for money from the Property Portfolio</u> ..... | 135        |
| <u>The Use of IT to Support Property</u> .....  | 135        |
| <u>Partnership Working</u> .....  | 136        |
| <b><u>Consultation</u></b> .....  | <b>138</b> |
| <b><u>Data Management</u></b> .....   | <b>138</b> |
| <u>Identification of Assets</u> .....   | 138        |
| <u>GIS in Peterborough</u> .....  | 140        |
| <u>Asset Summary</u> .....  | 140        |
| <b><u>Performance Management, Monitoring and Information</u></b> .....                  | <b>140</b> |
| <b><u>Programme and Planned Development and Implementation</u></b> .....                | <b>141</b> |
| <u>Service Delivery and Property – identifying project need</u> .....                   | 141        |
| <u>Resourcing Capital Projects</u> .....  | 142        |
| Children's Services Requirements .....  | 144        |
| <u>Option Appraisal and Project Prioritisation</u> .....                                | 143        |
| <u>Links to the Capital Programme</u> .....   | 144        |
| <u>Financial Planning for the future (3-5 year action plan)</u> .....                   | 144        |
| <u>Financial Planning for the future (6-10 year action plan)</u> .....                  | 145        |
| <b><u>Towards the Future</u></b> .....  | <b>145</b> |
| <b><u>The Strategic Approach to Property</u></b> .....                                  | <b>146</b> |
| <u>The Current Position</u> .....   | 146        |
| <u>The Way Ahead</u> .....  | 146        |
| <u>The Disposal Option</u> .....  | 147        |
| <u>Outcomes</u> .....   | 147        |
| <u>Surplus Property - Declaration and Procedures</u> .....                              | 148        |
| <u>CMDN – Surplus Declaration and Future of the Property</u> .....                      | 149        |
| <u>The Localism Act 2011</u> .....  | 150        |
| <b><u>Asset Management Plan Glossary of Terms</u></b> .....                             | <b>150</b> |

## Preface

The challenges that the Council faces are unprecedented. More is required to be delivered for less cost. Consequently the way the Council has to approach the management of the property portfolio needs to change. Some changes have already been put in place through the strategic partnerships, such as with Serco for the estates and facilities management work and Amey on design services and property maintenance.

The Localism Act of 2011 will help support the Council in bringing forward some of these changes, or at least influence the way the Council manages, maximises opportunities and reduces liabilities on its assets. Certain sites for example, earmarked for alternative use, can now be considered in the context of a streamlined planning process. The Act also challenges authorities to work closer with the voluntary sectors, in particular where they relate to community facilities.

In response, the Council developed a Community Asset Transfer policy and allocated resources to support voluntary organisations bidding for services under the auspices of community transfer. The Council Asset Management Plan (AMP) will consider these matters and other evolving asset management related matters, such as the government's agenda around transparency where more and more asset related data will be available to view online. The previous AMP (contained within the previous Medium Term Financial Strategy- the Council's Budget 2013/14) has therefore been refreshed to bring the latest position of the Council property portfolio for this budget round.

During the Spring of 2014 the Council will be working with various Scrutiny Panels and wider Stakeholders/Members to develop a new Farms Estates Strategy. This will be one of the items set out in the implementation plan which will be updated as the drafting of this strategy progresses.

The Council has identified, as part of the Senior Management Review (concluding in November 2013) the importance of having a strengthened asset management team and a refreshed and different approach to how services in particular, occupy Council assets. It is intended that a new Asset Management Board will be set up under the Chair of the Cabinet Member for Resources. The terms of reference and membership of this board will be worked on during the Spring of 2014.

The Council has recently brought together a range of Children's Services functions and asset management under a new role of Head of Corporate Property and Children's Resources and appointed to this senior management post from within the Council. It has also established full senior officer, Leader and Cabinet Member support to strengthening the asset management service following the commissioning of a report on asset management from the East of England Local Government Association (EELGA).

The EELGA review of the portfolio and the way the Council manages the assets was covered in a series of reports issued in Autumn 2013 in the form of a Health Check. There were a series of recommendations in this Health Check including the one which has already been implemented as part of the Council's senior management restructure, the appointment of a new Corporate Property Officer. A number of the other recommendations will be covered in future AMP's. These centre on 2 main areas set out in the diagram below. The first is to identify what factors are driving the operational estate (the buildings we directly deliver services to the public from such as schools, community centres and administrative accommodation such as Bayard Place and the Town Hall). Secondly, what are the drivers for the investment estate and development land interests. The primary ones which are common to both the operational and investment assets are set out in diagram below:

**Driver of Operational Estate is Cost & Efficiency**



**Driver of Investment & Development land is Value**





## **Executive Summary - Asset Management Plan**

### **Policy Context**

1.1 This AMP sets out the way in which the Council will manage its physical properties now and into the future. It is anticipated that this document will form part of the budget papers and be approved by full Council as a Policy.

### **2.0 Background**

2.1 Peterborough City Council is a major property owner with an asset base of circa 1493 assets. These assets are used to deliver the Council's wide ranging objectives.

2.2 However, the Council faces a number of major challenges with regard to the property portfolio. These include:

- A property portfolio that is ageing with increasing liabilities for repairs and maintenance.
- A property portfolio that is not suited to Council needs for service delivery now and into the future. As the Council moves from a delivery to a commissioning approach, there is a requirement for its assets to be utilised in a different way.
- Up until recently, there was an ad-hoc approach to management of the portfolio i.e. currently service departments manage their property in isolation leading to inconsistencies across the Council. The process to bring asset management together has started but significant work is required to ensure consistency.

2.3 In addition the Council needs to realise greater value from the portfolio. This will include:

- The delivery of in excess of £24m of Capital Receipts (90% of which is forecast in the first 3 years) in a difficult market over the next five years to support the Council's Capital Budget. The programme allows some flexibility for further assets to be added and assets to be removed however removal of assets creates a pressure on the capital budget due to the decrease in receipts to be received.
- Using Property in different ways to support the 'Growth Agenda' for the city.
- Maintaining revenue streams in a difficult market. Current forecasts indicate a rental stream of £3.25m to year end 2013/2014.

2.4 The Council needs to establish and embed the way it manages property to get the most from its assets. This Asset Management Plan (AMP) sets out how to do this ensuring that the portfolio is fit to face the challenges of the 21<sup>st</sup> Century and the changing face of Local Authorities.

### **3.0 The Format of the Asset Management Plan**

3.1 The AMP sets out the following elements:

- Sets out the strategy for managing the portfolio and what the Council will do to meet the challenges faced. It also aligns with the guidance provided by the RICS and DCLG.
- Sets out the processes and procedures to be followed in the management of the Property Portfolio.
- Sets out future property needs for individual services.

3.2 In addition to meeting the requirements of an Asset Management Plan this document also aims to bring together into one document processes and procedures that govern the management of the property portfolio. It is intended that those who deal with property on a day-to-day basis will use this document as a guide allowing them to get the best from the property portfolio.

## 4.0 The Future Management of Property

4.1 The AMP sets out how the Council will manage property in the future. In particular it:

- Reinforces and strengthens the role of the Corporate Property Officer (CPO).
- Establishes the CPO as the single point of responsibility for all Council property.
- Establishes property as a strategic resource which will be managed corporately.
- Proposes a Property Board is formed which will take a strategic overview of the property portfolio and prioritise needs.
- Creates the environment for establishing challenging targets.
- To consider using property to support environmental improvements
- Sets challenging targets for the realisation of Capital Receipts from the Property Portfolio.

4.2 In addition the AMP also sets out how the Council will get more from the portfolio. This will include the following:

- Challenging the use of property by services. Each service will be required to justify the property it uses, the extent of usage and whether the service could be provided differently.
- Allocating property on 'need' and best fit.
- Recycling properties which are declared surplus. Any future use will be subject to the completion of a Business Case that is supported by an Option Appraisal with an emphasis on risk considerations if the future use were not approved and investment, in particular whole life considerations.
- Co-location of services where practicable to benefit from economies of scale.
- Maximise the use of properties that are held 'In Trust' for the use of the Community.
- Disposal of operational property assets that are no longer filling their requirements for the service delivery needs and have the greatest outstanding liabilities. These liabilities will include DDA, backlog of maintenance, Energy Efficiency, Asbestos etc.
- Working with partners to maximise the joint use of property and benefit from economies of scale.
- Transfer of the ownership of property to partners where the objectives of that partner accord with the objectives of the Council.
- Ensuring that **all** assets built by or on behalf of the Council accord with good practice, demonstrate value for money over the life of the property, and are economically and environmentally sustainable.
- Focusing expenditure on those assets that have a long term future.
- Transferring assets which have long term strategic community use to community groups to ensure their long term viability and to ensure value for money.

## 1.0 Introduction

### 1.1 The Asset Management Plan in Context

1.1.1 This AMP aims to demonstrate how the Council will work towards addressing the agreed priorities and outcomes in ensuring that the Council continues to deliver what the community wants and reinforcing the commitment to playing a lead role in delivering the Sustainable Community Strategy.

1.1.2 The four priorities as defined by the Sustainable Community Strategy are as follows:

- Creating opportunities – tackling inequalities.
- Creating the UK's environment capital.
- Creating strong and supportive communities.
- Delivering substantial and truly sustainable growth.

1.1.3 Each of these priority areas has a focus on a number of outcomes that will collectively deliver the improvements and expectations of the Community of Peterborough.

#### Creating opportunities – tackling inequalities

- **Improving health** – so that everyone can enjoy a life expectancy of the national average or above and benefit from speedier access to high quality local health and social care services.
- **Supporting vulnerable people** – so that everyone can access support and care locally to enable them to maintain independence, should they be affected by disadvantage or disability at any point in their life.
- **Regenerating neighbourhoods** – so that the most deprived communities can achieve their full potential and therefore contribute to and benefit from sustainable economic growth in the Peterborough area.
- **Improving skills and education** – so that the people of Peterborough have better skills and benefit from high quality education from cradle to grave, including through the new university.

#### Creating strong and supportive communities

- **Empowering local communities** – so that all communities and individuals are engaged and empowered, and take their opportunities to shape the future of Peterborough.
- **Making Peterborough safer** – so that people of all ages and abilities can live, work and play in a prosperous and successful Peterborough without undue fear of crime.
- **Building community cohesion** – so that new communities are integrated into Peterborough and welcomed for the contribution they bring to our city and rural areas.
- **Building pride in Peterborough** – recognise, celebrate and take pride in Peterborough's achievements, its diverse but shared culture and the exciting opportunities for leisure and relaxation.

#### Creating the UK's environment capital

- **Making Peterborough cleaner and greener** – to become the UK's greenest city with attractive neighbourhoods, surrounded by beautiful countryside and thriving biodiversity.
- **Conserving natural resources** – reduction of Peterborough's overall consumption of the Earth's natural resources.
- **Growing our environmental business sector** – so Peterborough is the natural location for green businesses.
- **Increasing use of sustainable transport** – so that Peterborough has the highest proportion of citizens using sustainable transport modes in the UK.

#### Delivering substantial and truly sustainable growth

- **Creating a safe, vibrant city centre and sustainable neighbourhood centres** – so that people have more diverse and improved places to visit and enjoy.
- **Increasing economic prosperity** – so that the people of Peterborough can work locally, benefiting from a strong local economy that is an attractive destination for business investment, particularly in higher skilled sectors.
- **Building the sustainable infrastructure of the future** – create the conditions for business, service and community prosperity and growth.
- **Creating better places to live** – provision of better places to live for both new and existing communities, ensuring the highest environmental standards of new building

1.1.4 Delivering these outcomes cannot be achieved by the Council alone, which is why partnership working is so important to realising the Sustainable Community Strategy's ambition. The Council will continue to build on its successes with the Police, Academy Trusts,

the clinical commissioners, and many other key partners to make this ambition a reality for the City and its community.

1.1.5 The 2014 Asset Management Plan sets out the overall direction and framework for managing the Council's assets

- Brings together cross-service issues into an authority-wide, corporate plan
- Is linked to the Council's corporate policies and priorities
- Incorporates the Key Issues of service property requirements
- Complements the Council's Capital Strategy
- Develops and updates Peterborough City Council's (PCC) earlier AMPs.

## 1.2 What is an Asset?

- i. There are various different definitions of an asset but this AMP is concerned with the Property Assets of the Council. This includes all the land and built property (both owned and leased-in) that is operated to support the corporate objectives of the Council.

## 1.3 The Use of Assets

1.3.1 The AMP will assist the Council in pursuing the objectives set out in the Sustainable Community Strategy for optimising the contribution that the Council's property assets make to delivering quality services to the community. More specifically, it will:

- help to prioritise Council's decisions on spending on the estate
- integrate property and other asset decision making into the Council's service and ultimately, the corporate planning process
- identify opportunities for innovation
- provide a context for evaluating capital and revenue projects
- provide a basis for developing partnerships
- identify assets suitable for investment or disposal
- identify opportunities to increase income generation or reduce expenditure
- encourage innovative methods of securing service property requirements
- ensure value for money from the operation of the Council property portfolio
- ensure that the property portfolio is managed effectively and efficiently
- Contribute to reducing the Council's contribution to climate change through its commitment to Carbon Reduction Commitment and Peterborough as an environment city.

1.3.2 The relationship of the AMP to other key corporate documents support and complement the Council's overarching corporate values.

## 2.0 Organisational Arrangements for Asset Management

### 2.1 CPO – Roles and Responsibilities

2.1.1 The Executive Director Resources is the Council's Corporate Property Officer (CPO). As a member of the senior management team, the CPO has the responsibility and authority to implement the necessary actions to facilitate effective asset management. These responsibilities are delegated to the Head of Corporate Property and Children's Resources and with support from the Head of Strategic Projects are responsible for the day to day strategic lead on the Council's assets.

2.1.2 Strategic Resources was reorganised in November 2011. Serco took over responsibility for the operation of Operational Human Resources, Payroll, Business Transformation, Revenues and Benefits, Strategic Property, and Customer Services. However Resources

retain direct responsibility for the delivery of Strategic Finance and Internal Audit whilst retaining overall responsibility for the delivery of the services previously managed.

2.1.3 Under the Council's constitution, Cabinet and the Council have agreed the roles and responsibilities of the CPO. A synopsis of these is as follows (the comprehensive list of delegations is set out in Part 3 delegations Section 3 – Executive Functions item 3.16:

- Consults with Heads of Service, partners, elected members, stakeholders and users concerning the management of the Property Portfolio.
- Ensuring that up to date electronic and paper copy records about ownership (tenure), condition, sufficiency and suitability of the Council's property portfolio, and investment required are maintained.
- Regularly reports to the Corporate Management Team (CMT) and the Cabinet on the performance of the Council's property portfolio.
- Ensuring that Leasing and Letting property on behalf of all services of the Council are carried out.
- Acquisition and disposal of property.
- Ensuring that work in respect of covenants is carried out as required.

## **2.2 Reporting Framework – Cabinet & Corporate Management Team (CMT)**

2.2.1 The Council's constitution is based on a Leader and Cabinet style of decision making. The Cabinet meets on a regular basis to make decisions within the terms of the constitution and to make recommendations to Council on matters of policy when appropriate. The Council, which meet on a regular basis, approves the annual capital and revenue budgets and agrees the major policy framework.

2.2.2 The Leader of the Council chairs a Cabinet of 12 Members including Cabinet Advisers. Each Cabinet Member has lead responsibility for a portfolio area. Areas of responsibility are as follows:

- Leader of the Council and cabinet member for Growth, Strategic Planning, Housing, Economic Development and Business Engagement
- Deputy Leader and Cabinet Member for Education, Skills and University
- Cabinet Member for Culture, Recreation and Waste Management (Culture and Recreation)
- Cabinet Member for Adult Social care
- Cabinet Member for Children's Services
- Cabinet Member for Resources
- Cabinet Member for Environment Capital and Neighbourhoods
- Cabinet Advisor to the Deputy Leader
- Cabinet Member for Community Cohesion, Safety and Public Health
- Cabinet Advisor (Business engagement, Tourism and International Links)
- Cabinet Advisor to the Leader (Planning and Housing)
- Cabinet Advisor to the Cabinet Member for Community Cohesion, Safety and Public Health (Community Cohesion and Safety)

2.2.3 The Council places a high priority on asset management and the resource implications of delivering the Council's policies. In recognition of this importance, the responsibility for asset management lies with the Cabinet Member for Resources. As the relevant portfolio holder, the Cabinet Member is the political lead on asset management and is responsible for leading change through review and development of services related to asset management as set out in the Council's constitution.

2.2.4 The Cabinet Member acting under delegated powers considers reports on the Council's property issues and asset management as presented by the CPO. The Cabinet, Cabinet

Member and/or CPO are responsible for making decisions on acquisitions, disposal and on the most appropriate use of assets to deliver the Council's policies. A key element in the implementation of the AMP is the budgetary considerations. The Capital Strategy 2014-2023 includes an AMP budget to address maintenance backlog, condition, accessibility, energy efficiency and specific projects such as alterations, refurbishment and new build. Capital budgets are supported by revenue budgets to operate and manage the non-income generating property portfolio on a day-to-day basis. Cabinet Members have a key role in challenging the use of assets, investment and disposal decisions on an on-going basis.

2.2.5 Scrutiny Committees and Panels are an integral part of the Council's framework and form part of a constructive process, which is open, accountable and contributes to policy development.

2.2.6 The Corporate Management Team (CMT) leads the officer contribution to strategic development and thinking in the Council and is made up of the Chief Executive, Directors and specific senior management representatives. The CMT meets every other week and the CPO is fully briefed on property matters to enable CMT to be incorporated as required. CMT can then consider issues affecting the Council's Asset Management Plan.

### **2.3 Links to Strategies and Plans**

2.3.1 The CPO, as lead officer, is responsible for ensuring that the Corporate AMP reflects the aspirations of the Council and reflects other policies that are in place. Strategic Property is the main area of consultation on property matters and the various plans and strategies required for successful asset management.

2.3.2 The Sustainable Community Strategy 2008-21 has been produced by the Greater Peterborough Partnership and is an overarching plan to promote and improve the economic, social and environmental wellbeing of local people. The plans and strategies of all the partner organisations are used to inform the Strategy which identifies key priorities for action.

2.3.3 The Capital Strategy has been developed as a key policy document, which brings together the strategic capital requirements emerging from the service strategies as identified in the plans detailed above. It determines the Council's approach to capital investment and sets in place the process for monitoring investment to achieve the Council's policy priorities.

2.3.4 Through the Corporate AMP, the School Organisation Plan, Highways AMP, and the Capital Strategy, the Council has a complete management framework for all of its property assets including the highways and road infrastructure. Each of these documents is determined by the Council's policy priorities and facilitates the delivery of quality services to the people of Peterborough.

2.3.5 Strategic Housing – The Council adopted The Peterborough Housing Strategy 2011-15 in February 2012.

2.3.6 The Council is working hard to support the on-going development and delivery of the Housing Strategy for Peterborough which defines the level and type of housing in Peterborough, and is forming its response to social housing demand through a review of its allocations policies and operational practices. The Council is also supporting some of its most vulnerable residents to continue to live in their own homes through programmes such as Supporting People and the Care & Repair Service.

2.3.7 Peterborough's Children's Services Department has published a new School Organisation Plan (once a statutory document). This strategic document includes information on

demography and will inform the planning of schools places (including the need for additional schools) into the future.

- 2.3.8 As the population continues to rise, further funding will be required to deliver sufficient primary and secondary school places; this will be a combination of Government grants, developer contributions and corporate funding. However Government funding is diminishing and the change in the developer contribution system will mean a far larger proportion of capital having to come from corporate resources.
- 2.3.9 The Local Development Framework sets out how the Council sees the development of Peterborough moving forward. In particular it integrates the various approaches to ensure that any development is coherent and compliments the ambitious growth programme for Peterborough. The speed at which the growth agenda is implemented is reliant on inward investment from the private sector and the economic climate. The Council acts as an enabler to the plans either through contributing financial resources or providing land.
- 2.3.10 The Local Transport Plan reflects a local approach to transport needs. Capital needs and the approach to investment is shaped by an indicative breakdown between maintenance and integrated transport themes.
- 2.3.11 The Council has demonstrated its commitment to equalities and diversity by the development and implementation of equality schemes on race, disability and gender. It also has comprehensive equality and diversity policies and procedures that focus on service users, staff and working with our partners to meet the needs of the diverse communities that it serves. The Council continues to develop an Access Strategy that will identify emerging needs, agree standards and determine systems to make its Services available to equality groups with the protected characteristics of age, disability, sex, gender reassignment, sexual orientation, marriage and civil partnership, pregnancy and maternity, religion and belief. This will build on the work undertaken by the One Community Project and involve the Disability Forum to contribute in the development of access plans.
- 2.3.12 PCC has already implemented an Accessibility Strategy for schools. It has recently started developing a Local Authority Access Strategy that will cover accessibility for all to Council Services. The requirements of both of these strategies will need to be considered when looking at the future development of the Property Portfolio.
- 2.3.13 Each service has prepared a Business Continuity Plan in the event that a major problem occurs in the City preventing them from operating from their present location. The plan sets out their property needs for service continuation and those elements that are essential services. If the ICT servers were unavailable, the Council has back-up provision for key services in a remote location from where a number of key service personnel can operate. If a building is unavailable through unforeseen circumstances such as fire or floods, provision is available in other Council buildings for staff to work as part of the Councils plans to encourage agile working.
- 2.3.14 In addition Peterborough aims to be an example of how the Council has worked together with our partners to build on our Environmental City status by becoming the UK's Environment Capital. This aspiration will be a core theme in the revised Community Strategy and Local Area Agreement. The Council entered into an Energy Performance Framework agreement with Honeywell Control Systems in June 2013 by which energy efficiency improvements will be made. Other initiatives include wind and solar farms and a district heating scheme. The Council has targets to meet for the Carbon Reduction Commitment and failure to meet these is likely to result in a financial penalty. The focus will therefore be on the properties or areas where this applies.

## **2.4 Asset Management and obtaining value for money from the Property Portfolio**

- 2.4.1 The implementation of the Asset Management Plan in conjunction with the Capital Strategy ensures the efficient and effective management of property for the Council's activities. These activities are determined through the Council's corporate policy framework and require a fundamental review of key service areas to ensure that value management is fully integrated into the policy development framework.
- 2.4.2 Value management has, at its core, provision of better quality services at a reasonable cost through maximisation of investment on properties to support those services throughout their life in use. This enables freeing up of funding to target service provision. Local people are enabled to have a greater contribution in what they want, why, and how they want it and to set robust targets for improving services. The Council is committed to providing the best service possible for the people of Peterborough. One of the key aims of supporting this principle is managing the Council's portfolio of land and buildings effectively and ensuring the provision of safe and efficient accommodation for all of its activities.
- 2.4.3 The property assets of the Council are regularly reviewed to challenge suitability i.e. do they meet the evolving needs of the services, what is their condition, how much investment is needed to bring them to good condition etc., and are they sufficient i.e. do they meet the changing space requirements needed. In addition, the use and ownership of the Council's investment property portfolio (industrial units, retail units, and farms estate) is challenged, and in some instances market tested against similar private sector property. The Council continues to invest in maintaining and upgrading its assets to extend the life of the property.
- 2.4.4 A key challenge for the Council is to reduce the numbers of vacant properties as these have financial implications in making secure, providing roaming security, paying empty property business rates, and maintaining the property to ensure it remains watertight and safe. The costs of providing roaming security is prohibitive and in some instances it has been considered good value management to demolish the buildings, particularly where these represent a health & safety issue.

## **2.5 The Use of IT to Support Property**

- 2.5.1 Organisations cluster around the information they hold in order to do their business: traditionally this information is paper based and has been held in filing cabinets, to ensure easy access and to enable sharing of information with fellow workers.
- 2.5.2 Use of ICT – whilst not promising the paperless office – ICT enables the organisation to access that information from anywhere, any place and at any time and is integral to effective use of the property estate.
- 2.5.3 Investment in and development of the Council's ICT can enable greater use of mobile and nomadic working, home working and the opportunity to provide access to services from community based facilities. Specific projects planned for the next period include moving to cloud based servers, wireless CCTV, refreshed disaster recovery, remote working, Cisco (telephony) refresh, an extension of our City Centre Wi-Fi, exploring staff accessing ICT using 'Bring your own device' and implementing Microsoft Office 365.
- 2.5.4 Peterborough has been chosen as City Fibre's next Gigabit City. City Fibre is looking to invest up to £30m in laying a fibre network through the city. The Council is looking to maximise this investment for its own requirements and has taken a licence to use the network once built to serve all Council and Vivacity buildings and the majority of schools. This will not only give the



Council and the schools access to one of the best networks in the UK, but the city one of the best city infrastructures in the world.

- 2.5.5 The Council has a partnership with SERCO to provide and manage ICT Services. SERCO has implemented a refresh of the desktop ICT access through introducing a “thin client” solution. Thin client offers flexibility around access at any computer through programmes being installed on the Council’s main servers, and desktop units (phones/computers) being standardised and refreshed where necessary to enable use by anyone, anytime and at any work station. This will support flexible and agile working proposals, and help to reduce costs of office moves as ICT will remain in situ and only the person moves.
- 2.5.6 These approaches will support the rationalisation of the property portfolio as they will allow greater use of a flexible portfolio. This is essential to maximise usage and given the increased opportunities to work from home will also increase the opportunity to reduce the number of core assets that the Council needs to hold for service provision.

## **2.6 Partnership Working**

- 2.6.1 Peterborough also takes the opportunity whenever practicable to work in partnership to deliver joint outcomes.
- 2.6.2 Current partnership initiatives include working with other government/quasi government organisations, such as Health, Police, Fire Services, Social Landlords etc. to share services and accommodation. An initial project was carried out under the Green Shoots banner to share and collate property data and PCC has recorded this electronically on behalf of partners using Graphical Information System to overlay properties and identify any overlaps/synergies. A long term objective is to rationalize the existing operational estate and to realize greater incidences of co-location.
- 2.6.3 PCC is a member of the Greater Peterborough Partnership (GPP). In 2007 the partners within GPP reviewed and updated the Sustainability Strategy. As outlined earlier in this document four new priorities and key outcomes were identified including an emphasis on growth and developing services for the community. The aim to share services and accommodation, and longer term to co-locate into new sustainable premises, will promote growth in the City through encouragement of property initiatives, utilizing local authority and quasi government premises as enablers for new developments and businesses.
- 2.6.4 PCC continues to work in Partnership with Health Services in Peterborough. This partnership is managed through the Joint Commission Forum (JCF). The delivery of Learning Disability Services is via a Section 75 agreement and the delivery of Public Health became the responsibility of the Council in April 2013.
- 2.6.5 The delivery of day services are currently being reviewed, which is likely to involve the redevelopment of current City Council stock to provide provision fit for purpose. Further adult properties de-commissioned in 2012/13 included Greenwood House and Welland House. Greenwood House is now being reviewed for sale options and Welland House is being let to the NHS Mental Health team for up to 3 years to allow them to move from the Lucille Van Geest building on the old Hospital site, prior to a review of options nearer the time of the lease expiry.
- 2.6.6 The Adult Social Care team have signed a contract to commence work on an existing Council property in Lincoln Road to deliver a Dementia Resource Centre.

## **2.7 Delivering Growth**

- 2.7.1 Through its Local Development Framework (LDF), the City Council is translating the Sustainable Community Strategy into a series of land allocations and planning policies to

guide public and private investment decisions. The various documents making up the LDF identify and programme new growth which will require funding for the infrastructure requirements it generates. This sits alongside existing and emerging developer contributions and future community infrastructure levy mechanisms for securing the necessary contributions towards funding and maintaining this infrastructure.

- 2.7.2 Work is underway on the City Centre Development Plan Document. This will be a key driver in helping the city centre become more vibrant, dynamic and diverse. Planning for a high quality built environment, employment, learning and leisure opportunities by encouraging new investment into the city, will be the key to this.
- 2.7.3 Improving the city centre continues. Phases 1, 2 and 3 (Cathedral Square, Cowgate and Bridge Street) have now been completed and has given a much needed face lift to a key part of the city centre, helping Peterborough to better compete regionally. It is now continuing with the planned refurbishment of Long Causeway scheduled to start during 2014.
- 2.7.4 The delivery of major growth schemes in a difficult economic climate requires different arrangements to those of the boom of the preceding years. The proposals agreed by Cabinet in December 2009 namely to set a dedicated growth and regeneration team, has now been developed further. The growth and regeneration function has been centralised under one new directorate who will commission Opportunity Peterborough (OP) and work to set up a new Wholly Owned Company (WOC) that will focus on the physical regeneration on specific projects in and around the Riverside Opportunity Area. Opportunity Peterborough will continue to focus on their core economic development strengths.
- 2.7.5 The willingness and ability of the Council to leverage its own assets where possible and appropriate to bring sites forward remains a pillar-stone for delivering this revised approach, playing a key part in the task of making sites financially viable. One example is how the Council has used its own assets to deliver development is on the low carbon Vista development at London Road (previously named the "Carbon Challenge" site). Here the Council has worked alongside the Homes and Communities Agency (HCA) and former East of England Development Agency (EEDA) to bring together land in public ownership to deliver approximately 300 new homes on the edge of the city centre. All of the new dwellings will be low carbon and highly energy efficient. The Vista site sits within the wider Riverside Opportunity Area (ROA), some 45 hectares (110 acres) of predominantly Council owned land incorporating what has been referred to in previous asset management plans as the South Bank Opportunity Area, land fronting London Road to the West and parts of the North Embankment particularly land fronting Bishops Road. This is one of the most significant developments in the East of England and can only move forward because the Council are prepared to use their land holdings to form the basis of the development. This will be one of the first projects delivered through the revised management structures.
- 2.7.6 Within the ROA the Council has already commenced redevelopment works on the London Road Stadium, investing up to £9.5m on a replacement for the Moy's End Terrace with a new 2460 all seater stand incorporating a 3700 sq. metre Sustainable Skills Centre. The Council has also set aside in its Budget, up to £1m of funding for phase 2 as a contribution to the redevelopment of London Road Terrace or to fully fund a retrofitting of seating and upgrade of the existing stand.
- 2.7.7 Opportunities to invest into sport facilities are currently being examined. This is by either improving what facilities we have, for example by using the new Energy Performance Contract to upgrade the Regional Pool and heat water in the Lido to a higher temperature or building new. The Council working in partnership with Sport England and Vivacity jointly commissioned during 2013, a leading sports consultant to prepare an assessment of the current supply of sports facilities across the city and future needs. The findings of that report are currently being analysed particularly around swimming, cycling, all weather pitch provision and sports halls.

## **3 Consultation**

### **3.1 Consultation**

**3.1.1** Consultation is an important part of the Council's approach to the asset management process. Feedback from services, employees, users, tenants, partners and interest groups allows the Council to ensure that the property portfolio is allowing the delivery of good quality services.

### **3.2 Neighbourhood Management in Peterborough**

**3.2.1** Co-ordination of services and agencies across geographical areas is an essential prerequisite to ensuring local services meet local needs and expectations and are accountable to local people.

**3.2.2** When residents and local communities can see how services are responding to their particular range of issues and problems, or perhaps responding to their ideas, it helps forge a stronger relationship between service providers and customers.

**3.2.3** It is not just about the Council and the way it delivers its own services in a particular area; it involves all agencies and organisations that allocate resources into an area coming together, and by working together adding value to the resources which are already there.

**3.2.4** By developing mutual understanding and ways of joint working, extensive and sometimes innovative ways of involving local people in service planning is needed - and not just on a one-off basis. The benefit of this approach is the development of responsive services- a key to creating and maintaining sustainable communities. This is the essence of Neighbourhood Management, demonstrating why this principle is at the heart of the Government's priorities for better public services.

**3.2.5** The Council is keen to ensure that the benefits of growth in Peterborough are shared across the city and that the co-ordination of services at the neighbourhood level achieves better impact and value for money. To achieve this we have developed a Community Asset Transfer Strategy, we will continue to work with community groups and parish councils, and, where relevant, we will support the development of local community plans to better define local need.

**3.2.6** The plan creates the opportunity to take a more comprehensive approach to service investment on a geographic basis and will encourage a better planned approach to the rationalisation, investment in and management of community assets.'

## **4 Data Management**

### **4.1 Identification of Assets**

**4.1.1** A statement of the Authority's built and land assets are held electronically in a property management system (The Technology Forge (Tf)). Property ownership (Land Terrier) details are also held in digital format on GIS. Deeds for PCC freehold properties are held in secure storage and are accessed by designated officers. Electronic copies of the Deeds are retained for daily use in the property database where appropriate.

**4.1.2** Drawn data is held in electronic (AutoCAD Lite/ GIS - Cartology), paper and microfiche format; condition surveys, suitability, sufficiency, asbestos, and access audits are held electronically and are being transferred to the Tf database. Other records such as service contracts, fire

risk assessments, energy billing, and energy performance ratings will be electronically stored with the Tf database, which will be the main Property database for the Council and will, in the future, be accessible to many users via an Internet Portal.

- 4.1.3 Individual assets have their own condition surveys and revaluations on a rolling 3 year programme. The introduction of the TF database has meant that all properties (schools and corporate buildings) which have had new surveys undertaken can record them in a single location. The condition surveys identify the estimated cost of the back log of maintenance. Drawn information is checked against the property and amended at the same time if necessary. If a drawing exists in a medium other than electronic, and requires updating the AMP property surveyor transfers the whole to electronic database.
- 4.1.4 Future development of the property data includes updating and improving drawn plans of all properties owned/leased by the Council for service provision. These will be formatted to show data such as services installations infrastructure, asbestos, drainage, firefighting installations etc.
- 4.1.5 Although surveys are being undertaken currently, they can quickly become out-of-date since property requirements change regularly, alteration works are carried out, or condition or asbestos recommendations are addressed. The AMP relies on feedback from property users, maintenance surveyors, service client etc. communicating any actual or proposed changes. Where such information is made available a written note is placed on a file in service client and date order for updating the relevant AMP data. When the data has been updated the note is annotated.
- 4.1.6 Due to financial constraints, limited funds are available for investment in the property to address the backlog of maintenance. There remains a need for the Council to undertake a rigorous review of the current property holdings used for service delivery.
- 4.1.7 The AMP condition data will also be used to inform repair and maintenance programmes, with whole life aspects being taken into account to enable planned maintenance programmes to be established. The benefit of implementing a programme of planned maintenance will result in an overall reduction in cost in the long term.
- **School AMP works** - funded specifically by DfE (Modernisation and Formula Capital) enabling capital to be targeted at the greatest needs. A new system of a single capital allocation with no specific labelling has meant a significant cutback in this budget as we have had to use the majority of the funding to meet our statutory duty to provide school places. We have allocated a specific sum to deal with the most pressing of condition works, putting any works that have H&S implications as priority.
  - **Suitability & Sufficiency & Access Audits** – data has been gathered from the property users and through access audits. These will inform the strategic property decisions on the effectiveness, efficiency and economic use of property for service provision and the need for change. Existing office floor space are being maximised with the rationalisation of existing services in one of the principal operational buildings.
  - **Costs** – the Schools AMP includes a 10 year financial plan for condition (including asbestos related works), suitability issues are priced and access audits are priced and prioritised. The cost information will be used to inform overall decisions on the use of the property and the need to retain or dispose. Under-performing assets may have high running costs and these will need to be investigated.
  - **Environmental Considerations** – Operational property, energy, water and CO<sup>2</sup> emissions data has been collected.

- **Investment Portfolio** – The authority has industrial, retail and agricultural investment properties, which are continually under reviewed. Some of the retail units are in the process of, or have been sold where it is known that considerable capital investment would be required to upgrade them.

## 4.2 GIS in Peterborough

4.2.1 Peterborough City Council has implemented a corporate GIS programme. This programme includes using GIS to enable the Council achieve its corporate objectives and priority outcomes, developing a corporate set of data and developing an internet/intranet service to make spatial data available to all officers of the Council and the wider community. The objective of the strategy can be defined as: “To improve the effectiveness and efficiency of service delivery through access to and analysis of high quality comprehensive spatial information referenced to land and property.”

4.2.2 The GIS programme assesses the quality of the data captured by the Council along with spatial information taken from outside the authority and assists with correcting anomalies and capturing missing data areas. Where appropriate, this data can then be made available through the desktop applications and the internet/intranet service. Hawkeye has been available for this purpose since July 2007.

## 4.3 Asset Summary

4.3.1 The new Property database has enabled an increase in the amount of data that is held by the Council in support of the Property Portfolio. Current property holdings are estimated to amount to 1493 asset records. The data has been refreshed and is vital to enable meaningful management decisions to inform what property is retained for service provision, investment decisions and disposals and will align to the Strategic Property service plan.

4.3.2 The below is a breakdown of the above figure:

| Details of categories   | Summary of categories | No.  |
|---|-----------------------|------|
| Office, Depot/Store/Public Convenience  | Admin/Depot/Other     | 53   |
| Arts Venue/Pools  | Leisure               | 5    |
| Library   | Libraries             | 10   |
| Schools/Colleges/Children’s Centre/Pupil Referral Unit/Special Schools/Caretaker Houses/Nurseries                     | Education             | 104  |
| Residential Homes/Day Care Centres  | Social care           | 16   |
| Sports Centres/Youth Centres/Community Use/Community Related Asset/Pavilion/Play Centre/Recreation Grounds/Allotments | Community assets      | 177  |
| Cemetery/Industrial/Retail/Not defined/Open Space /Garage Site/Travellers Site/Car Parks/Substations/Farms            | General               | 1106 |

## 5 Performance Management, Monitoring and Information

### 5.1 Responsibility for Performance Management

5.1.1 As the lead officer for asset management, the CPO is responsible for ensuring that the Council’s property portfolio performs to its optimum. The Council has developed its approach

to asset management to ensure that assets are utilised to their maximum potential in delivering good quality services and financial return.

- 5.1.2 The Council's asset database system is used to collect, maintain and analyse performance information across all portfolio areas.
- 5.1.3 The Council is committed to providing the best possible services to local people and will continue to access how it can improve those services even further. Through the asset management process, the continuing development of service delivery plans and service key issues set out the property implications of service requirements. This enables the Council to understand, improve and target more efficient, high standard accommodation for service provision. The aim continues to be to provide such accommodation where this will improve service delivery.
- 5.1.4 Use of resources has been one of the key drivers for identifying service delivery priorities. However there are a number of other drivers that also establish the need for Council Assets in the future. For example this would include reviews of Service Assets, Improvement Plan and Council Priorities. These drivers have an impact on accommodation and physical resource requirements for service improvement and set actions for improving services through rationalisation, refurbishment, rebuilding, integration of services, improving response to repair requests and other measures to ensure greater efficiency and increased performance.
- 5.1.5 The Council also takes the opportunity to Network with other organisations through forums such as CIPFA. In particular this networking allows the Council to develop and adopt best practice from elsewhere.

## **6 Programme and Planned Development and Implementation**

### **6.1 Service Delivery and Property – identifying project need**

- 6.1.1 The Council has implemented a corporate approach to asset management. This is an ongoing process of developing a programme whereby the Council's assets contribute towards the Council's objectives of year on year improvement in service delivery. In practice this involves:

#### Property Information

- A co-ordinated property review programme.
- A rolling programme of condition surveys.
- Asset energy use monitoring.
- Suitability & sufficiency surveys.
- DDA, asbestos and other specialist surveys.
- Compilation of data in the asset database.
- Ongoing reviews of property holdings, (Community Centres, Libraries, etc.).

#### Corporate and Service Direction

- Property Key Issues.
- Service Plans and Business Plans.
- Business Continuity.
- Corporate Policies & Strategies.
- Capital Strategy.
- Central Government Input.

- 6.1.2 The collation of property information and data is essential to enable informed decisions to be made with regard to the assets. The corporate and service direction issues guide these decisions.
- 6.1.3 The forum for making recommendations to Members on property issues is currently through the CPO. Decisions on programmes and plans for projects are made taking into account output and outcome targets. Approval of decisions made via the CPO is sought through CMT, the portfolio holder and Cabinet. An example of this in practice is the use/ownership of property and costs in use associated with that property such as revenue costs of maintenance, capital investment in repairs and other associated costs such as running costs. It is essential that the Council only retains property that will support service provision and meet priorities going forward.

## **6.2 Resourcing Capital Projects**

- 6.2.1 The Council can raise capital funding from a number of sources;
- Grants and Contributions from external sources through the various funding regimes and/or through government initiatives e.g. Heritage Lottery funding has enabled a project to significantly improve the Museum facilities with an emphasis on learning and improving the visitor experience.
  - Borrowing, with the financing of the borrowing funded by either Central Government, Council Tax or savings within the revenue budget
  - Contributions from the revenue budget
  - Capital Receipts generated as a result of the LSVT with Cross Keys Housing which is on a 30 year formulaic agreement
  - Disposal of assets.
- 6.2.2 In addition the Council continues to investigate alternative ways in which funding can be delivered although these sources have been severely impacted by recent Government Spending Reviews and subsequent austerity measures. Examples include:
- Public Private Partnership.
  - Making Better Use of Local Authority Assets.
  - LEP
- 6.2.3 To meet the challenging objectives of the Council and the associated Capital needs it is essential that maximum capital receipts are generated where practicable. However, the Council will not dispose of Property Assets at less than the market valuation unless there is an overriding need which is supported by a Business Case.
- 6.2.4 The Business Case will consider the difference in value between the proposed capital receipt and the maximum capital receipt that could have been obtained following receipt of the valuation which is procured through the property team.
- 6.2.5 The Council has also adopted the Community Asset Transfer Strategy\* from September 2013, the aims of which are to:
- Encourage and support the retention of local facilities which are used for a variety of social, community and public purposes without the use of Council funds in the future – on the basis that we are satisfied that the business case for such a transfer is financially viable and sustainable in the long term
  - Increase the effectiveness and efficiency of Council owned community assets through local management
  - Maintain local public facilities through community management

- Explore innovative ways of enhancing existing community facilities, for example by transferring multiple assets to one provider who can then deliver benefits linked to economies of scale
- Support the development of social enterprises that clearly demonstrate the returns to the local community

It should be noted that the economic recession continues to have a significant impact on the funding on the Capital Programme, with the capital receipts target hit by a fall in value of both land and property and the Council receiving a reduction in demand for the larger sites.

[\\*http://democracy.peterborough.gov.uk/documents/s17994/4.%20Community%20Asset%20transfer%20report.pdf](http://democracy.peterborough.gov.uk/documents/s17994/4.%20Community%20Asset%20transfer%20report.pdf)

### **6.3 Children's Services Requirements**

- 6.3.1 The Department has published, in April 2013, a School Organisation Plan (once a statutory document). This strategic document includes information on demography and will inform the planning of schools places (including the need for additional schools) into the future.
- 6.3.2 Previously 80% of Children's Services capital expenditure had been Government grant funded. That position has changed significantly and now far more corporate capital funds are required to meet our statutory need to make available sufficient school places. As a result of the huge rise in demand for school places due to increased birth-rate, migration and changing demographics, this demand is outstripping available places already at an alarming rate.
- 6.3.3 The Local Authority concluded its programme of modernisation of Peterborough's secondary school estate in 2013 with new builds at Nene Park Academy, Stanground Academy and an expansion at Hampton College. Two Free Schools (supported by the Local Authority), City of Peterborough Academy and City of Peterborough Academy Special School are now open on the remodelled Hereward Community College site. Peterborough is one of the few authorities in the country which now has modernised all its secondary schools. Unfortunately these schemes will not be enough to meet the need for secondary school places and demand will exceed current capacity in 2015/16.
- 6.3.4 The need for additional primary school places has meant that around 20 projects are underway at the present time including a new build block for Gladstone Primary school, linked with Gladstone Community Centre. It has also meant the need to place more mobile classrooms on school sites; a practice we had begun to phase out.
- 6.3.5 The original programme was meant to address condition issues as well as provide new places. The continuing need for new places means a cut back in larger capital maintenance schemes and our whole school estate will begin to suffer without considerable investment. Schools own funding for maintenance has also been cut drastically.

### **6.4 Option Appraisal and Project Prioritisation**

- 6.4.1 The capital resources calculation for forthcoming years, as part of the budget setting process takes account of the Council's agreed policy for prioritising capital proposals. Priority is given to schemes that:
- Are consistent with policy priorities identified in the Council's Action Plans in particular those working towards the Council's longer term strategic objectives.
  - Meet the principles of the Sustainable Community Strategy.
  - Allow spending in accordance with allocations and specific resources.
  - Relate to commitments from previous years.
  - Address strategic maintenance needs of existing assets from the AMP.
  - Assist in the maintenance of existing service provision.
  - Maximise the availability of external funding to enhance value for money.



- 6.4.2 Meet mandatory and or statutory requirements. Should it be decided that the most appropriate route for financing a project is through the Council's capital programme, there is a robust appraisal mechanism that ensures that all projects work together towards the delivery of the key outcomes.
- 6.4.3 Capital project proposals and an agreed capital programme are developed from action plans evolving through the Policy and Service Planning Cycle.
- 6.4.4 It is now mandatory that the CPO is consulted as part of this process. If the project is in accordance with the Asset Management Plan the CPO or their delegated officer for property signs approval to the project and considers any property implications arising from the project. Targets are set for all projects and programmes requiring capital investment in accordance with the Council's Asset Management Plan.
- 6.4.5 The need to reduce revenue costs associated with property ownership, which in part are linked into environmental considerations such as carbon reduction commitment, reducing energy inefficiencies, what happens to the property at the end of its useful life etc., require a committed consideration of total life costs. This will require risk assessments to be undertaken to evaluate differing options and the risk/benefits of doing/not doing a project. Emphasis should be placed on reduce, re-use and recycle where practicable rather than renew.

## **6.5 Links to the Capital Programme**

- 6.5.1 The Head of Strategic Finance is responsible for co-ordinating the Council's capital programme. The capital programme is based on the future ten years capital investment required by the city. Every year during the MTFs process, which starts in the early summer, the capital programme is reviewed by the Council to ensure that the programme only captures the capital investment requirement for the future and is affordable within the capital financing budget available.
- 6.5.2 The resources for the capital programme will come from the following sources:
- Capital Receipts
  - Capital Grants & Third Party Funding
  - Borrowing

## **6.6 Financial Planning for the future (3-5 year action plan)**

- 6.6.1 The capital programme for 2014/15 has been included in the Medium Term Financial Strategy 2014/15-2023/24 This includes the rolling programme for Structural Maintenance of Council Buildings. This programme will be reviewed in line with the level of resources available and in accordance with the development of the Asset Management Plan and the Capital Strategy.
- 6.6.2 As additional resources are confirmed, the Council will add schemes to the capital programme or reduce the borrowing requirements.
- 6.6.3 The Council will also look to maximise the use of external resources to deliver Council objectives.

Consideration will include:

- Identify and disseminate information on relevant funding opportunities within the Council.
- Analyse and evaluate funding opportunities in relation to Peterborough City Council's strategy and long term objectives, and to recommend appropriate bidding strategies.
- Provide specific advice to Directorate staff on project funding opportunities.
- Lead on the development of cross-Council and inter-agency bids and initiatives, as appropriate.

- Provide intelligence/analysis to Cabinet Members, Directors and lead staff
- Develop and maintain high level relationships and contact with the representatives of principal UK agencies and organisations.
- Develop and continuously improve relationships with key partners in respect of external funding.
- Support and develop external and internal funding networks that focus on increasing funding leverage and improving capability internally and externally to develop successful relevant bids.
- Identify quantitative and qualitative performance measures and to collate and compile corporate performance reports on external funding.

## **6.7 Financial Planning for the future (6-10 year action plan)**

6.7.1 To support the existing and approved Council strategies, particularly those associated with growth such as the Core Strategy, Integrated Development Plan, School Organisation Plan and Local Transport Plan, there are a variety of growth bids that are necessary in order to deliver future infrastructure requirements. These include new schools, highways and transport schemes. These bids are dependent on the rate of growth within the City over the next ten years, and may be funded through a variety of funding streams which require further exploration such as, but not limited to:

- Third Party contributions – grants and developers
- Tax incremental Financing – awaiting further developments in this area following the recent localisation of business rates consultation
- Business Rates – for example, locally led increase in business rates to support infrastructure
- Community Infrastructure Levy expected to be implemented from Autumn 2014
- Capital Receipts
- Corporate Borrowing – either through traditional PWLB methods or through the market

## **7 Towards the Future**

### **7.1 Getting More From Less**

7.1.1 At present day-to-day management of property is left to those Services that use it to deliver a service. Whilst major maintenance will be funded from a variety of Capital Budgets the balance is funded from the services. This tends to be responsive and is unlikely to take into account the long term future of the asset.

7.1.2 In addition the Council is suffering from an ageing Property Stock. There has been an under-investment in the property portfolio and Peterborough, in common with many other authorities, faces a maintenance liability in excess of upward of £50M that will have to be addressed.

7.1.3 The current approach has led to a portfolio that is not focussed on Council-wide delivery. Some services are being delivered from assets simply because the building has become available and not that it is ideally located and fit-for-purpose. A more strategic approach would lead to a Property Portfolio that is targeted on service delivery consistent with the efficient use of assets.

7.1.4 The Council is required to obtain Value for Money from the property it uses. It must ensure that their property portfolio is tailored to the needs of the Council with sufficient flexibility built into assets to ensure that it can respond efficiently and effectively to changing requirements.

7.1.5 The current perceived piecemeal approach is leading to expenditure across the whole of the portfolio without focussing on those areas where there is a long term need and in-house

expertise is not being fully utilised. In contrast, a more centralised approach to the management of property would lead to:

- A consolidation of the property portfolio into core assets i.e. those that have a long term future.
- Savings generated from economies of scale.
- Efficient and effective use of the property portfolio.

7.1.6 In addition we would wish to achieve the following outcomes:

- Enhanced customer and Stakeholder satisfaction – leading to greater VFM. This will be measured by benchmarking, market testing and customer satisfaction questionnaires
- Affordability – a clear process for assessing prudence, affordability and sustainability.
- Compliance with statutory and regulatory codes
- Improved corporate management – the ability to demonstrate clear linking between corporate and service goals
- Environment – Sustainability through efficient use of resources and minimise the impact of our property portfolio on the environment.

## **7.2 The Next Steps**

7.2.1 During the next three years PCC will face many changes and in particular they will focus on the effective use of Property Assets. The targets for property will be subject to change. However it is possible for us to identify both medium and long term targets.

7.2.2 Given the above the following action will be undertaken to support the rationalisation of the property portfolio:

- Savings outlined by inclusion within the budget strategy
- Reducing the Council's property footprint to deliver savings using ICT and better working environments.

## **8 The Strategic Approach to Property**

### **8.1 The Current Position**

8.1.1 Whilst there have been prestigious developments such as the secondary schools project, the underlying trend is of an ageing stock.

8.1.2 This is confirmed by the increasing backlog of Maintenance and further compounded by the impact of new legislation such as the Disabilities Discrimination Act 1995, Regulatory Reform (Fire Safety) Order, Asbestos Act, and Energy Performance requirements etc.

### **8.2 The Way Ahead**

8.2.1 It is clear that we must drive towards a more efficient use of the Property Portfolio. As a Council we need to look at ways in which we can make more of our existing portfolio whilst disposing of those which do not meet an operational need or fail to meet the necessary performance criteria.

8.2.2 In addition the establishment of Peterborough as a Growth Area will also lead to greater investment in the PCC area. Working with Opportunity Peterborough and other Partners, PCC will also lead on encouraging inward investment from the public and private sectors.

### **8.3 The Disposal Option**

8.3.1 The process for dealing with surplus assets is set out later in this document. However there are factors that will be considered in coming to a disposal solution.

8.3.2 The disposal of an asset is not a decision that will be taken lightly. The criteria that will be considered are summarised below:

- Location
- Suitability
- Maintenance liability
- Annual Maintenance costs
- Age
- Condition
- Capacity
- Value
- Alternative use value
- Energy Cost
- Running Costs
- Covenants
- Potential future uses
- Sustainability

8.3.3 Each asset will be assessed against each of these criteria. However any decisions will be based on the strategic need for a particular asset in a particular area and the impact of the closure and eventual disposal would align with the overall Council objectives. It will also be supported by a fully developed business case.

8.3.4 The whole of the property portfolio will be kept under review. Those operational assets held by services will be robustly challenged. This will require services to justify the holding of assets. As a Council we will only continue to hold those assets where there is:

- A justified operational requirement.
- An acceptable investment return.
- A strategic reason.
- Social need.

8.3.5 The Council will also consider disposal of assets to partner organisations. In such circumstances such partner organisations will also need to agree to sign up to the delivery for options that align with those of the Council. In addition the Council will reserve the right to bring those assets back into council ownership. Also such assets will not be disposed of without the permission of the Council and the partner organisation will also take on all maintenance liabilities.

8.3.6 In addition the Council may look to dispose of assets to community organisations. In such circumstances the Council will need to be certain that any community organisation is capable of actively managing such assets. Similarly any such agreement will allow for the use of the asset for community uses.

### **8.4 Outcomes**

8.4.1 The Strategic approach to property must lead to a Property Portfolio that is tailored to the outcomes of the Council. Property does not exist for properties sake. The approach outlined will not only lead to a rationalised property portfolio but it will also ensure that the Council has a portfolio for the future. A Portfolio that has the flexibility and efficiency to take the Council into the future.

### **8.5 Surplus Property - Declaration and Procedures**

8.5.1 Decisions to declare assets surplus to requirements and to progress a disposal generally need to be handled carefully in a planned and co-ordinated manner. Often disposals come forward as a consequence of changes to service delivery and these ordinarily can be planned for. Some of these service changes can be sensitive for example the current disposals

programme contains closed former care homes. These were declared surplus as a consequence of alternative ways of delivering care set out in the Older Person Accommodation Strategy. Other assets come forward in a less structured fashion as they may be a direct response to an approach from a neighbouring owner for assets to be offered jointly for sale.

8.5.2 As soon as a Head of Service becomes aware that property used by his / her service may become surplus to the requirements of that service (either through a service review or otherwise) the CPO will be advised immediately.

8.5.3 If a building or structure is at any time vacated by a service, it is the duty of the Head of Service to make arrangements, in consultation with the CPO, regarding security and insurance of that property.

8.5.4 The CPO must be consulted over any Cabinet / Strategy /CMDN report mentioning potential closure / vacation of a property. This will enable the CPO to inform and comment on the implications for the service and the Council over the future of that property and likely timescale for disposal.

8.5.5 When a Head of Service can confirm that a property definitely will be / is surplus to that services requirements, they will advise the CPO. The following information will be provided:

- The future of any fixtures and fittings in the property
- Arrangements for services and utilities and meter readings if necessary
- Arrangements for security, fire and any other alarms
- Arrangements for physical security of the property
- Arrangements for any heating system in the property
- Labelling and hand over of keys
- Date for the property to be transferred to the responsibility of CPO.
- Details of where costs associated with the previous use of the building e.g. dilapidations are to be booked to.

8.5.6 The CPO will only accept the asset when:

- It is secure and the necessary security measures are in place
- The asset is safe or alternatively Strategic Property agrees to take the asset with the outstanding safety issues.
- It is wind and watertight
- Operating Costs budgets i.e. rent, rates, insurances, security, FM etc. have been transferred to Strategic Property.
- Any income is transferred to Strategic Property
- The keys are provided

8.5.7 In some instances the CPO will require the service declaring the property/land surplus to undertake certain works. For example this could include demolitions or dilapidations. These will be agreed before the CPO accepts the asset.

8.5.8 The service declaring the asset surplus should also make sufficient provision to cover dilapidations costs if there is no longer a requirement for the asset, if the lease (if applicable) is to be surrendered or the lease has come to an end.

8.5.9 On the date that the property is transferred to the responsibility of the CPO, the service declaring the property surplus will have:

- No further physical management responsibility for the property.

- No further responsibility for the capital charges, business rates (NNDR), energy costs, security and essential repair & maintenance for that property.

8.5.10 Once the CPO has been informed of a property being considered as surplus by a service, and as soon as is appropriate, he will approach all appropriate Heads of Service across the Council. This approach will be by e-mail and will identify the property and location, and invite any interest from other services, or partner organizations, with a deadline for response. If no response is received within 4 weeks then it will be assumed that there is no future use for the asset. Any future use of the asset will be supported by an Option Study that will include a Whole Life Costing. The CPO reserves the right not to offer any asset to Head of Service if there is a Strategic requirement to use that asset in another way.

8.5.11 In considering interest in the property, the Head of Service will be required to:

- Identify service need for additional property requirements
- Identify funding for the costs likely to be associated with the property - CPO will endeavor to provide information on capital charges, business rates (NNDR), energy costs and repair & maintenance allowance.
- Identify when occupation is likely to be required from and, if not indefinite, the period of occupation required
- Respond within a set timescale.

8.5.12 When a service wishes to take over an asset it will, from the date stipulated by the CPO, take over the full operating and management costs of the asset. The costs of this will be borne entirely by the Service taking the asset. There will be no transfer of funds from Strategic Property.

## **8.6 CMDN – Surplus Declaration and Future of the Property**

8.6.1 Where a service has a potential use for the property (either alone or as a joint occupation with another service), the CPO will arrange for the transfer of the property to that service or services. This will initially involve a CMDN prepared by the CPO involving both the service declaring the property surplus and the service(s) requiring occupation. Subject to CMDN, the CPO will then arrange for the transfer at an agreed date.

- of the property
- of management responsibility for the property
- To the service(s) requiring occupation (as appropriate).

8.6.2 Where there is a strategic reason to retain a property but no identified, immediate service need, the CPO will report this to CAMG and Portfolio Holder with details of:

- An identified future need.
- proposals for management of the property in the meantime
- A budget for management of the property as the service declaring the property surplus will not continue to be responsible for associated costs.

8.6.3 Where there is no service requirement for the property and no strategic reason to retain the property, the CPO will take immediate steps to report this to the Property Board. Such a report will request that the property is declared surplus to the Council's requirements and is disposed

of on the open market by the CPO. The subsequent agreed terms of any such disposal will be reported to the Cabinet for approval.

8.6.4 Where there is no service requirement for the property or there is no market for a disposal the CPO will report this to Cabinet with details of:

- any alternative strategy for the property - demolition, gifting the property to an external body
- proposals for the management of the property in the meantime
- Budget for management of the property as the service declaring the property surplus will not be responsible for associated costs.

## 8.7 The Localism Act 2011

8.7.1 The Act has three areas which will potentially affect the Council's asset management plans.

8.7.2 The Right to Bid – This provides for Local Interest Groups in the Community to be given the opportunity to bid for property or land they consider to be of Community benefit. The Council is agreeing a process which will monitor applications and provide advice to the Community Groups as appropriate.

8.7.3 The Right To Challenge – This is the right for a Community Group to bid to take on a service provided by the Council if it can be proved that it can be done without a loss of quality and at competitive prices.

8.7.4 Neighbourhood Planning – This is a right for Neighbourhoods to draw up plans with statutory impact which subject to due process will be included in the Council's Planning Policy. This will mean an increase in workload for Local Authority Planning Departments.

## 9.0 Asset Management Plan Glossary of Terms

| Acronym | Meaning   |
|---------|---|
| AMP     | Asset Management Plan                               |
| CAMG    | Corporate Asset Management Group                    |
| CAMP    | Corporate Asset Management Plan                     |
| CLG     | Communities and Local Government                    |
| CMDN    | Cabinet Member Decision Notice                      |
| CMT     | Corporate Management Team                           |
| CIPFA   | Chartered Institute of Public Finance               |
| CPO     | Corporate Property Officer                          |
| CSCI    | Commission for Social Care Inspection               |
| DDA     | Disabled Discrimination Act                         |
| DEFRA   | Department for Environmental Food and Rural Affairs |
| EDRMS   | Electronic Document Retrieval Management System     |
| GIS     | Geographical Information System                     |
| IRR     | Internal Rate of Return                             |
| NNDR    | National Non-Domestic Rates                         |
| OP      | Opportunity Peterborough                            |
| PB      | Property Board                                      |

|      |  |
|------|--|
| PCC  | Peterborough City Council                    |
| RICS | The Royal Institution of Chartered Surveyors |
| VFM  | Value for Money                              |



## 10. Budget Consultation



**Medium-Term Financial Strategy  
Proposals Document from Cabinet  
January 2014**

**STRICTLY EMBARGOED UNTIL  
5pm on 24 January 2014**

|  | <b>Page No.</b> |
|--|-----------------|
| <b>1. INTRODUCTION</b>                                       | <b>4</b>        |
| <b>2. CONTEXT AND OVERVIEW</b>                               | <b>4</b>        |
| <b>3. PRIORITIES</b>   | <b>6</b>        |
| <b>4. COST INCREASES AND PRESSURES</b>                       | <b>6</b>        |
| 4.1 Provision of services – demand and cost pressures        | 6               |
| 4.2 Unavoidable costs  | 7               |
| <b>5. INVESTMENT</b>   | <b>7</b>        |
| 5.1 Investing in the growth of the city                      | 7               |
| 5.2 Capital investment                                       | 7               |
| <b>6. OVERALL FINANCIAL POSITION</b>                         | <b>8</b>        |
| <b>7. PROPOSALS TO CLOSE THE FINANCIAL GAP IN THE BUDGET</b> | <b>8</b>        |
| 7.1 Transformation   | 9               |
| 7.2 Income generation  | 9               |
| 7.3 Property and asset rationalisation                       | 10              |
| 7.4 Departmental proposals                                   | 10              |
| <b>8. COUNCIL RESERVES</b>                                   | <b>11</b>       |
| <b>9. IMPLICATIONS FOR COUNCIL TAX</b>                       | <b>12</b>       |
| <b>10. OVERALL BUDGET POSITION</b>                           | <b>13</b>       |
| <b>11. FUTURE PROSPECTS</b>                                  | <b>14</b>       |
| <b>12. YOUR VIEWS COUNT</b>                                  | <b>14</b>       |

**Service Implications (Investment/Reductions)**

|   |           |
|---|-----------|
| • <b>Appendix 1 - Adult Social Care and Health and Wellbeing Savings/Reductions Investments</b> | <b>16</b> |
| • <b>Appendix 2 - Chief Executive's Savings/Reductions Investments</b>                          | <b>26</b> |
| • <b>Appendix 3 - Children's Services Savings/Reductions Investments</b>                        | <b>28</b> |
| • <b>Appendix 4 - Communities Savings/Reductions Investments</b>                                | <b>33</b> |
| • <b>Appendix 5 - Governance Savings/Reductions</b>   | <b>38</b> |

## **Investments**

- **Appendix 6 - Growth and Regeneration Savings/Reductions Investments 41**
- **Appendix 7 - Resources Savings/Reductions Investments 45**
- **Appendix 8 - Staff Implications 62**
- **Appendix 9 - Capital Programme Overview 63**

## **1. INTRODUCTION**

This is a comprehensive document setting out, as far as possible, the Cabinet's proposals to continue to meet the challenges of the government's Spending Review first outlined in October 2010, and subsequent government announcements which reduced council funding.

The old realities of public service are changing rapidly. Councils are moving into the fourth year of reductions in government funding with little prospect of recovery in the public finances.

We have, for many years, been delivering year-on-year significant efficiency savings and are regarded now as the most efficient sector of public service in Britain.

However, efficiency and service transformation are not going to be enough to meet the financial challenges ahead and for next year the Cabinet has had to make difficult choices. The Medium Term Financial Strategy also shows significant financial gaps in our budget over the next nine years.

The council's annual net budget in 2013/14 is £155 million (this excludes school budgets and monies we receive from government to distribute for benefits).

In 2014/15 we will see a £9 million reduction in the funding we receive from government and £10 million of pressures on our finances as a result of an increasing demand for services and legal changes. This means we have faced an enormous challenge finding £19 million of savings and efficiencies to balance our books, while continuing to invest in the city to ensure Peterborough is a great place to live, work, visit and stay.

**This document does not seek to outline all of the services we provide or how our total budget is spent. Rather it outlines the financial challenges we face and how we intend to respond to these challenges to deliver a balanced budget for the coming financial year (2014/15). A chart below outlines our total budget for 2013/14 of £155m and how much is spent in each department for you. All items included in this document are changes to that total net budget of £155 million.**

We have also included the investments we are intending to make in the coming year to ensure we have enough school places for all the children that need them, the schemes to rejuvenate and encourage investment into this city so it continues to prosper and grow and our financial projections for future years.

We aim to be open and transparent about our proposed spending plans and publish them at this time to give residents, partner organisations, businesses and other interested parties the chance to give their comments.

## **2. CONTEXT AND OVERVIEW**

When the government's Spending Review was revealed in October 2010, it meant unprecedented cuts in public sector spending, including the money given to councils to run services. As a result, councils were told they would receive an overall reduction in funding of 28 per cent (or equivalent to 24 per cent in cash terms) over four years. Subsequent government announcements have removed further funding over this period.

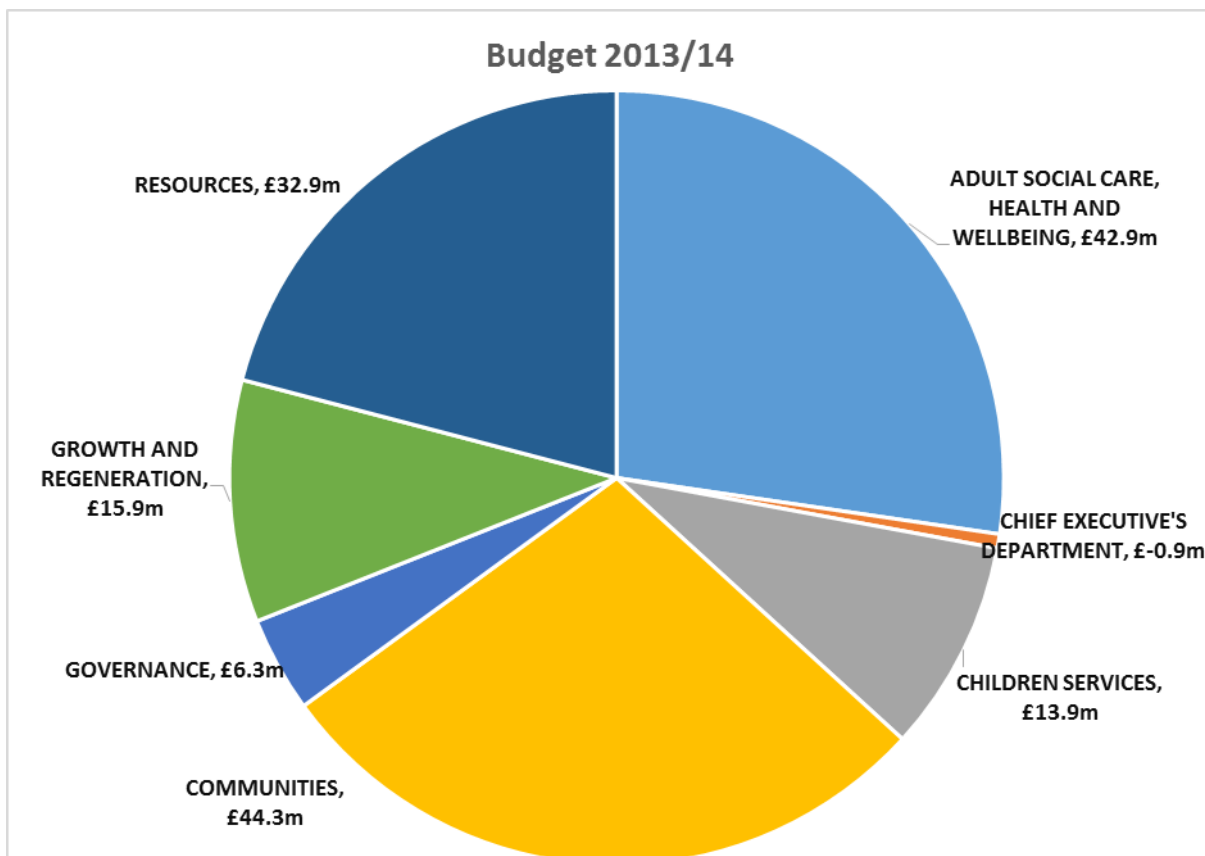
Government announcements made during 2013 will also reduce council funding in 2015/16. Between 2010/11 and 2015/16, local government spending will have almost halved.

To be specific: a) £22.2m grant reduction to date, 2) a further £9m in grant reduction in 2014/15 and 3) £12.5m in 2015/16. The overall grant reduction over five years is £44m or almost 40 per cent.

This consultation document is based on the latest announcements by central government. The final settlement is due in February. Where details have not been received appropriate assumptions have been made.

During 2013/14, the council moved towards becoming a commissioning organisation. This means reviewing everything we do, to see whether there are better ways of doing things, to ensure the services and support arrangements we are responsible for reflect the needs of our residents and are improving their quality of life and enabling them to reach their full potential. Our organisational structure has changed to support the functions of a commissioning council. In these difficult financial times we need to make sure everything we do improves peoples' lives and is carried out in the most efficient, effective, equitable and sustainable way.

The current department net spend on services is as follows:



### **3. PRIORITIES**

The Cabinet remains firm in its priorities this year against the funding challenges it faces. It is worth reiterating those priorities against those challenges and they are as follows:

- Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned;
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city;
- Safeguarding vulnerable children and adults;
- The Environment Capital agenda including pursuing new income streams from solar energy and wind farm developments;
- Supporting Peterborough's Culture and Leisure Trust, Vivacity, to continue to deliver arts and culture;
- Keeping our communities safe and cohesive.

### **4. COST INCREASES AND PRESSURES**

At the same time as unprecedented reductions in funding, we are also experiencing significant financial pressures. We have a range of statutory services, and with demand for these services increasing, we have a legal duty to meet these extra demands.

This paper, therefore, also outlines the financial pressures we are facing and need to fund. Some of the most significant are also outlined below. The consultation also outlines other statutory and unavoidable costs.

#### **4.1 Provision of services - Demand and cost pressures**

Peterborough's population growth continues to be significantly above the average for England, inevitably placing demand on statutory services such as social care, school places, infrastructure and roads and waste collection. The increase in demand for services and cost increases can be seen through:

- An increasing elderly population, with people living longer and other adults developing more complex needs;
- The need to provide increasing concessionary fares for eligible residents in Peterborough;
- Increased numbers of children in care including those with increasingly complex needs resulting in higher cost placements;
- Existing residents experiencing financial hardship and increasing numbers of people accessing welfare benefits is placing demand on welfare budgets, for example providing temporary accommodation for the homeless;
- Providing refuse collection services for all housing and new developments.

With decreasing government funding and increasing cost pressures we cannot continue providing services in the same way we always have. By reorganising the council to a commissioning organisation, we will assess the needs of the local population and ensure the services that are provided meets those need and tackle local issues as efficiently and effectively as possible ensuring value for money for the taxpayer.



## **4.2 Unavoidable costs**

We are not immune to legislative changes by government that have a national impact on businesses and the public sector and as such we will experience costs that are unavoidable. These costs include changes to Adult Social Care services for people with learning disabilities and challenging behaviour following concerns about care provided at Winterbourne View Hospital in the south of England and changes to national insurance employer contributions. We need to budget for these costs.

## **5. INVESTMENT**

Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in existing assets and infrastructure such as roads and schools and in the future of the city and its residents. This investment will require us to borrow money to ensure the schemes set out below can go ahead.

### **5.1 Investing in the growth of the city**

We recognise the importance of investing in the city to promote growth, regeneration and economic development which will in turn enable us to maximise future funding opportunities based on business property growth and new housing developments. We will therefore be maintaining our investment in the budget for these key areas. We will continue to invest in specific growth projects to support delivery of funding opportunities.

### **5.2 Capital investment**

We remain fully committed to the growth, regeneration and economic development of the city to bring new investment and jobs. We want to build upon the progress we have made in the past year bringing new companies into the city by continuing to rejuvenate our city centre to attract new businesses and ensure that Peterborough is the destination of choice, not only for our own residents but for visitors and investors in the future.

Significant investment was built into the capital programme last year and these projects will continue, with a number approaching completion during the coming year:

- Extra care provision for the elderly
- Roads, including additional lanes between junctions 17 of the A1(M) and junction 2 of Fletton Parkway
- Continuation of improvements to the city centre, including improvements to Long Causeway and Bourges Boulevard
- £42m in city schools to provide more primary and secondary school places
- Waste strategy – Energy from Waste to reduce the amount of waste going to landfill and cost efficiencies
- The development of the Moy's End stand at London Road, including the new Skills Centre
- Invest to Save – developing schemes that will either save us money or generate income
- Renewables – to generate energy and income to support services for our residents

With the constraints on resources available to the council, some new investment has been included to support efficiencies put forward within the saving proposals contained within this consultation. This approach will reduce the need to make unnecessary service reductions by ensuring we maximise opportunities to deliver efficiencies within services.

## 6. OVERALL FINANCIAL POSITION

The costs, pressures and investments, combined with the reduction in grant, create a budget gap that has to be tackled. This gap is outlined below:

|                           | 2014/15<br>£k  | 2015/16<br>£k  | 2016/17<br>£k  | 2017/18<br>£k  | 2018/19<br>£k  |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Original MTFS budget gap  | -7,269         | -11,185        | -13,831        | -18,647        | -20,626        |
| Further grant reduction*  | -972           | -11,503        | -11,783        | -11,783        | -11,783        |
| Pressures                 | -10,343        | -12,410        | -12,671        | -9,556         | -9,878         |
| <b>Revised budget gap</b> | <b>-18,584</b> | <b>-35,098</b> | <b>-38,285</b> | <b>-39,986</b> | <b>-42,287</b> |

\* The further grant reduction refers to the extra grant reduction the council is expecting over and above the assumptions that were already included in the original MTFS budget gap. The total grant reduction in 2014/15 is £9m and nearly £12.5m in 2015/16.

The council originally had a budget gap of £7.3m for next year. This included the grant reduction that had already been announced. During the year further grant reductions have been announced (with significant further reductions now planned for 2015/16). We are also experiencing financial pressures such as an increased demand for children's social care services and legal changes for adult social care services.

The combined impact of these means we faced a budget gap next year of nearly £19m. The next section outlines how we will tackle this financial gap to deliver a balanced and sustainable budget.

## 7. PROPOSALS TO CLOSE THE FINANCIAL GAP IN THE BUDGET

The majority of this consultation document outlines the Cabinet's proposals for how we will tackle these financial gaps to deliver a balanced budget. These proposals demonstrate the Cabinet's commitment to the priorities set out in Section 3 which are to protect, as far as possible, the services you care about the most and our vision for the city through reducing bureaucracy and costs, and improving efficiency to ensure value for money.

Our approach now is focused on the following:

- Reducing the demand residents have for our services and enabling them to live independent and healthy lives;
- Providing services that prevent residents needing critical and more expensive services and where there is a need to provide specialist services, ensuring that those services properly meet residents' needs or allow the residents to choose the care they want to purchase;
- Building a strong and healthy economy which provides jobs for our residents, helps to reduce dependency on welfare benefits, and enabling the council to benefit financially from business rates and New Homes Bonus and reinvesting this to support the needs of our residents;
- Focusing on educational attainment in schools and developing university provision to give our young people and residents the skills to take up the new job opportunities;
- Income generating in new ways through, for example, our renewables project, to make the council less dependent on taxing its residents and on government funding and giving us the independence to support our residents and their needs.

These key themes are explored further in the sections on the next page.

## 7.1 Transformation

We have been delivering savings since 2006 through a successful transformation programme and by 2012/13 we have generated cumulative savings of £51.5m per annum and identified further new savings and efficiencies of £12.5m in 2013/14.

We have already implemented many of the savings included in the government-produced '50 ways to save in local government' document.

Efficiency and service transformation however, is not going to be enough to meet the financial challenges ahead. The Medium Term Financial Strategy shows significant financial gaps in our budget over the next ten years. Working in partnership with others we will focus on:

- **Helping our residents to help themselves to stay healthy and independent for longer.** We will focus on early intervention and preventative measures by ensuring that when people contact us their enquiries are dealt with as efficiently as possible, and as often as possible at that first point of contact. We will be investing in technology to ensure that when people contact us we can access all of their information at once so we have a clear picture of who they are and their needs.
- **Transforming services to help residents stay healthy and independent for as long as possible, reducing the demand for more specialist services.** Some examples include the adult transformation programme which is a move away from the one-size-fits-all approach to care and instead helping people to become active members of their community and give them the life skills to be able to improve their own life chances and future potential. We will also look for opportunities to generate income by selling our services to other organisations whilst operating within current legislation.
- **Growth and regeneration** – Actively pursue investment to deliver growth within the city, for example the Riverside Opportunity Area or South Bank development.
- **Making the best use of public funds** by optimising the NHS monies and Public Health grant available to us through working collaboratively with NHS services.
- **Exploring opportunities to work with the private sector, voluntary sector and other public services.**

## 7.2 Income generation

As grants reduce significantly, we are developing ways to generate income from other sources. This focuses on two major areas:

### 7.2.1 Economic Growth

As well as the benefits for individuals and communities in the city, from better skills, new employment opportunities, new housing and improved roads and schools, the council also benefits. We are able to retain 42p in every £1 of business rates generated from new business premises, as well as the New Homes Bonus (a grant from government for new houses). We have built initial forecasts into this budget, but will continue to review as we drive growth forward.

### 7.2.2 Energy efficiency and generation

We are developing a number of projects that will utilise existing council assets (mainly land) to generate energy and income for the council. The Energy from Waste plant is currently under construction, and as well as being used to dispose of waste, will generate power that can be sold to reduce the cost of waste disposal. These savings are incorporated into this Medium Term Financial Strategy (MTFS).

We are also developing sites for establishing wind and solar generating capability. The net income from these projects, once build and maintenance costs are incorporated, will provide significant income in future years.

The budget position reported in future years already includes this income, and if the projects do not proceed, then the budget gaps we face will widen, as can be seen below:

|   | 2014/15<br>£k | 2015/16<br>£k  | 2016/17<br>£k  | 2017/18<br>£k  | 2018/19<br>£k  |
|---|---------------|----------------|----------------|----------------|----------------|
| <b>MTFS deficit (as per section 10 below)</b>       |               | <b>-17,848</b> | <b>-22,486</b> | <b>-23,843</b> | <b>-26,507</b> |
| Net income from wind/solar                          |               | -217           | 954            | 4,426          | 4,983          |
| <b>Revised budget gap if schemes do not proceed</b> |               | <b>-17,631</b> | <b>-23,440</b> | <b>-28,269</b> | <b>-31,490</b> |

### 7.3 Property and asset rationalisation

We occupy a large number of buildings throughout the city. We continually review all the buildings we own to ensure they are being used as efficiently and effectively as possible, and any that are no longer needed are disposed of.

This process will continue and we have identified £24m of potential disposals over the next five years.

We continue our drive to reduce costs by ensuring we are making the best use of all the buildings we own and use. Part of this proposal is about bringing more services into our main buildings and maximising the income we receive from our commercial property estate. For example we are currently moving staff out of rented accommodation such as Stuart House.

### 7.4 Department proposals

Each appendix outlines the proposals in detail for each department, but in summary these are:

#### **Adult Social Care and Health and Wellbeing**

We will continue to provide a range of social care services, including assessing people's needs and managing their care, safeguarding those adults who could be at risk of abuse, and re-ablement support to help people get over a fall or an illness and reduce their need for long term care. The department continues to work with the NHS, providing integrated services to improve the health and wellbeing of individuals across Peterborough, which will be further developed in 2014/15 through the introduction of the Better Care Fund. The savings put forward include:

- Continuing with a major transformation programme to help people maintain their independence for as long as possible.
- Focusing on investment in preventative services, re-ablement and information and advice to reduce the reliance on statutory care. Reviewing traditional services to encourage more personalised approaches and choice.

#### **Children's Services**

We provide school places and ensure children in Peterborough have access to a high quality education. We also provide early help and safeguarding services to the most vulnerable children and their families in the city. The proposals put forward recognise the changes in the way the government funds education services and focuses on the provision of early intervention and prevention services to reduce the number of children in care in Peterborough. We also focus on the recruitment of more foster carers in the city to reduce the number of children placed out of Peterborough in expensive independent fostering and residential placements.

## **Communities**

Previously commissioning took place in four different council departments, Adult Social Care, Operations; (Neighbourhood Services) Children's Services and Public Health. In bringing commissioning activity together, we aim to achieve financial savings for the council and improve the lives of our residents.

The Communities department also brings together a range of community services and targeted support focused on community safety and cohesion, healthy living, housing and 0 to 19 services. Plans are in place for us to improve the way we work with other organisations which will result in efficiency savings and more seamless services for residents.

## **Growth and Regeneration**

We provide planning, transport and engineering in Peterborough and support the existing infrastructure and future requirements to be delivered through growth. The saving proposals put forward look to provide services more efficiently and effectively.

## **Governance**

This department supports all the other council services to ensure that all the legal, governance and democratic practices that we must follow are in place. We also provide the human resources, performance management and communication support for the council. The savings proposals put forward look to provide services more efficiently and effectively.

## **Chief Executive's**

The Commercial Operations team is working to build a stronger local economy by attracting visitors to our city who recognise Peterborough as the region's leading tourist destination.

The team supports city centre retailers and oversees everything to do with the city centre from CCTV cameras and car parks to events such as the Perkins Great Eastern Run, the Italian Festival, and the annual Christmas lights switch on. The department also oversees the City Market and a wide variety of street markets. Saving proposals suggest ways to operate these services more efficiently.

## **Resources**

The department continues to generate efficiencies across support services and budgets held corporately, including savings initiatives that impact across the council such as administration arrangements. Partnership contract arrangements have been reviewed for further efficiencies. The department is also pushing forward our energy efficiency and regeneration initiatives.

## **8. COUNCIL RESERVES**

We regularly review the level of reserves we hold. There is much debate nationally regarding the general level of reserves held by councils. Reserves are set aside for either a specific purpose, such as supporting costs of change, or as a contingency to meet unforeseen events.

A full statement, including a risk-based review of the level of reserves, and the Chief Finance Officer's view on the adequacy of reserves, is included in the budget document.

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

|  | <b>Estimated balance at<br/>31.04.14<br/>£k</b> | <b>Estimated balance<br/>at 31.04.15<br/>£k</b> |
|--|---|---|
| <b>Earmarked reserves</b>  |   |   |
| <b>Departmental reserve</b> – The majority of this reserve relates to City College Peterborough who operate on academic year funding and retain a reserve for potential claw back from awarding bodies | 632   | 508   |
| <b>Schools capital expenditure reserve</b><br>- Monies held on behalf of schools for capital spend   | 381   | 381   |
| <b>Insurance and other minor reserves</b><br>– These reserves are held for a specific purpose and cannot therefore be used for budget setting purposes   | 3,350   | 3,259   |
| <b>TOTAL earmarked reserves for specific purposes</b>  | <b>4,363</b>                                    | <b>4,148</b>                                    |
| <b>General fund</b> – Set aside to meet unforeseen issues and risks  | 6,000   | 6,000   |
| <b>Capacity building reserve</b> – This enables us to implement saving proposals   | 2,746   | 1,483   |

Overall we consider that this is the appropriate level of reserves to hold.

## **9. IMPLICATIONS FOR COUNCIL TAX**

Council tax bills are made up of council charges and charges from other public bodies to fund their services. The remainder of the bill paid by Peterborough residents funds police, fire and parish councils, with each authority setting their own council tax charge.

**We continue to have one of the lowest council tax levels in the country.** Out of 56 unitary authorities across the country, **Peterborough has the sixth lowest council tax** (some £100 per year lower than the average, and £302 lower than the highest).

Cabinet understands the current financial pressures that residents face and remains committed to keeping council tax low. We have frozen council tax levels for two out of the previous three years. For the average council tax payer, this means that annual bills are around lower than they otherwise would have been.

The government has offered a council tax freeze grant for all councils that choose to freeze council tax in 2014/15. In considering this offer, the Cabinet has carefully considered the medium term sustainability of future budgets and the scale of the budget gap over the next few years against the council tax freeze offer.

The government also sets limits on the maximum increase in council tax. Last year, if any council proposed an increase higher than two per cent, they were required to put the matter to local taxpayers through a referendum. Given that the costs of running such a referendum are likely to outweigh the benefit, no councils did so. The government has not yet set the limits for the coming financial year, but the Minister has suggested they could be lower.

Having carefully considered the level of investment and savings proposals put forward in this budget consultation document and the financial challenge ahead, the **Cabinet is proposing the following:**

- to freeze council tax in 2014/15
- to freeze council tax in 2015/16

The current band D charge would remain at £1,128.03 in 2014/15 and 2015/16. **This means we will have frozen council tax in four out of five years.**

If we were to consider increasing council tax by two per cent next year, then taxpayers would be paying an extra £1.2m across Peterborough. However, we would lose the freeze grant, and as such this increase would only generate an additional £500,000 of income.

The Cabinet believes this proposal strikes the right balance between investing in our city, delivering efficiencies and keeping council tax as low as we can. We look forward to receiving the views of our residents on our proposals for council tax as part of the consultation. The final council tax charge will be agreed by Full Council on 5 March 2014.

## **10. OVERALL BUDGET POSITION**

The introductory sections have so far outlined:

- The impact of grant reductions on our finances
- The pressures we are facing
- The overall financial gap that these two issues create
- The savings proposals to close the gap
- The level of reserves held by the council
- The implications for council tax
- All of these issues combine to form our overall budget position. The impact of our savings proposals, compared to the gap outlined in section six above, are outlined below:

|                               | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Revised budget gap</b>     | -18,584               | -35,098               | -38,285               | -39,986               | -42,287               |
| Council tax and other funding | 2,295                 | 965                   | -639                  | -886                  | -1,195                |
| Efficiency                    | 12,779                | 12,134                | 11,714                | 11,732                | 11,105                |
| Service reductions            | 2,712                 | 3,063                 | 3,063                 | 3,063                 | 3,063                 |
| Additional income             | 515                   | 515                   | 515                   | 515                   | 515                   |
| Terms and conditions          | 283                   | 573                   | 1,146                 | 1,719                 | 2,292                 |
| <b>MTFS position</b>          | <b>0</b>              | <b>-17,848</b>        | <b>-22,486</b>        | <b>-23,843</b>        | <b>-26,507</b>        |

Whilst we have been able to balance the 2014/15 budget with the savings proposals within this budget consultation, and absorb the further grant reduction based on the provisional funding announcement for the council, there remains a significant gap in 2015/16.

## **11. FUTURE PROSPECTS**

As outlined earlier, we are now expecting further grant reductions of £11.5m in 2015/16, over and above those we originally planned for. As a result, there is a significant budget gap to close in 2015/16.

This gap is outlined in the table above, and already stands at nearly £18m. This is equal to the total level of savings outlined in this document, meaning that we will need to repeat this exercise in the coming year to find further savings.

We will look at all opportunities and options to reduce this gap over the next year, but it remains likely that further difficult choices will need to be made. We will also look to help support the budget and generate further savings through joint working with health to access the NHS integration monies (around £7.4m allocated for Peterborough) to support change in our services. Even with these measures, there will be pressures remaining that we need to tackle.

## **12. YOUR VIEWS COUNT**

These proposals were published on Friday 24 January 2014 in preparation for the Cabinet meeting on 3 February 2014. At this meeting the Cabinet is set to consider these proposals to go out to formal consultation.

The Cabinet values the opinions of all residents, partner organisations, businesses and other interested parties as part of the budget setting process, not least to ensure that the council's priorities, accompanying strategies and policy documents are robust and right for Peterborough.

The budget consultation process is integral to ensuring that available resources support council priorities and have regard to the impact on residents and businesses across Peterborough. The Cabinet intends to carry out a consultation process which is as extensive and for a similar period as in previous years.

Over the next six weeks this document will go to the council's scrutiny committees, will be discussed with staff, business leaders, the voluntary sector, partner organisations, trade unions, local MPs, parish councils, the youth council and other interested parties.

We want to know what you think.

To get involved send us your responses to the following questions:

- 1. Do you have any comments to make about any of the proposals?**
- 2. If you do not agree with any of the proposals, tell us what you think we could do instead to balance our books?**
- 3. Do you agree that council tax should be frozen? If not, where would you suggest we invest the extra £500,000 generated by increasing council tax by the government's current two per cent threshold?**
- 4. Are there any other suggestions you would like to make?**



You can make your suggestions by emailing: [budget@peterborough.gov.uk](mailto:budget@peterborough.gov.uk)

By post: Financial Services Manager, Peterborough City Council, Town Hall, Bridge Street, Peterborough, PE1 1HG

Or via the website at: [www.peterborough.gov.uk](http://www.peterborough.gov.uk)

The formal consultation will end at 5pm on Tuesday 4 March 2014. Throughout the consultation process the Cabinet will be updated with comments made by residents.

For the latest updates on the budget process visit [www.peterborough.gov.uk](http://www.peterborough.gov.uk) and follow the budget 2014 link.

## **APPENDIX 1**

### **ADULT SOCIAL CARE HEALTH AND WELLBEING - SERVICE IMPLICATIONS (INVESTMENT/REDUCTIONS) –**

In December, we merged our Adult Social Care and Public Health departments into the new Adult Social Care and Health and Wellbeing department.

This new department oversees all those services in the city responsible for helping people stay healthy and independent for as long as possible.

The adult social care services within the department are responsible for providing council-run services and buying in and overseeing social care services from a range of other organisations for the people of Peterborough.

Those services include assessing people's needs and managing their care, safeguarding those adults who could be at risk of abuse, and providing intensive support to help people get over a fall or an illness and reduce their need for long-term care which is known as re-ablement.

Private, independent and voluntary organisations also support people to maintain their independence and stay living in their own homes through a range of residential, home-based and community support services.

We also buy in mental health services for the people of Peterborough from Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

Adult social care services include:

#### **Community care assessments, support planning and reviews**

We are the first point of contact for anyone needing adult social care services. We assess care needs and support people to complete self-assessments. The overall aim is to support people to be as independent as possible for as long as possible. We carry out regular reviews of people's needs to ensure their plan continues to meet their needs. We also assess the needs of carers and support them with services which give them a break from caring and supports them to continue providing care.

#### **Safeguarding**

We work to protect vulnerable adults who may be at risk of abuse and we investigate when there are concerns that someone is at risk of being, or has been, abused or harmed. We work with them to safeguard them from further abuse.

#### **Learning disability support**

We work with people with learning disabilities to help them to access the support they need to live as independently as possible. We give people training and support which allows them to get more involved in their communities. We also help people obtain employment and support them during their working life.

#### **Services for older people**

We provide support to help older people remain independent. We buy-in support and services from other organisations like home care agencies or care homes. We provide some day care services and a re-ablement service to support people getting over a fall or an illness, to help them to regain their previous level of independence.

## **Mental health services**

Through a partnership with the Cambridgeshire and Peterborough NHS Foundation Trust we help people with mental health problems to live independently whenever possible and support people into employment. We have approved mental health practitioners who are social workers who work with people with very serious mental illness and who can, if absolutely necessary, arrange compulsory admission into hospital under the provisions of the Mental Health Act. We also support people who need other very intensive mental health services.

## **Services for people with physical disabilities and sensory needs**

We provide support to help people with physical or sensory disabilities to remain independent and get on with their lives. These services can be provided by other organisations like home care agencies, care homes or voluntary organisations. We also have a specialist team that can provide rehabilitation and support for people with sight and hearing disabilities.

## **Other specialist services**

We provide other specialist services including the hospital social work service that supports people to return home after a hospital stay.

## **Public Health**

The Health and Social Care Act 2012 transferred public health responsibilities to all councils from 1 April 2013. We now receive a specific sum of money from the government that can only be spent on activities that improve public health. We received a grant of £8.4m for 2013/14 and will receive £9.3m for 2014/15. We will have to account to the Department of Health on how the grant is being spent. This new grant will focus on the following objectives:

- To help people live healthy lifestyles and make healthy choices
- To reduce health inequalities between different social groups in the city and amongst hard to reach groups
- To carry out health protection functions delegated from the Secretary of State
- To ensure that healthcare advice is available to all residents

Examples of these objectives will include providing health checks, sexual health services, drug and alcohol services, school nursing, tackling child and adult obesity and carrying out vaccination programmes. Some of our other services already support these objectives, and it is therefore appropriate to use some of the Public Health grant to fund these.

## **National and Local Context**

As people live longer, all councils across the country are facing increasing demand for adult social care services as many of their elderly residents develop more complex needs. This is placing significant pressure on adult social care services nationally. Peterborough is no exception to this.

Peterborough is growing and so is the proportion of older residents. According to the Office for National Statistics (2011 Census), Peterborough's estimated population was 184,500 and will increase to an estimated 192,400 by 2021. This represents an 11 per cent growth in population between 2010 and 2021. The number of people aged 85 and over is set to increase by 52 per cent during this period. In 2014 there are approximately 27,000 older people living in Peterborough, 3,600 of whom are aged 85 and over.

There are approximately 2,900 people with a learning difficulty in Peterborough. Almost 40 per cent are thought to have an autistic spectrum disorder and a third of these (28 per cent) have moderate to severe learning difficulties. All of these people need varying levels of support.

There are almost 11,300 people aged under 65 with a moderate or serious disability living in the city. Of these 8,800 have a moderate disability and 2,500 have a serious physical disability. About 5,150 people are thought to have a disability that means they require some sort of help with personal care.

During the coming year about 28,500 people aged 18 to 64 and 5,000 people aged 65 and over are expected to suffer from some kind of mental health disorder. This will include 1,900 older people who live with dementia. Many of these people may need to access our mental health support services.

Supporting people with dementia is a growing pressure on adult social care budgets in the UK.

We need to redesign and transform our social care services over the coming year in order to ensure we can continue to meet the demographic need within the funding available.

## **Changes in Adult Social Care**

It is clear that with the increasing demands on adult social care services, coupled with the continued reduction in government funding, that councils need to look again at how they support people to help them stay healthy for as long as possible and maintain their independence, while supporting them to stay living in their own homes, avoiding the need for them to move into residential or nursing homes.

We are therefore in the middle of a major transformation programme to invest more in re-ablement services to help people who have a fall or an illness to regain control of their lives as soon as possible and reduce their need for long-term care.

We are also increasing our investment in preventative services, information and advice to help reduce the number of people who need to access social care services in the first place.

For those people who do need ongoing social care services, for example some people with learning disabilities who may require life-time care, we will ensure that we provide funding in a fair and clear way by allocating them personal budgets to give them choice and control over the services they receive – a personalised approach. Because people who continue to live in their own homes tend to do better, we will only fund residential care when absolutely necessary.

## **Summary position**

**The current budget for Adult Social Care, Health and Wellbeing is £42.9m.** There have been pressures on the budget in the current year, arising primarily from increased demand for services.

**The proposals presented on the next page would save £2.9m in 2014/15.**

**The proposals as presented include additional investment needed to reduce the impact of welfare reform, the Winterbourne review, contracts review and growing numbers of people requiring services, which total £1.4m in 2014/15.**

## **SAVINGS - REVENUE**

### **Transformation and personalisation programme**

This proposal is about changing the focus of adult social care services to ensure we can continue to meet the needs of local residents in the face of increasing demand and an ageing population. There are three strands to this programme:

- Firstly, there is an emphasis on preventing people needing social care services in the first place. We aim to do this by ensuring they have access to accurate information about support available to help themselves and their loved ones live independently for as long as possible. This includes improving our customer services support to ensure people know about

community support including befriending services, information sources or places to get advice.

- Secondly, we will put more resources into re-ablement services for those people who do become ill or have a fall to enable them to regain their previous level of independence as quickly as possible and to reduce their need for longer-term care.
- Thirdly, it is about supporting those people who do need long-term care to maintain their independence and help them stay living in their own homes for as long as they can by tailoring support to meet their individual needs, rather than providing residential care or other one-size-fits-all services.

| <b>Issue</b>                       | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Transformation and personalisation | 637                   | 637                   | 637                   | 637                   | 637                   |

### **Transforming day opportunities for adults under 65**

A review of day services for adults under 65 is currently ongoing and, at the time of publication, a consultation has been launched on future options for the service, which promote greater independence and choice as part of the Adult Social Care Transformation programme.

| <b>Issue</b>                                       | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Transforming day opportunities for adults under 65 | 400                   | 400                   | 400                   | 400                   | 400                   |

### **Older people's day services**

This proposal is to carry out a review of day services for adults over the age of 65 as part of the transformation of Adult Social Care services. The purpose of the review will be to put together proposals to modernise these services so that older people are given the opportunity to stay active and continue to live independently for as long as possible and avoid becoming isolated. This may mean a move away from traditional day centres.

| <b>Issue</b>                | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Older people's day services | 150                   | 150                   | 150                   | 150                   | 150                   |

### **Physical disability and sensory impairment services**

A preliminary review of these services has shown opportunities to make savings whilst also better targeting services and equipment to meet individual needs. Following a review of services by other councils it has become clear that we pay more for some of these services than other authorities and therefore the first part of this saving would be made through contract negotiations. The second part of the saving would be achieved by making sure the equipment that is given out is targeted to meet their specific individual needs rather than a generic package of equipment given to everyone. Together these two projects should save £150,000.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Physical disability and sensory impairment services | 150                   | 150                   | 150                   | 150                   | 150                   |

### **Personal assistants**

Personal assistants are carers employed directly by people who use Adult Social Care services. It means that rather than the council providing a care package through an agency and people having limited choice about the person or people who look after them, this would give people the opportunity to recruit their own carer. This personal assistant could be more flexible to meet the needs of the individual, rather than that person having a care package where they are visited for a set time each day, at the same time of day, regardless of that person's requirements.

This proposal is another move away from a one-size-fits-all approach to care in order to give people more freedom and choice. It means that if a person decided they needed support to go shopping they could decide to have less support one day so they could have more support on another to enable them to make the trip. This proposal is in line with the council's move to a more personalised approach to services under the transformation of Adult Social Care.

| <b>Issue</b>        | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Personal assistants | 75                    | 75                    | 75                    | 75                    | 75                    |

### **Creating one central training and development team**

There are currently three teams working within the council in HR, children's services and adult social care that are responsible for recruitment, training and development. Therefore, there is potential to make savings by combining these teams. In particular there is a large amount of overlap between the children's and adult social care functions which may benefit from shared management. We also want to better target the training and workforce support we give to care providers in the city and make sure we do what we can to attract external funding to pay for training and development for social care staff. Savings are also being proposed by setting up a joint transition planning team to make it easier for young people who need ongoing social care support to move from children's to adult services.

| <b>Issue</b>       | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Centralising teams | 100                   | 100                   | 100                   | 100                   | 100                   |

### **Continuing Health Care**

In the 2012/13 budget, a review was agreed to ensure that all those people entitled to fully-funded NHS care were receiving it. That work has continued through 2013/14 and additional cases are being reviewed which are expected to identify further people who should be funded through the NHS Continuing Health Care programme. The anticipated saving from 2014/15 is £75,000 a year.

| <b>Issue</b>           | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Continuing health care | 75                    | 75                    | 75                    | 75                    | 75                    |

## Transport

There are currently lots of different transport arrangements for people accessing Adult Social Care services including buses to take people to day services and taxi contracts etc. This proposal aims to review all transport provision to ensure appropriate transport is provided when necessary, but also to encourage people to have greater independence. This could mean in future that those who are able to do so will be given travel training to make more use of public transport. It would also review those people who receive a mobility allowance to ensure they are using this allowance to meet their travel costs.

| <b>Issue</b> | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Transport    | 175                   | 175                   | 175                   | 175                   | 175                   |

## Respite care

Currently respite is provided in several different ways through Adult Social Care e.g. the Shared Lives scheme where adults can go to foster families for respite care to give their own carers a break or temporary stays in residential homes. This proposal is to carry out a review of all respite care to ensure a consistent approach is taken which will promote fairness for those people receiving respite care and ensure the respite provided gives effective support. A new Respite Care Policy will take account of the impact of the transformation of Adult Social Care and the emerging expectations of the Care Bill.

| <b>Issue</b> | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Respite care | 150                   | 150                   | 150                   | 150                   | 150                   |

## Assistive technology

Assistive technology is the use of devices that enable people to live independently and carry out everyday duties for themselves that may not otherwise be possible because of disability or mobility issues. From touch screen or input switches through to direct eye control, the systems allow total control of everyday functions such as opening a door, closing a window, turning on a stereo, lamp or TV or answering the phone.

It also enables alerts and alarm systems to be installed in people's homes which are particularly useful for people with dementia. They alert the Lifeline call centre if a person tried to open their front door in the middle of the night or pressure pads that alert the call centre if they get out of bed.

In certain situations assistive technology provides a useful and cost effective solution to more traditional means of support. In Peterborough, the use of assistive technology is currently underdeveloped. This proposal is to expand the service as one of the prevention services to enable people to live in their own homes for longer and reduce the need for residential care.

| <b>Issue</b>         | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assistive technology | 80                    | 80                    | 80                    | 80                    | 80                    |

## Direct payments and personal budgets

This proposal is to review how direct payments and personal budgets are used in Peterborough in line with the transformation of social care services. The aim is to encourage more people to live independently and to give them the choice to use their personal budgets to access the services that best meet their individual needs. By encouraging a move away from more traditional one-size-fits-all services this should save £100,000 a year.

| Issue                                | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Direct payments and personal budgets | 100           | 100           | 100           | 100           | 100           |

## Mental health employment services

Mental health employment services have been provided under a service originally commissioned by NHS Peterborough. This proposal is to carry out a review of this service and put together proposals which offer a more modern service that enables people with mental health issues to gain skills to help them to find jobs and live independently. Any changes will link with the broader changes taking place within employment services in Adult Social Care as part of the transformation of the department.

| Issue                             | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Mental health employment services | 80            | 80            | 80            | 80            | 80            |

## Support cost efficiencies (non-staffing)

Adult Social Care pays for services from other parts of the council and also buys in services externally. These services will be reviewed to ensure they provide value for money and so savings can be identified.

| Issue                     | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Support cost efficiencies | 50            | 50            | 50            | 50            | 50            |

## Eligibility

We made changes to our eligibility criteria for Adult Social Care services from April 2013. We now provide services to meet substantial and critical needs only, which is in line with what is being proposed nationally through the Care Bill. This change brought savings in 2013/14 and the full year impact of the change will allow additional savings in 2014/15 of £100,000.

| Issue       | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------|---------------|---------------|---------------|---------------|---------------|
| Eligibility | 100           | 100           | 100           | 100           | 100           |



## Panel reviews

All newly-commissioned care packages in excess of £250 per week, and significant changes to care packages, go through a panel process to ensure they meet the needs of the individual and are properly funded and consistent. This process has been reviewed and can be streamlined leading to savings of about £100,000 in 2014/15.

| Issue         | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---------------|---------------|---------------|---------------|---------------|---------------|
| Panel reviews | 100           | 100           | 100           | 100           | 100           |

## Re-ablement

Re-ablement services offer intensive support to meet an individual's specific needs for up to six weeks to enable people who have suffered an illness or injury to return to independent living. There is good evidence that these services are effective and reduce the need for ongoing statutory support, helping the council to make savings. We made significant changes to our re-ablement services during 2013/14, to the benefit of individuals, and will further develop the service to deliver additional savings in 2014/15.

| Issue       | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------|---------------|---------------|---------------|---------------|---------------|
| Re-ablement | 200           | 200           | 200           | 200           | 200           |

## Support cost estimate

All individuals receiving services should have a personal budget which identifies the amount of funding they have for support or services. The 'Support Cost Estimate' is a process which is used by Adult Social Care to identify the likely amount of the personal budget. The system has been in place for over a year and needs to be reviewed to ensure that it is equitable and fair for all individuals. This review should enable us to save £125,000.

| Issue                 | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Support cost estimate | 125           | 125           | 125           | 125           | 125           |

## Support planning

Support planning is the final part of the process of determining an individual's care package, once the personal budget has been agreed. It is important that social workers and managers are mindful of the quality and cost of services and support, when packages are being put in place and that best value is achieved. We will also review and streamline processes around support planning, to reduce bureaucracy. An increased emphasis on effective support planning and additional training and awareness where required, should ensure better outcomes for individuals and some cost savings.

| <b>Issue</b>     | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Support planning | 160                   | 160                   | 160                   | 160                   | 160                   |

## **INVESTMENT – REVENUE**

### **Welfare reform**

The impact of welfare reform changes, introduced in April 2013, has meant that an additional investment is needed to make up for lost income from changes to the Disability Living Allowance. About 200 people, who previously received low rate Disability Living Allowance, are no longer receiving it. We need to amend the levels we charge those people so as not to cause unnecessary hardship. This will result in a loss of income of about £108,000 per year

| <b>Issue</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Welfare reform | 108                   | 108                   | 108                   | 108                   | 108                   |

### **Winterbourne review**

Following the national concerns over care provided at Winterbourne the government has announced that by June 2014, all people with learning disabilities with challenging behaviour will be transferred from residential or secure units to community based settings. However no announcements have yet been made about how this transition will be funded. This presents a cost pressure for the council. There are potentially about seven people who would be affected by these changes which would cost about £945,000 a year.

| <b>Issue</b>        | <b>2014/15<br/>£k</b> | <b>2015/1<br/>6<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| Winterbourne review | 945                   | 945                        | 945                   | 945                   | 945                   |

### **Contracts and procurement**

In 2013, in conjunction with the council's strategic partner Serco, Adult Social Care has identified a range of savings which could be achieved through better contracts and procurement. The framework agreement for home care was one of these areas and has been recently re-procured and will achieve significant savings in 2014/15. A reassessment of the overall position on other contracts has highlighted that, although significant savings are still achievable, the potential is less than previously projected for 2014/15. The additional investment is an adjustment to bring the expected saving more in line with revised expectations.

| <b>Issue</b>              | <b>2014/15<br/>£k</b> | <b>2015/1<br/>6<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| Contracts and procurement | 396                   | 396                        | 396                   | 396                   | 396                   |

### Social care funding changes

In February 2013 the government announced changes to the funding for long term social care which means that the threshold limits for mean tested support will change. This is likely to increase the number of people we are expected to support, which would have formerly been self funders, by up to 33 per cent. Changes are being phased in from 2015. There will be other changes arising from the Care Bill which needs to be assessed.

| <b>Issue</b>                | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Social care funding changes | 0                     | 319                   | 322                   | 391                   | 391                   |

### Carers' responsibilities

From 2015 onwards there will be new responsibilities to support carers, which is likely to lead to additional cost pressures.

| <b>Issue</b>             | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Carers' responsibilities | 0                     | 146                   | 260                   | 374                   | 374                   |

**APPENDIX 2 –**  
**CHIEF EXECUTIVE’S - SERVICE IMPLICATIONS (INVESTMENT/REDUCTIONS)**

The only team within the Chief Executive’s department is commercial operations. This team is responsible for working with local businesses and other organisations to build a stronger local economy by attracting visitors to Peterborough and helping to build the city’s reputation as a leading tourist destination.

The team supports city centre retailers and oversees everything to do with the city centre from CCTV cameras and car parks to events such as the Perkins Great Eastern Run, the Italian Festival, and the annual Christmas lights switch on. The department also oversees the City Market and a wide variety of street markets.

The current budget for the Chief Executive’s department is £-0.9m (reflecting the net income from car parking). The proposals presented below would save £0.1m in 2014/15. The proposals as presented include additional investment needed which totals £0.1m in 2014/15.

**SAVINGS – REVENUE**

**Commercial Operations**

A saving of £56,000 can be achieved through changes to contracts for market cleansing/refuse collection, and through reduced CCTV transmission costs by re-negotiating line rental costs.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Markets – reduce cleansing expenditure through contract negotiation   | 40                    | 40                    | 40                    | 40                    | 40                    |
| CCTV – reduce expenditure on line rental through contract negotiation | 16                    | 16                    | 16                    | 16                    | 16                    |

**Parking enforcement**

In 2013/14 there have been more people working on parking enforcement, ensuring that motorists coming into the city are parking legally and safely to help keep our roads congestion free. This proposal is to not put any council funding into paying for this service in future and that all revenue generated is used to provide the parking enforcement service.

| <b>Issue</b>                             | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Self-funding parking enforcement service | 30                    | 30                    | 30                    | 30                    | 30                    |

**Perkins Great Eastern Run**

The success of this year’s Perkins Great Eastern Run – which had a record-breaking number of entrants - has led to a proposal to increase the income target for this event.

| <b>Issue</b>                                    | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Increase Perkins<br>Great Eastern Run<br>income | 50                    | 50                    | 50                    | 50                    | 50                    |

## **INVESTMENT - REVENUE**

### **Tourist Information and Travelchoice centres**

This proposal is to continue to support these two centres that provide information on Peterborough and its attractions and travel options until further income is generated to make them cost neutral, as agreed in last year's budget.

| <b>Issue</b>                                       | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Tourist Information<br>and Travelchoice<br>centres | 115                   | 115                   | 115                   | 115                   | 115                   |

## **INVESTMENT - CAPITAL**

### **Market**

The following investments in the City Market are proposed to improve the market and reduce costs and generate income through the installation of solar panels on the roof.

| <b>Issue</b>                              | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Market stall<br>alterations               | 50                    |                       |                       |                       |                       |
| Furniture                                 | 15                    |                       |                       |                       |                       |
| Market railings                           | 100                   |                       |                       |                       |                       |
| Solar panels on the<br>roof of the market | 25                    |                       |                       |                       |                       |

## **APPENDIX 3 –**

### **CHILDREN'S SERVICES - SERVICE IMPLICATIONS (INVESTMENTS / REDUCTIONS)**

Children's Services is responsible for overseeing and providing services for families and children in Peterborough. Our vision is 'Helping Children to be their Best' through:

- Providing children and families with early support
- Helping families with problems and keeping children safe
- Giving the best opportunities to children and young people in care
- Working with schools and others to make sure that children succeed
- Supporting our staff to be outstanding

Children's Services is split into two areas:

#### **Education**

This division is responsible for ensuring schools in Peterborough provide the best possible education for children and young people. This includes providing a range of support for pupils with special educational needs and ensuring schools are providing the best educational opportunities for children and young people to help them reach their potential.

#### **Safeguarding - Families and Communities**

This division is responsible for protecting Peterborough's most vulnerable children and families, including those who need protection from significant harm, young offenders and children in care. It also recruits and supports foster carers and adoptive parents.

#### **Changes to Children's Services department**

Following a re-organisation of the council in November, the school place planning team, finance and programme management teams are now part of the Resources department. The responsibility for buying in services from other organisations for children and families in Peterborough has moved to the Communities department.

The overall cost of the Children's Services department has reduced significantly over the past five years as we have worked to improve efficiency and focus our efforts on those children and families with the greatest need.

The current budget for the Children's Services department is £13.9million. The proposals presented below would save £1.4million in 2014/15.

## **SAVINGS – REVENUE**

### **Social care improvement**

Peterborough has a fast growing and changing population. The 2011 Census showed that almost a quarter of residents (24 per cent) were under the age of 18. In light of the growing demand for social care services, we have reviewed the structures and processes of this service to ensure it can continue to meet demand in future months and years. Over the past two years investment has been given to the service as a result of increased demand and rising levels of need. Savings have been identified but this is an area that is volatile and will continue to have to respond to demand.

### **Reducing management costs**

In order to protect social work roles, this proposal is about merging teams who carry out similar duties to reduce management costs. We are proposing to merge a number of social care functions

which will provide a range of savings. Where possible, savings will be made from deleting vacant posts across the service area.

We have also reviewed the capacity within our fostering team to meet our targets around placements and with the recent improvements in management and processes within the team we are proposing to delete an unfilled social work vacancy. It is also proposed to bring together the fostering and adoption teams under a single manager.

A further saving has been identified through moving teams together into existing council-owned buildings and reducing our externally-rented office space.

Together these proposals would save £586,000. A further review of the management of children’s social care would then be carried out in 2015/16 as part of proposals to save a further £81,000.

### **Social care efficiency programme**

A social care efficiency programme is underway to ensure that social workers can spend the maximum amount of time working with families in need. Among the changes being proposed are data entry and other administrative tasks being undertaken by back office staff therefore freeing-up social workers. We are also proposing to align social care services with existing locality-based services to reduce duplication and plan to ensure organisations such as health teams and schools and social workers are working closely together. There are also plans to introduce a single assessment framework for children’s social care teams. This project is expected to save £92,000 in 2014/15 and £200k in 2015/16.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Social care improvement – management costs / efficiency | 678                   | 867                   | 867                   | 867                   | 867                   |

### **Redesigning the education service**

Since the start of 2013/14, the government has changed the way it funds education support services. Now councils receive one amount of funding for each pupil attending local-authority maintained schools (£128.17) and a lower amount for each pupil attending academy schools (£15). This is because the council is legally responsible for ensuring all children in Peterborough receive an education.

The funding for academy pupils is there to support costs where the council retains legal responsibility for functions such as school attendance, tracking children missing education, ensuring there are enough school places for all children and monitoring religious education.

We are expecting schools with around 2,500 pupils to convert to academy status in the 2014/15 financial year and this will mean a reduction in funding of £285,000.

In June, the government also announced the Education Services Grant was being cut by 20 per cent in 2015/16. Therefore, the council needs to look again at the education services it provides to ensure it meets its legal responsibilities but also continues to invest in measures that help to improve educational attainment.

We have been working with headteachers to develop a school-to-school support system where headteachers use the skills from their schools to improve results in other schools. We are also

currently reviewing educational support services to see how they can be provided differently in the future in line with the move towards academy schools and changes in government funding. We are expecting this re-organisation of services to save in the region of £260,000 per year.

This could mean in the future some services may not be provided by the council but could be run by another outside organisation. In addition, all our core services have been reviewed in light of schools transferring to academy status alongside reductions in per pupil funding from the Education Services Grant.

Savings will be made across school improvement, attendance and the education support service through reviewing line management, better use of management information and greater targeting of services at those schools who need the most support.

| <b>Issue</b>                         | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reviewing education support services | 524                   | 524                   | 524                   | 524                   | 524                   |

### **Youth Offending Service**

Councils are required to operate youth offending teams working with other organisations including the police, probation and health services to prevent offending among young people aged 10 to 17. Following a review of the service, increased early intervention with support from other organisations and reduced numbers of offenders, we anticipate savings of £50,000.

| <b>Issue</b>            | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Youth Offending Service | 50                    | 50                    | 50                    | 50                    | 50                    |

### **Review of support services**

Children's Services has a number of support functions both within the department and in the wider council. In light of reduced budgets, these areas have been reviewed and the following changes are proposed:

- Re-organising the project office – The work of this team will be focused on priority projects for the council allowing a £34,000 saving to be made.
- Legal support – There have been significant changes in the Public Law Outline (PLO) which have led to reduced delays and better co-ordination between all parties involved in care and supervision cases. It is also anticipated there will be reduction in care proceedings as a result of our approach to early intervention. It is hoped this will save around £50,000.

| <b>Issue</b>                                      | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reviewing support services to Children's Services | 84                    | 84                    | 84                    | 84                    | 84                    |



## Adoption placements

Peterborough is currently successfully recruiting a large number of prospective adopters. Families are often matched with local children but, in a small number of cases, adopters and children are matched via interagency arrangements with other local authorities depending on individual circumstances. This is part of a national commitment to avoid delay for children needing adoption. The interagency fee for this arrangement is payable to the adopters' agency to cover the costs of recruitment and assessment. It is expected that £25,000 will be generated annually through this process as a result of our successful marketing campaign.

| Issue               | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| Adoption placements | 25            | 25            | 25            | 25            | 25            |

## Creating one central training and development team

There are currently three teams working within the council in human resources, Children's Services and Adult Social Care that are responsible for recruitment, training and development. In Children's Services it is the workforce development team. There is potential to make savings by combining these teams. In particular there is a large amount of overlap between the children's and adult social care functions which may benefit from shared management. We also want to better target the training and workforce support we give to care providers in the city and make sure we do what we can to attract external funding to pay for training and development for social care staff.

| Issue  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--|---------------|---------------|---------------|---------------|---------------|
| New central training and development team and joint transitioning team | 23            | 23            | 23            | 23            | 23            |

## INVESTMENT – CAPITAL

### Transforming social care

In order to deliver savings of £200,000 by 2015/16 through improved social care efficiency, investment is needed to further improve the case management system which holds all children's social care records electronically. We also want to introduce technology for social workers to be able to work remotely. Projects will be delivered alongside our transformation partner Serco.

| Issue                    | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Transforming social care | 50            | 0             | 0             | 0             | 0             |

## Schools funding 2014/15

The funding for schools and elements of the education service is received in a specific pot of money from the government called the Dedicated Schools Grant (DSG). This is allocated annually based upon the number of pupils in the city in October the previous year. We are responsible for proposing the use of this funding to support schools in agreement with the statutory body known as the Schools Forum. This forum consists of headteachers, early years' providers, church representatives and council officers.

In June, the Department for Education (DfE) published "School Funding Reform: Findings from the review of 2013 to 2014 financial year arrangements and changes for the 2014 to 2015 financial year".

The reforms make a further move towards setting a national funding formula expected at the start of the new parliament. However in the short term there are some key changes which will affect individual schools in the city –

- A minimum level of funding is being introduced for each pupil called basic entitlement – Peterborough already funds above this level.
- The DfE has expanded its definition of pupils considered to be underachieving on entry to secondary schools (prior attainment). Previously it was those pupils who had not achieved Level 4 in their Key Stage 2 (SATs) in English **and** maths. From 2014/15, funding will be targeted at those pupils in secondary schools that haven't achieved Level 4 at KS2 in either English **or** maths. This will redistribute funding between schools in the city and target more funding at those who are considered to be underachieving.
- Nationally a factor has been added to the funding formula to fund those schools which are considered to be rural, based on the distance each child has to travel to school. No schools in Peterborough currently qualify for this factor.
- There is now an ability to set lump sums for primary and secondary at different levels.

The Schools Forum has considered these changes and agreed a number of updates to the local funding formula from 2013/14.

On the 18 December, the DfE outlined the funding for schools as follows –

- The underlying schools budget is retained at the same cash level per pupil as in 2013/14. However, there are around 1,000 more pupils in Peterborough this year and therefore the funding from the Dedicated Schools Grant has increased by £4.3million.
- Schools continue to receive protection in the case of falling budgets with a minimum funding guarantee set at a maximum reduction of 1.5 per cent. This protects schools that lose significant funding from one year to the next.
- Peterborough has received an additional £1.8m to pay for 15-hours free childcare places for eligible two-year-olds. This is based upon the number of parents in the city who are expected to meet the criteria for claiming this entitlement. The city will receive £4.2million for this in addition to the £9.5m it receives for three and four-year-old free places.

The overall Dedicated Schools Grant is expected to be £165million, an increase of nearly £7million from last year. However, secondary schools in Peterborough have seen significant reductions in their overall levels of funding as a result of other funding streams being reduced. The key area of reduction is around sixth form funding with a number of schools experiencing significant reductions in funding year-on-year.

## **APPENDIX 4 – COMMUNITIES - SERVICE IMPLICATIONS (INVESTMENTS / REDUCTIONS)**

Following the re-organisation of the council all our commissioning activity, community services and targeted services are now managed by one department.

Commissioning is the process by which councils decide how to spend their money to get the best possible results for individuals and communities, based on local needs. It is about assessing the needs of residents of all ages and deciding how best to use the limited resources available to meet those needs and tackle local issues and problems to support local people to reach their full potential and lead happy and healthy lives.

Our approach to commissioning for our residents has changed. Previously commissioning took place in four different departments - Adult Social Care, Neighbourhood Services within the former Operations department, Children's Services and Public Health.

The reorganisation of the council in November 2013 brought together all these functions under the Communities department with the aim of:

- Allowing the council to provide services which reflect how people really live;
- Making savings through greater buying power by bringing together all functions into one department instead of four;
- Improving access to services for residents of all ages;
- Providing a common assessment framework for assessing need to reduce the number of assessments residents will need to have;
- Reduction in duplication of tasks.

In order to ensure the benefits set out above are achieved the new department will focus upon:

- Achieving better value for money
- Tackling increasing demand for services (growing numbers of children and older people, inward migration, health inequalities, and the impact of welfare reform)
- Ensuring services are safe and meeting needs
- Ensuring the right services are offered to the right people, by the right people, in the right place, at the right time and at the right cost.

The department is split into two areas:

### **Communities and targeted services**

We are responsible for a range of support for communities including housing, community development and cohesion, the Live Healthy team, the 0 to 19 services, short break services for children with disabilities and the work of the SaferPeterborough partnership. The focus of the team is to ensure appropriate housing for all residents in Peterborough, support communities to help each other and identify difficulties early and provide services that ensure problems do not escalate.

### **Commissioning**

We are responsible for identifying the needs and aspirations of residents and then commissioning services to best meet those needs at the best possible price, ensuring there are sufficient quality and safe providers in the city and that services purchased represent value for money. We also commission services to keep children and adults safe. Services purchased include those for children on the edge of and in care, independent school placements and services for vulnerable adults, services for people with substance and alcohol misuse issues, sexual health services, school nursing and domestic violence services. All services purchased are focused on helping people to help themselves and learn new skills to help them live healthy independent lives for as long as possible and giving proper individual care to those with long-term complex needs.

The current budget for the Communities department is £44.3million. The proposals presented below would save £2.7million in 2014/15. The proposals as presented include additional investment needed which totals £1.2million in 2014/15.

## SAVINGS – REVENUE

### Children’s centres

A consultation was launched at the beginning of December into changing the way children’s centres operate in Peterborough. The consultation ended on 8 January and an amended proposal will go to Cabinet on Monday 3 February 2014. The proposals will be debated at Full Council on 29 January 2014. These proposals will then go to Full Council for approval as part of the budget-setting process. The revised proposals which are published today, include creating four children’s centre hubs, three outreach centres and re-using the remaining eight buildings for other children’s services such as childcare. They now also include £100,000 of proposals to provide support to parents living in areas which will no longer have access to a children’s centre. These proposals will save £1.18 million.

| Issue                         | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Changes to children’s centres | 931           | 1,181         | 1,181         | 1,181         | 1,181         |

### Recruiting more foster carers and reducing the numbers of children in care

This proposal is about our work to reduce the numbers of children in care by doing more to prevent children needing to be taken into care in the first place. This would be through investing in prevention and early intervention work such as the Connecting Families programme that works with families to resolve issues before they spiral out of control.

The second aspect of this proposal is about focusing on recruiting more foster carers in the city to provide homes for children who cannot be with their own birth families for whatever reason and therefore reducing the reliance on more expensive agency foster care or residential care.

By recruiting our own foster carers it would mean we are better able to provide more all-round support for those children as well as saving the authority money as children would be placed wherever possible within the local authority area. As the Communities department is responsible for providing and buying in those services for children in care this saving is being proposed in this department.

| Issue                       | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Looked after children costs | 245           | 713           | 913           | 1,255         | 1,255         |

### Public Health

The Health and Social Care Act 2012 transferred public health responsibilities to all councils from 1 April 2013. We now receive a specific sum of money from the government to be spent on activities that improve public health. We already provide services that improve public health such as supporting people into affordable, safe, warm housing, drug and alcohol services and health improvement activities. Therefore, some of this increased grant can be used to fund these existing

services and the additional demand for these services. We are also able to bring together the commissioning functions within public health with the rest of the Communities department which will achieve efficiencies.

| <b>Issue</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Increase in public health government grant and re-organising services to make efficiencies | 1,090                 | 1,090                 | 1,090                 | 1,090                 | 1,090                 |

### **Strategic housing**

The council manages the city's housing waiting list on behalf of registered social landlords through what is called the Choice-based Lettings Service. We have not increased our charges for running this service for a considerable number of years, despite the costs of running the service increasing. We are therefore proposing to make this saving by increasing our charges.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Increase charges to registered social landlords for choice-based lettings | 50                    | 50                    | 50                    | 50                    | 50                    |

### **Housing enforcement**

We will develop a stronger focus on tackling criminal private sector landlords whose tenants are often living in unsafe conditions or who are not provided with the appropriate legal protections that tenants should have. As part of this approach, we have trained some of our staff to be able to provide Energy Performance Certificates (EPC) which are a legal requirement for landlords who rent out their private accommodation. This is a fee-earning service. Additionally, we are able to enforce against landlords who fail to maintain an up-to-date EPC including issuing fixed penalty notices.

| <b>Issue</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Issue Energy Performance Certificates and enforce, via fixed penalty notices, against premises failing to display an EPC | 200                   | 200                   | 200                   | 200                   | 200                   |

## St George's Hydrotherapy Pool

There is currently no specific budget to pay for the hydrotherapy pool which has been funded for a number of years through department underspends. There has been a drive to make the facility self-funding, however, this has proved unsuccessful to date. In 2013/14 the council subsidised the pool by £45,000. Unless a source of funding can be found, we are no longer in a position to support the facility and the pool will close. As a result of the age and condition of the facility it requires substantial investment for it to have any future.

| Issue                         | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| St George's Hydrotherapy Pool | 45            | 45            | 45            | 45            | 45            |

## Supplies and services

Supplies and services budgets provide the things that are needed to help make a department work, including stationery, travel costs and ICT equipment. We will achieve a saving against this budget by ensuring that only business critical items are purchased and by making the best use of technology to avoid travel and use of stationery.

| Issue                 | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Supplies and services | 50            | 50            | 50            | 50            | 50            |

## Careers advice guidance

Schools are now responsible for providing careers education and guidance to all pupils. With more outreach work and targeted support being delivered through the Not in Employment, Education and Training (NEET) team, and particularly through initiatives such as the Work Club, the work of the careers information advisers is being achieved through other teams. The Youth Access Point was mainly used as a computer room for accessing information regarding jobs and vacancies rather than accessing advice. City College has developed a youth access point to enable young people to have access to information technology to job search, therefore the youth access point has been closed.

| Issue                       | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Careers advice and guidance | 132           | 132           | 132           | 132           | 132           |

## INVESTMENT - REVENUE

### Children's social care

In 2013/14, the budget was set to fund 331 children in care based upon the predicted numbers for 1 April 2013. The number of children in care has increased slowly from December to 366. This investment is needed to pay for the additional costs associated with looking after these children in our care. As the Communities department is responsible for providing and buying in those services for children in care this investment is being proposed in this department.

| <b>Issue</b>                      | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Support for looked after children | 919                   | 919                   | 919                   | 919                   | 919                   |

### **Homeless bed and breakfast costs**

Some households will continue to be affected by financial austerity and we want to do all we can to help families to manage the impacts of welfare reform and poverty. We, and other organisations, already prevent homelessness in a range of ways including helping people who may have been the victims of domestic abuse find temporary accommodation, helping people struggling to pay their bills to find more affordable accommodation, or supporting them into training or employment to be able to pay for their accommodation. We also support people leaving care to find places to live. However, we predict the number of people needing our support to prevent homelessness will increase over the next few years. This investment is needed to meet these additional costs.

| <b>Issue</b>                            | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Increased costs to prevent homelessness | 150                   | 150                   | 150                   | 150                   | 150                   |

### **Looked after children transport**

We have a duty to provide transport for children in care for certain circumstances including attending medical appointments or supervised contact with birth families etc. Over the past 12 months, our transport requirements for children in care have continued to rise in line with the increase in the number of children in our care. This investment is to pay for additional costs but will reduce from 2015/16 as the work to reduce the number of children taken into care is expected to start to take effect and the number of looked after children reduces. As the Communities department is responsible for providing and buying in those services for children in care this investment is being proposed in this department.

| <b>Issue</b>                    | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Looked after children transport | 100                   | 100                   | 90                    | 80                    | 70                    |

## **APPENDIX 5 – GOVERNANCE - SERVICE IMPLICATIONS (INVESTMENT/REDUCTIONS)**

The Governance department consists of:

### **Legal services**

This team provides legal services to all council departments and to Rutland Council.

### **Governance**

This team supports Full Council, Cabinet and committee meetings, civic services to the Mayor and support services to councillors as well as a range of other related services. They also manage elections and the electoral register.

### **Regulatory services**

This team provides regulatory and licensing services such as trading standards, environmental health, health and safety, and enforcement teams who deal with issues such as noise nuisance and air quality.

### **Communications**

The communications team supports all council departments by advising them how best to explain their services to residents. It promotes the council through the media including television, radio, magazines and internet sites, produces staff communications for up to 2,000 people, writes communications strategies for major initiatives, produces press releases, marketing campaigns and manages the council's website and social media.

### **Performance management**

This team provides a central performance management function.

### **Human resources**

This team provides human resource services to all departments such as support on recruitment, advice on disciplinary matters, redundancy and professional development.

The current budget for the Governance department is £6.3m. The proposals presented below would save £0.5m in 2014/15. The proposals as presented include additional investment needed which totals £0.5m in 2014/15.

## **SAVINGS - REVENUE**

### **Legal and governance services**

Following the re-organisation of the council in November, and the creation of the new Governance department, this proposal is to further re-organise the legal and governance services which were previously managed separately by two senior managers.

| <b>Issue</b>                                     | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Re-organisation of legal and governance services | 203                   | 203                   | 203                   | 203                   | 203                   |

### **Reducing the Community Leadership Fund**

The Community Leadership Fund (CLF) was set up to give councillors the opportunity to provide funding to local projects in their wards. Each year £10,000 has been allocated to each of the 24 wards. In line with reductions in our government funding in 2013/14 the CLF was reduced by 30 per



cent with each ward receiving £7,000. This proposal is to reduce funding to £1,000 per councillor from 2014/15.

| <b>Issue</b>                     | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reduce Community Leadership Fund | 183                   | 183                   | 183                   | 183                   | 183                   |

### **Licensing**

This proposal is to re-organise the licensing team and look for potential ways of generating further income for the council to save £70,000.

| <b>Issue</b>                          | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Re-organisation of the licensing team | 70                    | 70                    | 70                    | 70                    | 70                    |

### **Reduce cost of Human resources**

Following the re-organisation of the council, this proposal is to re-organise the HR team in response to this and reduce the number of HR business partners who support departments saving £57,000.

The second part of this proposal is a joint initiative with Children's Services and Adult Social Care to bring together the council's workforce development and training and development teams into one corporate team which is anticipated to save £24,000 in the Governance department.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| HR re-organisation  | 57                    | 57                    | 57                    | 57                    | 57                    |
| Creation of a corporate team for workforce development and training | 24                    | 24                    | 24                    | 24                    | 24                    |

## **INVESTMENT - REVENUE**

### **Legal services**

As the council works towards bringing more investment into the city, and exploring innovative ways of generating income to pay for vital services, there is a need to expand the council's legal team to support this work. This investment would pay for two full time contract lawyers and a legal officer.

| <b>Issue</b>                            | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expanding the legal team to meet demand | 126                   | 126                   | 126                   | 126                   | 126                   |

### **Governance services**

The Coroners and Justice Act 2009 requires the council to employ a medical examiner. This investment would pay for this service and the necessary support staff.

The second investment in this area is required because of changes to the electoral system under the Electoral Registration and Administration Act which will require every resident in the city to fill in their own individual electoral registration form. As a consequence we will have increased postal and canvassing costs to ensure forms are sent to every resident rather than every household. It will also pay for additional canvassers to chase non-returned forms. The aim of the changes is to minimise the risks of electoral fraud.

| <b>Issue</b>                | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Coroner reforms             | 250                   | 250                   | 250                   | 250                   | 250                   |
| Changes to electoral system | 50                    | 50                    | 50                    | 50                    | 50                    |

### **Regulatory services**

We had been exploring the possibility of introducing a Late Night Levy in the city, however, following a review it has been decided the enforcement costs would be too high and so this proposal is to remove that income target.

| <b>Issue</b>                               | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Late Night Levy income – removal of budget | 25                    | 25                    | 25                    | 25                    | 25                    |

**APPENDIX 6 –**  
**GROWTH AND REGENERATION - SERVICE IMPLICATIONS**  
**(INVESTMENT/REDUCTIONS)**

The Growth and Regeneration department consists of the following:

**Planning, transport and engineering services**

This service includes surveyors, planners and other technical teams who work with residents and businesses to ensure any development in Peterborough fits in with the city's growth plans. It includes a team that is responsible for planning the future of transport in Peterborough and its surrounding villages, including managing the contracts to maintain existing roads and build new ones. It is responsible for emergency planning to ensure the city has contingency plans in place for any major emergency.

The service also works with schools and local communities to help make our city greener and is responsible for our Environment Capital agenda, to reduce Peterborough's carbon footprint, improve recycling rates and encourage less car travel.

**Growth delivery and Opportunity Peterborough**

The growth delivery team and the council's wholly-owned company Opportunity Peterborough support our agenda to grow the city by 20,000 jobs and 25,500 houses by 2026, by attracting and supporting inward investment, supporting the delivery of key projects such as the Carbon Challenge site and Fletton Quays (also known as South Bank / Riverside Opportunity Area), and helping to improve the skills of our community.

The current budget for the Growth and Regeneration department is £15.9m. The proposals presented below would save £0.3m in 2014/15. The proposals as presented include additional investment needed which totals £0.5m in 2014/15.

**SAVINGS - REVENUE**

**Natural and historic environment**

Previously we provided grants to organisations and groups to improve their natural environment such as creating wildlife gardens and ponds, and to repair historic buildings. This proposal is to remove this grant funding and instead use income from new developments to pay for such schemes.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Remove historic and natural environment grant and reduce biodiversity strategy budget | 25                    | 25                    | 25                    | 25                    | 25                    |

**Local Plan**

We are close to completing our suite of strategic documents known as the Local Plan, which is the council's plan for future growth and development of the city, including the Core Strategy and Site Allocations Document. This proposal is to reduce expenditure on this area including the use of consultants and printing costs until these documents are due to be reviewed again.

| <b>Issue</b>                           | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reduction in expenditure on Local Plan | 61                    | 61                    | 61                    | 61                    | 61                    |

### **Climate change**

We have successfully attracted European and national grant funding and sponsorship to pay for some of our climate change work and the environment capital conference and workshops. We are therefore proposing to reduce the amount of council funding in this area.

| <b>Issue</b>                                      | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Climate change and environment capital conference | 16                    | 16                    | 16                    | 16                    | 16                    |

### **Planning, transport and engineering**

Following the re-organisation of our senior management team and the creation of the new Growth and Regeneration department, the former planning, transport and engineering service will be restructured to further support growth delivery and enable more income to be generated through selling services to other councils and organisations.

| <b>Issue</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Re-organisation of planning, transport and engineering service | 101                   | 101                   | 101                   | 101                   | 101                   |

### **Housing strategy**

An income of £20,000 can be achieved through selling housing strategy services to a neighbouring council, therefore helping to offset our costs in this area.

| <b>Issue</b>                           | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Increase in income to housing strategy | 20                    | 20                    | 20                    | 20                    | 20                    |

### **Trees and woodlands**

This proposal is to move from a five-year cycle to a seven-year inspection cycle of the city's trees and woodlands.

| <b>Issue</b>        | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Trees and woodlands | 100                   | 100                   | 100                   | 100                   | 100                   |

## **INVESTMENT - REVENUE**

### **Street lighting energy costs**

Because of rising energy prices and a growing network which is supporting new developments, the cost of street lighting has increased. This investment of £340,000 is needed for future years to offset these cost rises.

| <b>Issue</b>                 | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Street lighting energy costs | 340                   | 340                   | 340                   | 340                   | 340                   |

### **Resilience function**

The capability of the city to respond to an emergency event has in recent years been funded from a reserve which has now been exhausted. An ongoing budget is required to maintain this vital service.

| <b>Issue</b>        | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Resilience function | 66                    | 66                    | 66                    | 66                    | 66                    |

### **Concessionary fares**

The council is legally-required to fund concessionary fares for qualifying bus passengers. A continuing rise in the elderly population means that more passengers qualify for this support.

| <b>Issue</b>        | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Concessionary fares | 0                     | 200                   | 400                   | 600                   | 800                   |

### **Opportunity Peterborough**

Opportunity Peterborough (OP) currently receives a grant from the council of £380,000, plus other support. In last year's Medium Term Financial Strategy (MTFS) it was agreed to gradually reduce this over time, starting with a £100,000 reduction in 2014/15, with OP becoming fully self-funding by 2016/17.

We have had further discussions with OP regarding the impact this would have in 2014/15 on its ability to support our key priority of growing the city. As such we are proposing support in two areas:

- One-off funding of £50,000 in 2014/15 – This will enable OP to drive forward initiatives to generate income, helping to deliver the additional savings in 2015/16 and 2016/17, and achieve the aim of becoming self-financing. This is shown in the table below.
- We will also underwrite the remaining £50,000 of the savings target. This will only be called upon if OP cannot generate the income to meet the level of saving (if needed it is proposed this is funded from reserves).

The business plan for OP will be brought to Cabinet in the summer for approval as usual.

| <b>Issue</b>             | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Opportunity Peterborough | 50                    | 0                     | 0                     | 0                     | 0                     |

## **INVESTMENT - CAPITAL**

The following schemes are proposed for inclusion in the capital programme.

### **Central Avenue parking scheme**

This investment would pay for improvements in the area outside of the parade of shops in Central Avenue that is directly opposite Dogsthorpe Primary School. The proposal is to change the layout of the area to make parking safer.

| <b>Issue</b>                  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Central Avenue parking scheme | 220                   | 0                     | 0                     | 0                     | 0                     |

### **Footpaths**

Previously the maintenance of footpaths across the city was paid for from our revenue budget. This proposal is to make it part of our capital expenditure.

| <b>Issue</b> | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Footpaths    | 60                    | 60                    | 60                    | 60                    | 60                    |

## **APPENDIX 7**

### **RESOURCES - SERVICE IMPLICATIONS (INVESTMENTS / REDUCTIONS)**

The Resources department consists of the following:

#### **Strategic finance**

- Finance
- Internal audit

#### **Strategic commissioning / transformation**

- Serco Strategic Partnership (business support, shared transactional services, business transformation, procurement, customer services, finance systems, strategic property) and ICT partnership
- Waste management and waste disposal including the Energy From Waste plant
- Amey Strategic Partnership (formerly Enterprise Peterborough) which includes refuse collection, street cleaning, parks, trees and open spaces, traveller site management, building cleaning, and passenger services
- Vivacity (culture, recreation and libraries)
- Registration and bereavement services
- Westcombe Engineering
- City Fibre – broadband partnership

#### **Corporate property and children's resources**

- School place planning including admissions, schools building programmes and transport.
- Financial management for Children's Services and schools (including the Schools Forum)
- Programme and project management for Children's Services
- Corporate property including asset disposals
- City College Peterborough

#### **Energy and the Energy Services Company (ESCo)**

- Renewable energy and energy efficiency schemes
- The council's wholly-owned Energy Services Company (ESCO) - Blue Sky Peterborough

The current budget for the Resources department is £32.9million. This includes the capital financing budget and certain corporate budgets, including the contingency for a potential pay award. Changes in these areas are included in appendices 8 and 9. The proposals presented in appendices 7, 8 and 9 would save £8.4million in 2014/15. The proposals as presented include additional investment needed which totals £6.6million in 2014/15.

## **SAVINGS - REVENUE**

### **Finance**

A further review of the funding for the finance function will be undertaken. This will include a review of all currently vacant posts, and investigating whether any benefits can be sought from the new council structure. The £72,000 saving is on top of a £50,000 saving already committed to for next year, taking the overall saving up to £122,000. A reduction in the fees for external audit is also being

achieved. This is in response to changes to the external audit arrangements following the abolition of the Audit Commission.

| <b>Issue</b>                    | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Further savings in finance team | 72                    | 72                    | 72                    | 72                    | 72                    |
| External audit costs            | 30                    | 30                    | 30                    | 30                    | 30                    |

### **Parish councils**

In recent years we have made some reductions to the discretionary funding we provide to parish councils. We are proposing to remove the remaining discretionary funding, and also to remove the council tax support grant in full. The funding provided to those parish councils that provide burial grounds and recreation grounds will continue as before.

In line with the practice established in previous years, it is proposed that a full year's notice will be provided for this, and the measure will not be implemented until 2015/16.

| <b>Issue</b>                       | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reduce funding for parish councils | 0                     | 40                    | 40                    | 40                    | 40                    |
| Council tax support grant          | 0                     | 61                    | 61                    | 61                    | 61                    |

### **Strategic commissioning and transformation**

Strategic Client Services manages our partnerships with Serco, Amey and Vivacity. We propose to continue to reduce costs by looking for further efficiencies across our internal team.

| <b>Issue</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Re-organise the client services team in line with changes to the council's structure | 100                   | 100                   | 100                   | 100                   | 100                   |

### **Serco Strategic Partnership**

The Serco Strategic Partnership manages many of our back office functions including our business support staff, the council tax and benefits teams known as Shared Transactional Services, customer services and finance systems. These two proposals are to make efficiencies on the existing contract and also reduce the amount of business and administrative support the council receives.



| <b>Issue</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reductions in Serco Strategic Partnership costs and business support | 775                   | 775                   | 775                   | 775                   | 775                   |

## Property

We continue our drive to reduce costs by ensuring we are making the best use of all the buildings we own and use. Part of this proposal is about bringing more services into our main buildings and maximising the income we receive from our commercial property estate.

A further proposal is being developed to review the management of our property estate to drive growth and secure additional savings. This will include looking at better management and utilisation of both the buildings from which our services are run and the community buildings we own such as community centres, libraries and schools.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reduce costs of office accommodation  | 453                   | 580                   | 580                   | 580                   | 580                   |
| Develop new ways to generate income and make savings from all council-owned buildings | 220                   | 220                   | 220                   | 220                   | 220                   |

## ICT

There are two main sets of proposals to make savings in ICT. When we outsourced our main ICT function, a number of systems remained in-house and continue to be managed by council staff. The first proposal is to review all of these arrangements with a view to bringing all ICT applications and projects under the main contract. The second part of this proposal is about reducing the amount we spend on ICT equipment and ICT support for staff in line with our "thin client strategy". The aim is for less people to have laptops and desktop computers and more people to have mini desktop boxes that link to a main server which can be updated remotely.

The second proposal is about reducing our broadband costs and encouraging other organisations to use our broadband network as part of the CityFibre project.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Reviewing all ICT projects and reducing ICT support costs | 461                   | 461                   | 461                   | 461                   | 461                   |
| Reduced costs   |                       |                       |                       |                       |                       |

|                                 |     |     |     |     |     |
|---------------------------------|-----|-----|-----|-----|-----|
| through new broadband provision | 141 | 271 | 517 | 513 | 513 |
|---------------------------------|-----|-----|-----|-----|-----|

### Registration and bereavement services

Peterborough has an ageing population with 27,000 older people living in Peterborough, 3,600 of whom are aged 85 and over. We also have the second highest birth rate in England according to national statistics. Therefore, the registration and bereavement service is anticipating additional income in the coming years which would mean the council would need to pay less for the service. The saving for 2014/15 is anticipated to be about £100,000. We are also proposing an increase to some of the fees in line with other providers.

| Issue                                   | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---|---------------|---------------|---------------|---------------|---------------|
| Increased income – bereavement service  | 46            | 46            | 46            | 46            | 46            |
| Increased income – registration service | 54            | 54            | 54            | 54            | 54            |

### Waste management and Amey contract

Every area of council business has been reviewed to make savings to help us to balance our books in 2014/15 and beyond, including those organisations that run services on our behalf.

The following proposals are part of a package of measures that would achieve a £1.1million saving in the Amey contract. The first proposal is about making efficiencies on the existing contract of £149,000.

| Issue                         | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Efficiencies on Amey contract | 149           | 149           | 149           | 149           | 149           |

The proposals outlined below are about potential changes to existing services:

### Garden waste collection (brown bin waste)

We currently provide a free garden waste collection service. As we are not legally-required to provide this service, in keeping with a growing number of councils such as Southampton and Harlow, it is proposed to introduce a charge for this service of £39 per year for an almost year-round fortnightly brown bin collection. The scheme being proposed is estimated to save £804,000 in 2014/15.

It is proposed to start charging residents for this service from 27 May 2014. It is proposed that people who sign up for the new service before the end of May will receive a £3 discount.

| Issue  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--|---------------|---------------|---------------|---------------|---------------|
| Introduce charge for garden waste collection service | 804           | 804           | 804           | 804           | 804           |

## Sports clubs

We currently provide a free caretaker service for sports clubs. This is not a statutory requirement and therefore this proposal is to stop providing this service.

| Issue                           | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sports clubs' caretaker service | 45            | 45            | 45            | 45            | 45            |

## Play areas

We are also proposing to inspect play areas once a week instead of twice a week. This proposal would save £15,000.

| Issue                 | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Play area inspections | 15            | 15            | 15            | 15            | 15            |

## Maintaining green areas of the city

We currently pay for grass to be cut when it grows to a certain length. Moving to a fixed three-weekly cycle would save £78,000. However, to enable this to happen, we need to make a one-off capital investment of £245,000 to purchase the new equipment needed.

In addition, we are proposing to reduce the need to regularly replant borders and flower beds by replacing them with shrubs. In line with the council's biodiversity strategy, to encourage wildlife, we are also proposing to allow grass to grow longer and plant wildflowers in certain areas of the city. All of these measures together will save £58,000.

| Issue  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--|---------------|---------------|---------------|---------------|---------------|
| Grass cutting service                          | 78            | 78            | 78            | 78            | 78            |
| Changing planting and creating wildlife havens | 58            | 58            | 58            | 58            | 58            |

## Removing council subsidy for the WEEE facility

We currently pay Amey (formerly Enterprise Peterborough) to run the Waste Electrical and Electronic Equipment (WEEE) Re-use facility in Fengate, Peterborough. The service recycles used or damaged electrical items which are made available to residents at reduced cost. Amey is investigating new ways of running the service without council funding. There are already other charitable organisations in the city running a similar service including the British Heart Foundation.

| Issue         | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---------------|---------------|---------------|---------------|---------------|---------------|
| WEEE Facility | 66            | 66            | 66            | 66            | 66            |

### Charging for bins at new properties

Currently we pay about £40,000 providing new bins for new properties. This proposal is to recover these costs from the property developers.

| Issue                            | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Charging developers for new bins | 40            | 40            | 40            | 40            | 40            |

### Reduced landfill costs

Landfill costs have reduced, partly through the success of the food waste collections which have reduced the amount of black bin waste, and also through the diversion of some black bin waste to make fuel. There will be no savings from 2016/17 because the Energy from Waste plant will be operational. All the savings associated with using this new facility and not sending waste to landfill have already been built into the previous Medium Term Financial Strategy.

| Issue                  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Reduced landfill costs | 100           | 100           | 0             | 0             | 0             |

### Vivacity

In discussion with Vivacity a package of proposals have been put together to save £335,000 in 2014/15. It includes:

- Making capital investments of £133,000 in the assets that Vivacity runs on our behalf such as replacing the Key Theatre signage and increasing the capacity of the Regional Pool gym to enable Vivacity to make efficiency savings of the same amount.
- Reducing the amount of council funding for the city's Arts Festival and looking for other external sources of funding and sponsorship to pay for the programme of events.
- Making better use of the Central Library building by moving the open library resource onto the ground floor and re-using the first floor to save £50,000.
- Increasing the income received from the new Hampton Premier gym and swimming pool by £37,000 in 2014/15.
- Making two savings to the library service's book fund - a one off reduction of £20,000 in 2014/15 and an ongoing saving of £50,000 from 2014/15.
- Given the future financial challenges faced by the council, we are proposing additional savings of £260,000 in 2015/16 the details of which will be identified over the coming year.

| <b>Issue</b>   | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Capital investment to generate efficiency savings      | 133                   | 53                    | 53                    | 53                    | 53                    |
| Peterborough Arts Festival                             | 45                    | 45                    | 45                    | 45                    | 45                    |
| Move Central Library onto one floor                    | 50                    | 50                    | 50                    | 50                    | 50                    |
| Increased income from the new Hampton Premier facility | 37                    | 79                    | 79                    | 79                    | 79                    |
| Reducing the book fund                                 | 70                    | 48                    | 48                    | 48                    | 48                    |
| Further savings to be identified                       |                       | 260                   | 260                   | 260                   | 260                   |

### **Home to school transport – special schools**

In line with our move to encourage more residents to be able to live more independently and reduce their reliance on council services, it is proposed to change our approach to providing transport for young people with Special Educational Needs (SEN).

For those young people who are assessed as being appropriate, instead of providing direct transport for them (such as taxis), they would be given travel training to enable them to travel on a bus. We would then provide them with Mega Rider bus tickets. This would also teach them vital life skills that would help them be more independent in the future when leaving school. Before any scheme was introduced there would be appropriate consultation with parents and schools in the autumn term. However, we are investing more for children with severe physical disabilities.

| <b>Issue</b>             | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Special school transport | 60                    | 60                    | 60                    | 60                    | 60                    |

### **Risk management contingency**

Last year we set aside a risk management contingency to cover significant risks that may arise in the future. We have reviewed the risks, the level of reserves and the need to balance the budget and are proposing to remove the risk management contingency this year.

| <b>Issue</b>                | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Risk management contingency | 207                   | 207                   | 207                   | 207                   | 207                   |

## Council tax freeze grant

When we froze council tax in 2011/12, we were awarded grant from Government for doing so. This grant was initially for four years. Government has confirmed that grant is now base lined into council funding, and we can include the benefit in future years.

| Issue                            | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| 2011/12 council tax freeze grant | 0             | 1,533         | 1,533         | 1,533         | 1,533         |

## Schools capitalisation

Schools use their own funding to support small individual capital projects. The council can choose to fund this spend from the capital programme and therefore schools transfer their revenue funding over to the council to provide a one-off benefit. We believe that schools will capitalise an additional £250,000 of spend in 2014/15.

| Issue                  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Schools capitalisation | 250           | 0             | 0             | 0             | 0             |

## Inflation

Each year the council commences the budget process in September and makes assumptions on the level of inflation that is required across the council. A detailed review of expenditure against inflation assumptions has identified a reduced need for inflation in 2014/15, most of which can be permanently removed from the council's baseline budget.

| Issue     | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------|---------------|---------------|---------------|---------------|---------------|
| Inflation | 606           | 366           | 366           | 366           | 366           |

## Increase in energy initiatives savings target

In the last MTFs we included a savings target for energy initiatives. This includes savings from our energy performance works and from selling services to other councils. This target will be increased. The increase is at a level sufficient to fund the costs of the extra £1million capital investment outlined in the capital section, so that the impact of this is cost neutral.

| Issue                                 | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Increase in energy initiatives target | 12            | 44            | 64            | 64            | 64            |

## INVESTMENT – REVENUE

## Carbon Reduction Commitment (CRC)

The CRC Energy Efficiency Scheme is a compulsory government scheme aimed at improving energy efficiency and cutting carbon dioxide (CO<sub>2</sub>) emissions in large public and private sector organisations. These organisations are responsible for around ten per cent of the UK's greenhouse gas emissions.

We have to buy allowances for the carbon reduction commitment scheme from the government and the cost of these has risen. However, this investment does not reflect the full extent of the cost increases as some of it is offset by the our improved energy efficiency.

| Issue                       | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Carbon Reduction Commitment | 140           | 140           | 140           | 140           | 140           |

## Reduction in anticipated savings

In last year's MTFS we set a target for business transformation savings. This has now been revised to reflect the level of savings coming forward, and the specific savings proposals are included throughout this document. Also, a cost pressure has been identified in relation to the operational costs at some of the facilities operated by Vivacity that are not covered by the service fee.

| Issue                   | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Business transformation | 2,528         | 2,396         | 2,806         | 2,485         | 2,801         |
| Vivacity                | 47            | 47            | 47            | 47            | 47            |

## Football ground

Work has now started on the community stadium on the site of the former Moy's End stand at Peterborough United's London Road ground. The former stand has been demolished and in its place will be a new-all-seater stand and skills centre. While the building works are on-going we agreed a rent abatement for Peterborough United to compensate for their loss of income during this time. These savings were agreed as part of decisions taken by Full Council and Cabinet last summer.

| Issue                             | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Football ground income adjustment | 303           | 134           | 134           | 134           | 134           |

## ICT

We are proposing to move our ICT from a server room in the Town Hall to a data centre out of the city that is hosted by an external provider. To enable this to happen, the council needs to make one-off capital and revenue investments.

In the long-term this would save the council money because the alternative would be to make major capital investments in future years to renew the servers as they reach the end of their life. The net revenue cost of moving to the external provider would be £250,000 a year. There would also be a one-off capital investment needed of £1.3 million outlined in the 'Investment – Capital' section.

| <b>Issue</b>              | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Move to external provider | 250                   | 250                   | 250                   | 250                   | 250                   |

### **Employers' NI policy change**

The Chancellor's budget in March 2013 announced further changes to the employers' National Insurance contracted out pension scheme from 2016/17. The investment below is the estimated additional cost of these changes to the council.

| <b>Issue</b>                           | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Increase to employers' NI contribution | 0                     | 0                     | 1,026                 | 1,026                 | 1,026                 |

### **Special school transport**

We provide transport for children and young people who meet clearly defined criteria under our home to school transport policy. Over the past 12 months, demand for transport for children and young people with special educational needs has increased in line with a rise in population and increasing complexity of needs. We have an additional 21 children attending The Phoenix School with severe physical disabilities. This investment would fund their transport.

| <b>Issue</b>             | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Special school transport | 164                   | 164                   | 164                   | 164                   | 164                   |

### **Energy generation and efficiency**

We are developing a number of projects that will utilise existing council assets (mainly land) to generate energy and income for the council. The Energy from Waste plant is currently under construction, and as well as being used to dispose of waste, will generate power that can be sold to reduce the cost of waste disposal. These savings are incorporated into this Medium Term Financial Strategy (MTFS).

### **Wind and solar farms**

This scheme will make a significant contribution towards our Environment Capital aspirations as well as generating renewable energy which will help us to safeguard our budgets against future rising and uncertain energy costs. Additionally, the energy generated can be sold to bring in a significant new source of revenue that will help to close our funding gap and help protect future services.



The budget position reported in future years already includes this income, and if the projects do not go ahead, then the budget gaps we face will widen, as can be seen below:

|   | 2014/15 £k | 2015/16 £k     | 2016/17 £k     | 2017/18 £k     | 2018/19 £k     |
|---|------------|----------------|----------------|----------------|----------------|
| <b>MTFS position</b>                                | <b>0</b>   | <b>-17,848</b> | <b>-22,486</b> | <b>-23,843</b> | <b>-26,507</b> |
| net income from wind/solar                          |            | -217           | 954            | 4,426          | 4,983          |
| <b>revised budget gap is schemes do not proceed</b> |            | <b>-17,631</b> | <b>-23,440</b> | <b>-28,269</b> | <b>-31,490</b> |

Full details of progress, and latest financial forecasts were reported to Scrutiny Commission for Rural Communities on 16 December 2013. More details can be found at the link below:

<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=405&MId=3273&Ver=4>

This Medium Term Financial Strategy (MTFS) builds in the updates to these financial forecasts. There are pressures in early years, before the income recovers to the expected levels as follows:

| Issue        | 2014/15 £k | 2015/16 £k | 2016/17 £k | 2017/18 £k | 2018/19 £k |
|--------------|------------|------------|------------|------------|------------|
| Energy parks | 384        | 4,193      | 2,930      | -359       | -575       |

If the projects do not go ahead as anticipated, we face a significant shortfall in income (compared to the numbers outlined in the table above). The financial forecasts in the scrutiny report included a range of options.

The numbers presented below, and now included in the MTFS, are based on a mid-range scenario. This includes the delay in the project from additional archaeological works, but not any delay from the potential call-in of the planning application. The level of net income that these would generate is outlined below:

### Solar only option

This assumes that there is no wind generation on site, and solar is maximised. Total net income when fully operational is around £1.2million per year.

|                                | 2014/15 £k  | 2015/16 £k  | 2016/17 £k | 2017/18 £k | 2018/19 £k   |
|--------------------------------|-------------|-------------|------------|------------|--------------|
| America Farm                   | -185        | 0           | 18         | 36         | 66           |
| Morris Fen                     | -151        | 260         | 150        | 210        | 315          |
| Newborough Farms               | -61         | -440        | 559        | 673        | 872          |
| <b>Total Solar Only Option</b> | <b>-398</b> | <b>-180</b> | <b>727</b> | <b>919</b> | <b>1,254</b> |

### Solar (if combined with wind) option

This reduces solar coverage to create the space needed for wind turbines. Total net income when fully operational is around £900,000 per year.

|   | 2014/15     | 2015/16     | 2016/17    | 2017/18    | 2018/19    |
|---|-------------|-------------|------------|------------|------------|
|   | £k          | £k          | £k         | £k         | £k         |
| America Farm                                      | -185        | 0           | 18         | 36         | 66         |
| Morris Fen  | -155        | 283         | 181        | 244        | 353        |
| Newborough Farms                                  | -61         | -426        | 250        | 335        | 485        |
| <b>Total solar (if combined with wind) option</b> | <b>-401</b> | <b>-142</b> | <b>449</b> | <b>615</b> | <b>905</b> |

### Wind Only Option

For wind turbines alone, total net income when fully operational is around £4.1million per year.

|                               | 2014/15    | 2015/16    | 2016/17    | 2017/18      | 2018/19      |
|-------------------------------|------------|------------|------------|--------------|--------------|
|                               | £k         | £k         | £k         | £k           | £k           |
| Morris Fen                    | -13        | -25        | 168        | 1,271        | 1,359        |
| Newborough Farms              | -26        | -49        | 337        | 2,541        | 2,719        |
| <b>Total wind only option</b> | <b>-39</b> | <b>-74</b> | <b>505</b> | <b>3,812</b> | <b>4,078</b> |

### Combined option

The combined option provides the maximum return for the council – around £5million per year when fully operational.

|                 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-----------------|---------|---------|---------|---------|---------|
|                 | £k      | £k      | £k      | £k      | £k      |
| Combined option | -441    | -217    | 954     | 4,426   | 4,983   |

All of the options above include the cost of business rates for the council. It is expected that we will be able to retain these business rates, and this would further increase the income by around £600,000 per year.

### Energy inflation

Given recent announcements regarding energy price increases, we have revisited the inflation provision for energy. The increases are based on the DECC forecasts for energy prices for service organisations. We would expect to mitigate against some of the increase through procurement via the government framework.

| Issue   | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|---|---------------|---------------|---------------|---------------|---------------|
| Energy inflation indices updated to DECC forecast | 70            | 149           | 51            | 27            | 59            |

## INVESTMENT – CAPITAL

### ICT

A significant level of saving is currently built into the Medium Term Financial Strategy in respect of changes proposed to the management of our ICT function and the core contract with Serco.

We are proposing to make some additional capital investments in 2014/15 to support these savings and to strengthen the resilience of our data storage as set out in the table below.

A one-off capital investment is required to replace our Town Hall-based servers to a data centre out of the city that is hosted by an external provider. This will improve the efficiency of our systems, provide a level of disaster recovery that we currently do not have, reduce the costs of expensive weekend maintenance and maximise the level of flexibility that our staff have to work across the city. This will generate revenue savings in future years.

There is also a revenue investment needed to achieve this move to the external provider as outlined in the previous section 'Investments – Revenue'. The net revenue cost of moving to the external provider would be £250,000 a year.

| Issue  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--|---------------|---------------|---------------|---------------|---------------|
| Moving to an externally hosted solution provider | 1,350         | -250          | -250          | -250          | -250          |

We are also proposing to invest in 2014/15 in:

- enhanced data sharing to improve our ability to work with other public sector organisations
- enhanced remote working for staff
- automating the update and roll-out of applications across the council

| Issue                      | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Enhanced data sharing      | 100           |               |               |               |               |
| Enhanced remote working    | 20            |               |               |               |               |
| Automation of applications | 150           |               |               |               |               |

In future years, we are proposing to invest in:

- extending coverage of the current free public wi-fi service in the city centre
- upgrading existing computers to support enhanced thin client “as a service”
- replacing or upgrading our existing electronic document management system
- introducing a ‘bring your own device strategy’ so that staff can use their own phones and tablets to access council services securely
- hardware replacement / upgrade
- Office 365 implementation – moving to an internet-hosted Office suite or similar

| Issue                          | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| City centre wi-fi extension    |               | 150           |               |               |               |
| PC upgrade                     |               | 750           |               |               |               |
| Electronic document management |               | 100           |               |               |               |
| Bring your own device          |               | 200           |               |               |               |
| Monitor refresh                |               |               | 180           |               |               |
| Office 365 implementation      |               |               | 150           |               |               |

### Investment in waste management and Amey contract

To enable the savings in the revenue budget to be made we need to make two one-off capital investments in equipment. A £245,000 investment is needed to buy new mowers capable of cutting longer grass in line with proposals to move to a three-weekly grass-cutting cycle. A £36,000 investment is also proposed to buy the two lease vehicles required to carry out the new green waste (brown bin) collection service which is more cost-effective than buying new equipment or entering into a new lease.

| Issue                   | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Grass cutting equipment | 245           |               |               |               |               |
| Green waste collection  | 36            |               |               |               |               |

### Energy initiatives

We intend to include a capital budget to allow initial works on energy initiatives to be undertaken. The cost of this will be offset by an increase in the savings target from these areas.

| Issue              | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Energy initiatives | 500           | 500           |               |               |               |

### School Place Planning

We are responsible for ensuring there are sufficient school places to meet people's needs. We are also responsible for providing transport where children have to access schools which are some distance from their home, often as a result of a shortage of school places.

We have some clear objectives in terms of school place planning:

- Offering local places for local children, with the aim to meet parental preference for catchment schools.

- Offering a range of different schools for all parts of the city including community schools, foundation schools, trust schools, faith schools and academies.
- Offering high quality places for children to learn that encourage high levels of achievement.
- Avoiding significant changes to catchment areas.
- Limiting the use of mobile classrooms to areas where demand is temporary.

A school organisation plan was published in the Spring which outlined our approach to support the increased demand and the impact of this growth on schools. The plan identified the requirements on school places in the next five years including the impact of new housing developments.

### Schools capital programme

The five year capital programme for new school places is as follows:

| Issue                               | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| New school places capital programme | 25,858        | 19,000        | 13,100        | 7,100         | 2,800         |

In 2013/14, the DfE recognised that pressures in Peterborough on school places were increasing and as a result our capital funding for basic needs (pupil number changes) increased significantly. This brought in an additional £6.1million in 2013/14 and a further £6.3million in 2014/15.

The revenue savings are shown in the table below:

| Issue  | 2014/15<br>£k | 2015/16<br>£k | 2016/17<br>£k | 2017/18<br>£k | 2018/19<br>£k |
|--|---------------|---------------|---------------|---------------|---------------|
| Borrowing savings resulting from increased grant funding | -125          | -472          | -697          | -694          | -694          |

We are currently working on a five-year capital programme for schools. It is difficult to plan further ahead than this owing to the variability of pupil numbers and the inability to predict numbers for children before they are born. Demography forecasts are updated every year. Beyond this, there are a number of new schools planned within new developments around the city. As developers receive planning permission, the capital programme will be updated to reflect the new schools intended to be built partially through developer contributions.

The current demographic challenge is shown in the table below -

|                | Primary pupil numbers<br>(Expected / Actual) | Secondary pupil number<br>(Expected / Actual) | Total pupil numbers | % Change |
|----------------|--|---|---------------------|----------|
| 2012/13        | 17491  | 13816   | 31307               |          |
| 2013/14        | 18548  | 14012   | 32560               | +4%      |
| 2014/15        | 19454  | 14435   | 33889               | +4%      |
| 2015/16        | 20175  | 14839   | 35014               | +3%      |
| 2016/17        | 20768  | 15340   | 36108               | +3%      |
| Overall Change |  |   |                     | +15%     |

We predict that the increase from 2014/15 to 2016/17 would mean a further 2,219 pupils would need places at Peterborough schools. This equates to the equivalent of five average size primary schools or two average size secondary schools.

The schemes currently proposed for 2014/15 onwards are shown below. The list is under constant review as the school place planning situation changes in the city. Full costings are not yet known as school building specification continues to change and the value of projects is commercially sensitive.

| <b>Scheme</b>                          | <b>Description</b>   | <b>Expected Year of Opening</b> | <b>Additional places created</b> |
|--|--|---------------------------------|----------------------------------|
| Thomas Deacon Academy                  | Thomas Deacon Academy will extend its age range to take 360 KS2 (junior) pupils  | September 2014                  | 360                              |
| Gladstone Park School                  | Redevelopment of Gladstone community centre to incorporate primary school provision  | September 2014                  | 420                              |
| West Town Primary                      | Move existing school to new site and increase capacity   | September 2015                  | 315                              |
| Woodston Primary                       | Increase by one to two forms of entry (FE)   | September 2014                  | 210                              |
| Ravensthorpe Primary                   | Expansion by one to two FE using existing space in school  | September 2015                  | 210                              |
| Orton Wistow Primary                   | Increase capacity by 0.5 FE to support housing development at East of England Showground   | September 2014                  | 105                              |
| Orton St John's Primary                | Increase school up to two FE using the DfE 'Priority schools building programme' and funded through a government operated capital scheme | September 2015                  | 148                              |
| Hampton Secondary School provision     | Joint development of secondary school with Cambridgeshire County Council to support growing needs in the south west of Peterborough.     | September 2017                  | 1,050                            |
| Additional Stanground Primary capacity | Current forecasts suggest a further one FE is required in Stanground as an expansion to an existing school                               | September 2017                  | 210                              |
| Hampton Leys Primary                   | First of two new two FE primary schools to support new developments east of A15  | September 2016                  | 420                              |
| Paston Reserve Primary School          | A new two FE primary school to support new development   | September 2017                  | 420                              |
| St Michael's, Stanground               | Phase 2 extension from one FE to two FE in response to growth at the Cardea development  | September 2017                  | 210                              |
| Great Haddon primary schools           | Three primary schools are planned under Section 106 agreement  | September 2018                  | 1,260                            |
| Great Haddon Secondary                 | A seven FE secondary school is planned for the new township only   | September 2018                  | 1,050                            |
| Additional PE1 provision               | Further primary school places to be identified to meet demand  | September 2016                  | 420                              |

NB. A one form of entry for primary schools (FE) is 30 pupils annually spread across the school i.e. 30 pupils for seven years = 210 places. A one FE only secondary means an additional 30 intake across the 11 to 16 age range i.e. 30 pupils across five years = 150 places.

## **APPENDIX 8 - STAFF IMPLICATIONS** **SERVICE IMPLICATIONS (INVESTMENT/REDUCTIONS)**

### **SAVINGS - REVENUE**

The majority of council staff are on national terms and conditions. We are required to adhere to these, and this includes the allocation of any pay awards. Our current Medium Term Financial Strategy had budgeted for a pay increase for staff of 1.5 per cent from 2014/15, with further increases in later years. As outlined above, this is simply our best forecast as to the potential position, we do not determine this.

In light of comments from the Chancellor with regards to public sector pay being kept at one per cent, we have revised our forecasts down. Whilst the Chancellor does not control local government pay, benchmarks set elsewhere in the public sector will influence decisions. This proposal reflects this revised forecast.

| <b>Issue</b>  | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Pay Award from 2014/15 onwards held at 1% provides saving | 283                   | 573                   | 1,146                 | 1,719                 | 2,292                 |

### **INVESTMENT – REVENUE**

We had not budgeted for a pay increase for staff for 2013/14. However, once national negotiations were concluded, a one per cent pay increase was awarded. As outlined above we are required to implement this award. This investment is needed to pay for that increase in future years.

| <b>Issue</b> | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Pay award    | 495                   | 495                   | 495                   | 495                   | 495                   |

### **Vacancy and redundancy**

During the next financial year, we are proposing to restructure a number of teams and departments which may result in a number of posts being affected. We anticipate that this will affect, in the region of, 53.5 full time equivalents posts, including all levels of council staff.

Our approach to minimising any compulsory redundancies will be the same as in other years, including deleting vacant posts, redeployment of affected staff, and seeking voluntary redundancies where we are able to do so.



**APPENDIX 9 – CAPITAL PROGRAMME OVERVIEW**  
**SERVICE IMPLICATIONS (INVESTMENT/REDUCTIONS)**

Our capital investment strategy has been reviewed as a result of lower expectations of external funding from government and related agencies. In addition there are reduced revenue monies available to fund costs of new borrowing.

As a result the funding of the capital programme has been focussed around maximising external income from section 106 agreements (the agreement we have with developers to fund community facilities), reviewing asset disposal opportunities (including those arising from the property rationalisation) and seeking new forms of private sector funding for regeneration projects.

We have also reviewed where investment is needed to achieve our priorities, especially in regard to delivering growth and meeting the educational needs of our children. We also ensure that we use capital investment effectively to drive forward efficiency savings and income generation, supporting our budget in future years. These changes are included in each of the relevant directorate appendices.

The costs of the updated capital programme are summarised below:

| <b>Issue</b>                                     | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> | <b>2018/19<br/>£k</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Capacity bids – impact of capital programme bids | 2,322                 | 187                   | 66                    | 212                   | 212                   |

The capital programme has been reviewed to ensure that schemes are more accurately profiled in the years that spend will take place, and that forecast costs remain accurate. This provides some savings in initial years as costs are deferred in line with the project timescales.

These savings are summarised below:

| <b>Issue</b>  | <b>2013/14<br/>£k</b> | <b>2014/15<br/>£k</b> | <b>2015/16<br/>£k</b> | <b>2016/17<br/>£k</b> | <b>2017/18<br/>£k</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Capital financing adjustments – to reflect changes in the capital programme and reductions in the cost of borrowing | 2,799                 | -35                   | -821                  | -1,141                | -1,768                |