

**CABINET**

**19 JANUARY 2015**

**BUDGET 2015/16 AND  
MEDIUM TERM FINANCIAL STRATEGY TO 2024/25**

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

**PETERBOROUGH**  
  
CITY COUNCIL

## CONTENTS

<b>BUDGET 2015/16 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) TO 2024/25 .....</b>	<b>2</b>
Appendix A - Phase two budget proposals schedule.....	22
<b>The MTFS in a Community Context .....</b>	<b>24</b>
<b>Report of the Chief Finance Officer .....</b>	<b>25</b>
Appendix B – Budget Risks .....	42
<b>1. Provisional Local Government Finance Settlement.....</b>	<b>46</b>
<b>2. Key Figures .....</b>	<b>49</b>
<b>3. Investment.....</b>	<b>51</b>
Appendix 3a – Investment – Inescapable.....	51
Appendix 3b – Investment – Essential.....	53
Appendix 3c – Investment – Funding Pressures .....	54
<b>4. Savings.....</b>	<b>55</b>
Appendix 4a – Savings – Service Reductions .....	55
Appendix 4b – Savings – New Savings and Efficiencies.....	56
Appendix 4c – Savings – Additional Income.....	60
Appendix 4d – Savings – Council Tax and Other Funding .....	61
<b>5. Fees and Charges Schedule .....</b>	<b>62</b>
<b>6. Reserves Position.....</b>	<b>66</b>
<b>7. Budget Monitoring – Probable Outturn .....</b>	<b>67</b>
<b>8. Treasury Strategy, Prudential Code and Minimum Revenue Position .....</b>	<b>74</b>
<b>9. Capital Strategy, Programme and Disposals .....</b>	<b>99</b>
<b>10. Asset Management Plan.....</b>	<b>129</b>
<b>11. Budget Consultation.....</b>	<b>0</b>

<b>CABINET</b>	<b>AGENDA ITEM No. 8</b>
<b>19 JANUARY 2015</b>	<b>PUBLIC REPORT</b>

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

## **BUDGET 2015/16 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) TO 2024/25**

<b>RECOMENDATIONS</b>	
<b>FROM :</b> Cllr David Seaton	<b>Deadline date:</b> Council Meeting 4 March 2015
Cabinet recommend:	
<ol style="list-style-type: none"> <li>1. To commence formal budget consultation that sets a balanced budget for 2015/16 and the medium term financial strategy to 2024/5 in line with the announcement of the local government provisional settlement for 2015/16 that: <ol style="list-style-type: none"> <li>a. is set in the context of the council priorities;</li> <li>b. takes note of the budget monitoring position for 2014/15;</li> <li>c. presents the draft revenue budget for 2015/16 and proposed cash limits for 2016/17 to 2024/25 (including the investment and saving proposals);</li> <li>d. presents the draft capital programme for 2015/16 and proposed cash limits to 2024/25 and associated capital strategy, treasury strategy and asset management plan;</li> <li>e. proposes a council tax freeze in 2015/16 with indicative increases for planning purposes of two per cent for 2016/17 to 2024/25;</li> <li>f. education funding is spent at the level of funding resources available to both schools and the council in 2015/16 and future estimates to 2024/25;</li> <li>g. the budget for 2015/16 is supported adequately with reserves, provisions and robust budget estimates set in the context of the risks outlined in the report; and</li> <li>h. presents the draft fees and charges for 2015/16.</li> </ol> </li> <li>2. To seek feedback from Scrutiny and views from all residents, partner organisations, businesses and other interested parties on the budget and budget proposals outlined in the budget consultation document for phase two appended to this report.</li> <li>3. That Cabinet have regard for the continuing uncertainty of national public finances that will not become known until the next parliament commences, making it unrealistic to forecast with accuracy future government grants beyond the further grant reductions contained within this report.</li> <li>4. That Cabinet note that government grants will not be confirmed until the final settlement is released in February 2015.</li> </ol>	

## 1. ORIGIN OF REPORT

- 1.1. This report comes to Cabinet as part of the council's formal budget process set out within the constitution and legislative requirements to set a balanced budget for 2015/16 and medium term financial strategy to 2024/25.

## 2. PURPOSE AND REASON FOR REPORT

- 2.1. The purpose of this report is for Cabinet to commence the second and formal process to set a balanced budget for 2015/16 and medium term financial strategy to 2024/25 in line with the provisional local government finance settlement for 2015/16. Attached to this report is the relevant documents Cabinet refer to within this report.
- 2.2. Following Council approval of phase one budget proposals at the meeting of 17 December 2014. This report sets out phase two budget proposals for consultation to enable Cabinet at its meeting on 23 February to make recommendations to be made to the meeting of Council on 4 March 2015.
- 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."*

## 3. TIMELINE

Is this a Major Policy Item/Statutory Plan?	YES	If Yes, date for relevant Cabinet Meeting	23 February 2015
Date for relevant Council Meeting	4 March 2015	Date for submission to Government department	Communities and Local Government (CLG) 10 March 2015

## 4. EXECUTIVE SUMMARY

- 4.1. The report outlines the impact of the local government provisional finance settlement, a balanced budget for 2015/16 including presenting phase two budget proposals to enable council tax to be set and an assessment of the financial outlook in future years.
- 4.2. The local government provisional settlement for the council in 2015/16 is £0.5million worse than expected bringing overall grant reductions for 2015/16 to £12.8million compared to 2014/15. The final settlement is expected to be confirmed next month.
- 4.3. For 2016/17 onwards, the council is expecting even further grant reductions over and above the grant reductions assumed in this report but may benefit from embedding joint planning in health and social care further. The Autumn Statement 2014 made it clear that there is further austerity measures still to come through the next parliament with government not expecting balance to balance the books until 2018/19. However, as government has not detailed the headline announcement nationally that there would be further public sector efficiencies totalling £10 billion in the first two years of the next parliament nor published plans for health and social care funding from

2016/17 onwards, planning for the longer term remains incredibly challenging. As such, this makes it unrealistic to forecast with any accuracy future government grants beyond the further grant reductions contained within this report and indeed the Local Government Association have not made such forecasts, therefore Cabinet's approach will continue to work on reducing the current forecast deficit in 2016/17 in excess of £10million, refreshing grant estimates when the next parliament publish further detail on how local government funding will be affected.

- 4.4. Taking into account the £12.8million government grant reduction and financial pressures of £12.5million as a result of an increasing demand for services and legal changes outlined in the budget consultation document, means the council faces an enormous challenge of finding £25million of savings to balance the budget in 2015/16, while continuing to invest in the city to ensure Peterborough is a great place to live, work, visit and stay. Cabinet's budget proposals provide a balanced budget for 2015/16.
- 4.5. The council has undertaken a two stage approach to balance the budget with Cabinet working throughout with a cross party budget working group to share and discuss budget proposals. Cabinet has presented budget proposals over two phases with:
  - Phase one budget saving proposals of £16.6million approved by Council on 17 December 2014;
  - The council tax support scheme under consideration, launched during phase one will save a further £0.5million, and
  - This report identifies phase two budget saving proposals of £8.2million to be consulted upon as part of the formal budget consultation and after considering the budget conversation feedback provided on services that people most value. The proposals also include the budget proposals deferred during phase one and proposals recommended by Scrutiny. Both of these require further work.
- 4.6. Cabinet is proposing to freeze council tax in 2015/16. The council tax band D charge of £1,128.03 would remain the same as 2014/15. The Cabinet believe this proposal strikes the right balance between investing in our city, maintaining services, delivering efficiencies and keeping council tax as low as we can. For planning purposes, a two per cent increase from 2016/17 onwards has been assumed. 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 of charges from police, fire and parish councils if applicable.

4.7. This report also outlines the statutory requirements to set a lawful and balanced budget and supplementary relevant information to support the medium term financial strategy as follows:

- Probable outturn
- Revenue and capital budget plans
- Fees and charges
- Reserves and robustness of estimates
- Risk assessment
- Treasury strategy, prudential code and minimum revenue position
- Capital strategy, programme and disposals
- Asset management plan
- Phase two budget consultation

4.8. The financial and technical aspects underpinning Cabinet's report takes into consideration the report of the Chief Financial Officer reporting on the adequacy of reserves and provisions and the robustness of budget estimates as part of the annual budget process. The report is attached.

## 5. PROVISIONAL LOCAL GOVERNMENT FINANCIAL SETTLEMENT

5.1. The provisional local government financial settlement was announced on 18 December 2014. The settlement in 2015/16 is £0.5million worse than expected bringing overall grant reductions for 2015/16 to £12.8million. The final settlement is expected to be confirmed over the next month. The next table summarises the settlement with a further breakdown provided in appendix 1. The table does not include the retained business rate income over and above the baseline funding set by government.

	2014/15	2015/16	Variation	Original MTFS forecast
	£m	£m	£m	
Revenue Support Grant	45.973	34.026	-11.9	-11.9
Baseline Funding (Business Rates less tariff)	38.072	38.130	0.0	0.0
<b>= Settlement Funding Assessment (SFA)</b>	<b>84.045</b>	<b>72.156</b>	<b>-11.9</b>	<b>-11.9</b>
Other grants excluding New Homes Bonus and council tax freeze grant 2015/16	24.396	23.517	-0.9	-0.4
<b>Total</b>	<b>108.441</b>	<b>95.673</b>		
<i>Grant reduction £m</i>	-8.950	-12.768	-12.8	-12.3
<i>Cumulative grant reduction £m</i>	<b>-31.272</b>	<b>-44.040</b>		
<i>Cumulative grant reduction %</i>	<b>28%</b>	<b>39%</b>		

5.2. The key headlines are as follows:

- The council's main funding called Settlement Funding Assessment (SFA) remains largely unchanged
- The SFA now includes a separately identified component for Local Welfare Reform provision of £596k. However, this is not new funding,

only a presentational change within the components that the SFA comprises of.

- Other grants excluding new homes bonus and council tax freeze grant 2015/16 has seen further government reductions. The main grants affected include:
  - Local council tax support and housing benefit administration grant
  - Council tax support new burdens funding
  - Reduction in the returned monies for New Homes Bonus that government estimated could be returned to local authorities.
- Other changes to grants that have been included in the budget position:
  - New Homes Bonus – the council continues to build new homes and will see an increase in grant of £1.6m in 2015/16 reflecting year five of the of the government’s scheme. The grant for 2015/16 will therefore be £6.3m;
  - The council will be eligible for the council tax freeze grant offered by government for 2015/16 if Council approve a council tax freeze on 4 March 2015. This grant will be £0.7m;
  - Adult social care specific grants excluding the Better Care Fund have been amended, however, the overall impact is slightly better than forecast;
  - The Public Health grant remains as forecast in the budget; and
  - Education funding remains largely unchanged from the budget forecast.

5.3. Nationally, government 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. This calculation does therefore has limitations when the council compares the government grants that it will actually receive to contribute towards service delivery and that is outside of its control to influence. Taking the published government data, nationally spending power has decreased by 1.8% and for the council spending power has decreased by 2.6%. Cabinet’s preferred measure is to report on grants directly impacting on council services of which they have no influence, therefore the grant reduction for 2015/16 compared to 2014/15 is 11.8% (£12.8million).

5.4. For 2016/17 onwards, the council is expecting even further grant reductions over and above the grant reductions assumed in this report but may benefit from embedding joint planning in health and social care further. The Autumn Statement 2014 made it clear that there is further austerity measures still to come through the next parliament with government not expecting balance to balance the books until 2018/19. However, as government has not detailed the headline announcement nationally that there would be further public sector efficiencies totalling £10 billion in the first two years of the next parliament nor published plans for health and social care funding from 2016/17 onwards, planning for the longer term remains incredibly challenging. As such, this makes it unrealistic to forecast with any accuracy future government grants beyond the further grant reductions contained within this report and indeed the Local Government Association have not made such forecasts, therefore Cabinet’s approach will continue to work on reducing the current forecast deficit in 2016/17 £10million, refreshing grant

estimates when the next parliament publish further detail on how local government funding will be affected.

## **6. COUNCIL PRIORITIES AND FINANCIAL POSITION**

### **Overview**

- 6.1. The budget is being set in the context of the most incredibly challenging financial times that local government has ever faced. Peterborough is no exception to this. Since the financial crash of 2008, the public sector has seen unprecedented reductions in funding. In the five years to 2015/16, the council has seen its government funding cut by £44million, which equates to nearly 39 per cent of its government grant.
- 6.2. At the same time as unprecedented reductions in funding, the council is also experiencing significant financial pressures of £12.5million. The council has a range of statutory services that is required by law to provide, and with demand for these services increasing, the council has a legal duty to meet these extra demands. Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in priority areas.
- 6.3. Taking into account the £12.8million government grant reduction and financial pressures of £12.5million as a result of an increasing demand for services and legal changes, means the council faces an enormous challenge of finding £25million of savings and efficiencies to balance the budget in 2015/16, while continuing to invest in the city to ensure Peterborough is a great place to live, work, visit and stay.
- 6.4. 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.

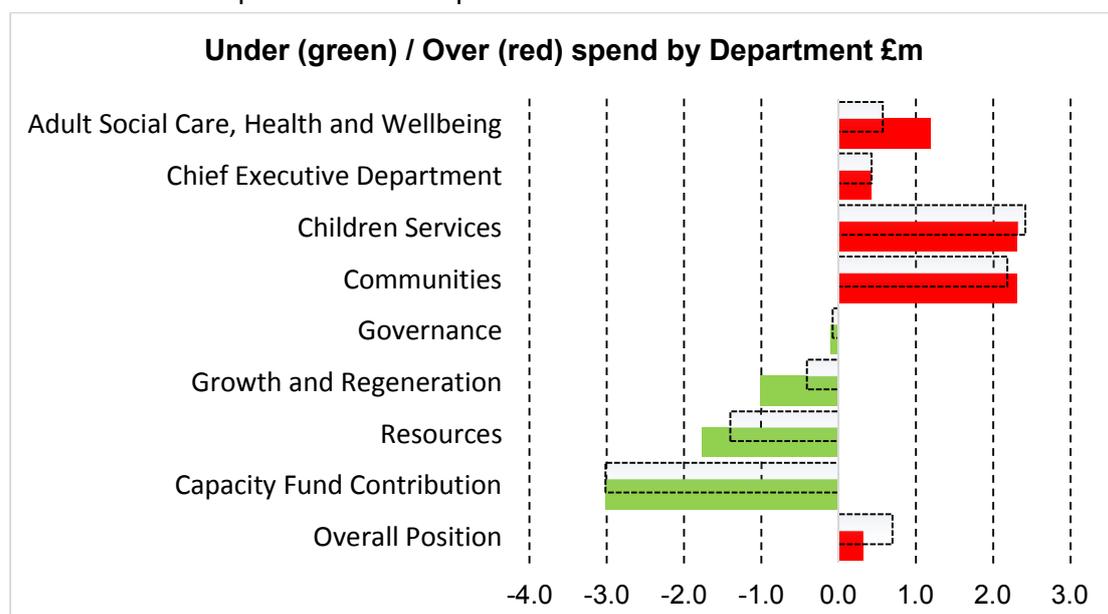
### **Priorities and approach**

- 6.5. The proposals put forward in this paper maintain Cabinet's commitment to:
  - Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned;
  - Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city;
  - Safeguarding vulnerable children and adults;
  - Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.
  - Supporting Peterborough's culture and leisure trust, Vivacity, to continue to deliver arts and culture;
  - Keeping our communities safe, cohesive and healthy

- 6.6. The outcome of Cabinet's recent budget conversation undertaken during November and December 2014 was outlined in a report to Cabinet on 15 December 2014. The services valued most overall by the respondents were:
- Meals on wheels service for elderly and vulnerable residents who cannot look after themselves
  - Combatting flytipping, graffiti and anti-social behaviour
  - Maintenance of parks and open spaces
  - Street cleansing
  - Libraries
- 6.7. Cabinet used this feedback on priorities to develop the phase two proposals alongside other general comments made during phase one including the budget events held. Cabinet are therefore not proposing to suggest further budget proposals beyond those already announced during phase one with the exception of libraries. Cabinet believe savings could be made to the way the library service is provided whilst still providing a valued service. A separate report on the library service will be considered by Cabinet on 19 January 2015.
- 6.8. The phase two budget proposals are outlined in Cabinet's budget consultation in appendix A. This includes the deferred phase one budget proposals and those recommended during the December Scrutiny meeting.

#### Probable Outturn - Revenue

- 6.9. The November report to Cabinet identified the council's forecast year end position stood at £0.7million over spend. The corporate management team continue to regularly review the council's financial position to deliver a balanced budget this year and based on the latest departmental reports submitted as at 30 November 2014 the over spend has reduced to £0.3m. The probable outturn report is appended to this report in appendix 7.
- 6.10. Cabinet have been assured by Directors that remedial action taken between December 2014 and March 2015 will deliver a balanced budget for 2014/15. As such, there is no need to use reserves and this has been factored into the reserves position as nil impact.



## Probable Outturn - Capital

6.11. The capital programme approved for 2014/15 within the MTFs was £260.8million and increased to £285.0million as a result from delays in projects from 2013/14 as summarised in the financial report to Cabinet in June 2014. Since the beginning of the financial year, there has been a further reduction in expected spend to £198.4million as at 30 November 2014. This is mainly due to a revision to the schools programme, deferring the affordable homes budget based on current schemes and various large slippages into future years. The spend to date is £56.7million with further spend to the end of the financial year still to be incurred of £141.7million if there is no change to the continuation of capital projects.

## 7. THE 2015/16 BUDGET

7.1. This report has so far outlined the government grant reductions the council will see in 2015/16 of £12.8million and that there are £12.5million of costs, pressures and investments creating a budget gap requiring £25.3million of savings and efficiencies to balance the budget in 2015/16.

7.2. The council has undertaken a two stage approach to balance the budget with Cabinet working throughout with a cross party budget working group to share and discuss budget proposals. Cabinet has presented budget proposals over two phases with:

- Phase one budget saving proposals of £16.6million approved by Council on 17 December 2014;
- The council tax support scheme under consideration, launched during phase one will save a further £0.5million. If there are no changes to council tax support, then further savings will need to be found; and
- This report identifies phase two budget saving proposals of £8.2million to be consulted upon as part of the formal budget consultation and after considering the budget conversation feedback provided on services that people most value. The proposals also include the budget proposals deferred during phase one and some recommendations by Scrutiny.

7.3. The overall budget position for the council shown in the next table identifies a balanced budget for 2015/16 with deficits increasing year on year thereafter. The deficits in future years could further worsen in the next parliament when the next government provide further detail on further public sector spending reductions.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
<b>Original gap per phase 1</b>	<b>24,742</b>	<b>29,314</b>	<b>31,265</b>	<b>34,112</b>	<b>37,098</b>
Further grant reductions	541	342	342	342	642
Additional pressures	83	2,653	5,961	6,435	6,923
<b>Revised budget gap</b>	<b>25,366</b>	<b>32,309</b>	<b>37,568</b>	<b>40,889</b>	<b>44,663</b>
<b>To be closed by:</b>					
Phase 1 proposals (approved by Council 17 December 2014)	-16,620	-14,342	-14,932	-15,132	-15,549
Council Tax Support Scheme (to be considered by Council 28 January 2015)	-500	-500	-500	-500	-500
Phase 2 proposals (appendix A)	-8,246	-7,911	-8,642	-8,380	-8,689
<b>Revised budget deficit</b>	<b>0</b>	<b>9,556</b>	<b>13,494</b>	<b>16,877</b>	<b>19,925</b>

## Phase two budget proposals

- 7.4. The phase two budget proposals included in appendix A will be consulted upon as part of the formal budget consultation with Cabinet using the consultation feedback to recommend final budget proposals on 23 February to Council on 4 March. As the consultation remains open until 1 March, Cabinet will issue an addendum to the Council meeting. The phase two budget proposals include further investment and required savings proposals to balance the 2015/16 budget.

## Investment Proposals

- 7.5. Inescapable investment is required when the council has a range of statutory services that is required by law to provide, and with demand for these services increasing, the council has a legal duty to meet these extra demands, has budgetary pressures or contractual commitments. The table below consolidates the phase one and phase two budget proposals and incorporates the government grant funding settlement pressure. All other investment is categorised as essential investment, in that the investment supports a policy decision or contributes towards achieving the council's priorities. A schedule of investment is attached to this report in appendix 3.

	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Funding – Phase 1	617	617	617	617	617
Funding – Phase 2	509	342	342	342	342
Inescapable	6,491	8,521	12,902	13,709	14,680
Essential	114	593	114	114	114
<b>Total</b>	<b>7,731</b>	<b>10,073</b>	<b>13,975</b>	<b>14,782</b>	<b>15,753</b>

- 7.6. Excluded from the above table of £7.7million investment in 2015/16 is £4.8million of investment approved in previous budget strategies, therefore the total pressures for 2015/16 is £12.5million.

## Savings Proposals

- 7.7. Cabinet's approach is to protect, as far as possible, the services residents care about the most the council's vision for the city. Cabinet's approach 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 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 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 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.

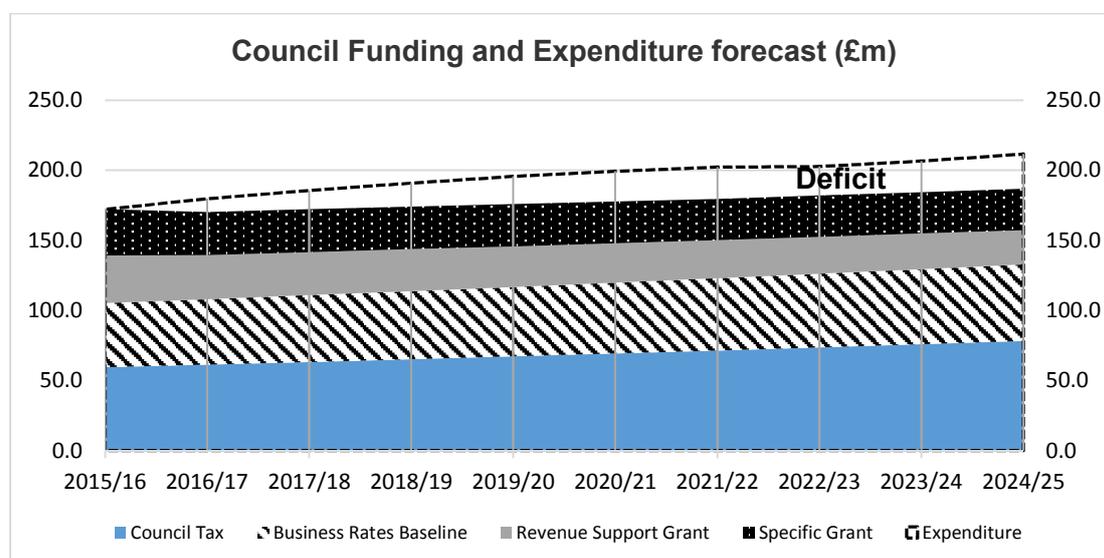
7.8. With a lot less money to go around there are going to have to be very significant changes. Cabinet is looking to see how some services can be delivered differently in order to save money but it is now clear that some services will be reduced and others may have to stop altogether. The consolidated phase one and phase two budget saving proposals underpinning this budget are summarised in the next table with a schedule of savings attached to this report in appendix 4.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£k	£k	£k	£k	£k
Council tax and other funding	-3,568	-1,552	-1,558	-1,564	-1,571
Additional income	-1,373	-1,513	-1,537	-1,477	-1,477
Efficiencies	-18,129	-17,475	-19,031	-19,263	-19,982
Service Reduction	-2,213	-2,213	-1,948	-1,708	-1,708
Contribution from reserves	-83	0	0	0	0
<b>Total</b>	<b>-25,366</b>	<b>-22,753</b>	<b>-24,074</b>	<b>-24,012</b>	<b>-24,738</b>

## 8. OVERALL BUDGET POSITION AND FUTURE OUTLOOK

### Overall budget position

8.1. 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.



8.2. A tabular presentation of the graph has been included in the key figures section of the MTFs including the budget assumptions. However, Cabinet note the following significant issues impacting on the uncertainty for future funding projections:

- The level of funding available to councils in the next parliament through revenue support grant and other grants as outlined earlier in this report;
- The retained business rates scheme is currently only in the second year of operation so at this stage no forecast of future growth in business rates has been included in the budget. The budget does include the current level of business rate income and has been increased to reflect the nationally set increase in the business rate multiplier:
  - due to wide variations that exist with outstanding appeals and appeals that may still be lodged by businesses
  - A significant issue for the council is the outstanding appeal outcome for Peterborough power station. The Chief Financial Officer report outlines the issue
  - Government's approach to utilise their powers to support businesses through capping the business rate multiplier used to calculate the business rate bills and reliefs such as small business rate multiplier and retail relief reduce business rate income. Although the council is compensated for these measures, this is provided through a grant outside of business rate income and will have an impact on future forecasts
  - The uncertainty of further reduction in revenue support grant in the next parliament
- The Better Care Fund allocation for Peterborough in 2015/16 is £11.999 million and is a pooled budget to help local places improve the integration of health and care services. The NHS and local authorities must agree locally through Health and Wellbeing Boards how the funding will be spent. The council expects to receive £7.671 million in 2015/16, however, government have not made any announcement on funding beyond 2016/17. The council funding is based on the following assumptions:
  - £3.522m will continue to be agreed annually at a similar level as now with the NHS as part of the S256 agreement between the council and clinical commissioning group
  - £0.800m protecting social care funding
  - £0.407m Care Act funding agreed in 2015/16, which is not guaranteed from 2016/17 onwards
  - £1.689m better care fund transformation funding agreed in 2015/16 which is not guaranteed to continue from 2016/17 onwards
  - £0.811m DFG funding and £0.442m capital funding, which funding streams are previously provided to the Council at similar levels, though now incorporated into the Better Care Fund.

8.3. On this basis the council has a set of proposals that deliver a balanced budget in 2015/16. In future years the impact of further grant reductions and pressures combine to produce further budget gaps. For 2016/17 this is currently expected to be £9.6m. However, this does not yet factor in the further impact of additional public spending reductions flagged in the Autumn Statement (on the basis that specific details will not be announced until after

the 2015 General Election), and as such the budget gaps in future years are expected to widen. It is clear that further difficult decisions will need to be taken in the coming years.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
<b>Budget Surplus(+) / Deficit(-)</b>	<b>0</b>	<b>9,556</b>	<b>13,494</b>	<b>16,877</b>	<b>19,925</b>
<b>Year on year deficit targets (Further new savings to find each year)</b>		9,556	3,938	3,383	3,048

## 9. CAPITAL PROGRAMME 2015/16 TO 2024/25

- 9.1. 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.
- 9.2. In summary, the programme is as below, the first table covering the financial years 2015/16 to 2019/20 and the second table extending the summary for a further five years to 2024/25.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
<b>Total Capital Expenditure</b>	<b>141,058</b>	<b>58,152</b>	<b>43,929</b>	<b>22,862</b>	<b>18,780</b>
<b>Financed by:</b>					
Grants & 3 <sup>rd</sup> Party Contributions	16,920	20,462	17,840	5,580	5,580
Capital Receipts	11,820	3,215	5,525	1,145	-
Capital Financing Requirement (Borrowing)	112,318	34,475	20,564	16,137	13,200
<b>Total Capital Financing</b>	<b>141,058</b>	<b>58,152</b>	<b>43,929</b>	<b>22,862</b>	<b>18,780</b>

### Capital Programme 2020/21 to 2024/25

<b>Capital Expenditure by Service:</b>	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Total Capital Expenditure</b>	<b>15,567</b>	<b>16,346</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>
<b>Financed by:</b>					
Grants & 3 <sup>rd</sup> Party Contributions	5,580	5,403	5,580	5,580	5,580
Capital Receipts	-	-	-	-	-
Capital Financing Requirement (Borrowing)	9,987	10,943	10,870	10,870	10,870
<b>Total Capital Financing</b>	<b>15,567</b>	<b>16,346</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>

- 9.3. 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.

- 9.4. Capital schemes will not progress until external funding has been secured where supporting a scheme.
- 9.5. 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.

## **10. COUNCIL TAX**

- 10.1. 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 fifth lowest council tax (some £110 per year lower than the average, and £304 lower than the highest).
- 10.2. Cabinet understands the current financial pressures that residents face and remains committed to keeping council tax low. The council has frozen council tax levels for three out of the previous four years.
- 10.3. The government has offered a council tax freeze grant for all councils that chooses to freeze council tax in 2015/16. 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.
- 10.4. The government also sets limits on the maximum increase in council tax. If any council proposes an increase higher than two per cent, they are 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 council has ever done so.
- 10.5. Having carefully considered the level of investment and saving proposals put forward in this budget for 2015/16 and the financial challenge ahead, the Cabinet is proposing to freeze council tax in 2015/16.
- 10.6. The current band D charge would remain at £1,128.03 in 2015/16. This means the council would have frozen council tax in four out of five years. For the average council tax payer, this means that annual bills are now around £116 lower than they otherwise would have been.
- 10.7. If these proposals are agreed at Council on 4 March 2015 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.
- 10.8. Government have not announced whether further council tax freeze grants will be available in future years nor whether the referendum level will be lowered from the current two per cent threshold level. Therefore for planning purposes, the MTFS assumes a two per cent increase for 2016/17 onwards.

The council will continue to work with government to see if it is possible to keep council tax as low as possible over those future years.

10.9. In summary, the next table illustrates the council tax raised through:

- 2015/16 – council tax is frozen and therefore exempt from applying the council tax referendum calculation
- The council will be eligible for the council grant in 2015/16 resulting in additional funding to the council of £0.7million in 2015/16
- 2016/17 to 2024/25 – an increase of 2.0% per annum for planning purposes

	2015/16	2016/17	2017/18	2018/19	2019/20
Council Tax increase	0.00%	2.00%	2.00%	2.00%	2.00%
Council Tax Band D	£1,128	£1,151	£1,174	£1,197	£1,221
Council Tax Base - Band Ds	52,749	53,312	53,883	54,460	55,043
Council amount raised (£m)	-59.5	-61.3	-63.2	-65.2	-67.2
Year on year extra (£m)		-1.8	-1.9	-2.0	-2.0

10.10. Cabinet is separately consulting on the localisation of council tax support scheme which will require approval by Council on 28 January. The council tax base calculation takes into account the scheme and is therefore dependent on the decision made by Council. The tax base above is based upon the budget proposals suggesting a 40% council tax support scheme to reflect the proposals included in a balanced budget for 2015/16.

10.11. 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.

10.12. If the council were to consider increasing council tax by 2.00%, i.e. at the maximum level below the referendum trigger, 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.

10.13. 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.

## 11. EDUCATION FUNDING

11.1. Funding for all schools and early years settings is provided directly through a specific grant known as the Dedicated Schools Grant and is based upon pupil numbers in October annually. 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.

- 11.2. The estimated Dedicated Schools Grant (DSG) for 2015/16 is £181.6million and Schools Forum (consisting of head teachers, early year's providers and the Local Authority) make the decision on how this funding is shared. A national funding formula is used to allocate funding which is adjusted for local circumstances. Once individual schools budgets are set, the funding for academies is returned to the Education Funding Agency for distributing and the Council passes on the funding to local authority maintained schools. This will total £118.7million in 2015/16. The final figure for 2015/16 will not be confirmed until early 2015, when funding for pupils with special educational needs is confirmed.
- 11.3. Peterborough, along with 68 other local authorities, will benefit from a new funding initiative called Minimum Funding Levels (MFL). MFL allocates additional funding to those local authorities whose funding falls below the national averages (allocations are set on an historical basis). This additional funding is ring fenced for schools. In total the DSG has grown by £15.4million between 2014/15 and 2015/16. The increase is attributable to the following:

<b>Funding Change</b>	<b>£k</b>
Minimum Funding level	840
Growth in pupil numbers ((an additional 754 pupil between October 2013 and October 2014)	3,400
Transfer of Funding for Thomas Deacon Academy, City of Peterborough Academy and City of Peterborough Academy	10,700
Early years Pupil Premium Funding	260
Additional growth in pupils with special needs (high needs block)	230
<b>Total</b>	<b>15,430</b>

- 11.4. There is additional funding for Education via ring-fenced grants for pupil premium (£8m) and 6<sup>th</sup> form funding (£3.4m).
- 11.5. 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 provisionally announced at £2.4m.

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

- 12.1. 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. The

report also considers in further detail the significant risk exposure faced by the council for forecasting government grants and business rates income.

- 12.2. In summary, the 2015/16 budget is underpinned by:
- a. General fund working balance maintained at £6.0million. The council is in the bottom third of unitary councils, having one of the smallest council level of reserves when compared to other councils. It is therefore proposed that the council maintain a risk management contingency.
  - b. After allowing for costs of change to deliver budget saving proposals from the capacity fund, it is proposed to transfer £1m from the capacity fund to establish a risk management contingency. This is based on the advice of the Chief Financial Officer given the level of budget risks outlined in the medium term financial strategy. £1m is proposed, but it is advised that the absolute minimum level of risk contingency held by the council should be between £250k and £500k.
  - c. As a result of this transfer, the capacity fund is expected to be fully utilised by the end of 2015/16, and the General fund balance and risk management contingency are the Council's only uncommitted reserves.

### **13. FEES AND CHARGES**

- 13.1. Fees and charges have been reviewed with a schedule attached to this report in appendix 5. Where fees and charges are statutorily set by government, the schedule is based upon the latest known charges.

### **14. CONSULTATION**

- 14.1. Cabinet outlined the budget consultation approach in their November Cabinet meeting being a two stage budget process. This Cabinet report commences the formal budget consultation and consultation on the second phase of budget proposals that provide a balanced and lawful budget for 2015/16. The November Cabinet report also outlined the legislative requirement to approve the council's tax support scheme annually and a separate consultation and process is underway.
- 14.2. The budget consultation will be in the public domain on 9 January 2015, confirmed by Cabinet at its meeting on 19 January and will run until 1 March 2015 to provide opportunity for debate with residents, staff, businesses and partners.
- 14.3. The following budget events will be held during phase two to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and council priorities:
- a) Joint Meeting of the Scrutiny Committees and Commissions
  - b) the business community;
  - c) Disability Forum
  - d) Borderline Peterborough Local Commissioning Group
  - e) Peterborough Housing Partnership
  - f) Peterborough Community Assistance Scheme (PCAS) Board
  - g) Greater Peterborough Partnership City Leaders forum
  - h) Connect Group

- i) Parish Councils
- j) Youth Council
- k) Schools Forum
- l) trade unions
- m) Staff meetings within departments / Ask Gillian on council's intranet

14.4. A hard copy of the phase two budget proposals and Budget Conversation document will be available in all libraries and Town Hall and Bayard Place receptions. The council will also receive responses via an on-line survey on its website.

14.5. The council will also promote the consultation through the local media and through the council's Facebook and Twitter accounts to encourage as many people as possible to have their say.

## **15. ANTICIPATED OUTCOMES**

15.1. The council must set a balanced budget for 2015/16 within the financial resources it will have next year and to set a medium term financial strategy for the longer term on three big issues for the people of Peterborough – prosperity, education and quality of life. These issues are at the heart of everything the council does and in particular how we make increasingly difficult decisions about where to spend the money the council has available to provide services.

15.2. The council has undertaken a two stage approach to formulating budget proposals. Phase one approved by Council on 17 December 2014 has been incorporated into the schedules accompanying this report but will be part of the decision. Phase one included a city wide budget conversation to identify what local residents and business people value most within the services delivered by the council helping Cabinet to develop and publish phase two budget proposals.

15.3. Phase two budget proposals including deferred phase one budget proposals and those recommended by Scrutiny published by Cabinet present a balanced budget for 2015/16 and feedback is sought from residents, partner organisations, businesses and other interested parties to enable Cabinet to recommend final budget proposals for approving of the formal budget by Council on 4 March 2015.

## **16. REASONS FOR RECOMMENDATIONS**

16.1. The Council must set a lawful and balanced budget.

16.2. The Council is required to set a Council Tax for 2015/16 within statutory prescribed timescales and in accordance with the local referendum requirements contained within the Localism Act 2011.

16.3. Before setting the level of Council Tax, the Council must have agreed a balanced budget.

## **17. ALTERNATIVE OPTIONS CONSIDERED**

17.1. Alternative budget proposals have been considered and rejected by Cabinet have also been shared with the budget working group over the budget setting period. Cabinet rejected these budget proposals on the basis that the

proposals would be detrimental to public service delivery or impact on delivery of the council priorities following feedback from the budget conversation undertaken over the past few months.

- 17.2. Cabinet considered alternative council tax levels and for the reasons set out earlier in this report recommend that the offer by government to freeze council tax represents the best value for the residents of Peterborough.

## **18. IMPLICATIONS**

### **Elected Members**

- 18.1. 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.
- 18.2. 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.

### **Legal Implications**

- 18.3. In terms of the Council's executive arrangements, the adoption of the Council's Budget is a role shared between the Cabinet and the Council, whereby the Cabinet (Leader) is responsible for formulating the budget proposals and full Council is responsible for then approving (or not) those proposals and setting the budget and council tax requirement.
- 18.4. For the remainder of the year, the principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot through the Budget overrule an executive decision as to how to spend the money, but the Budget will require the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authority's budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside of the Budget is required to have approval of the Council before the Leader and Cabinet can make that decision.
- 18.5. When it comes to make its decision on 4<sup>th</sup> March 2015, the Council is under a legal duty to meet the full requirements of section 31A of the Local Government Finance Act 1992 which includes the obligation to produce a balanced budget.
- 18.6. A principle of fairness applies to consultation on the budget proposals, both consultation required under s65 of the Local Government Finance Act 1992 and more generally as proposed here, which operates as a set of rules of law. These rules are that:
1. consultation must be at a time when proposals are still at a formative stage;

2. the proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
3. adequate time must be given for consideration and response; and
4. the product of consultation must be conscientiously taken into account in finalising any statutory proposals.

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

5. the degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and
6. the demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare applicant for a future benefit.

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

### **Human Resources**

- 18.8. The Cabinet report in December outlined the staffing implications for phase one budget proposals. Of the phase two proposals, only the customer experience programme and the senior manager review will incur reductions in staffing. The majority of staffing reductions within the customer experience programme will occur during 2016/17 but some will happen during 2015/16. Our best estimate at this stage is that we anticipate there may be a reduction in staffing numbers of up to 26 during 2015/16. Phase one changes approved by Council on 17 December proposed to restructure a number of teams and departments which may result in a number of posts being affected.
- 18.9. The council's 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.
- 18.10. This information relates to council staff only. The budget proposals will also impact on the council's partners.
- 18.11. The table below explains the staffing implications including the outcome of the voluntary redundancy process and has been refreshed since the publication included in the December Cabinet report to include the staffing impact of phase two. Consultations on phase one are in progress and a further update will be included in the February Cabinet report.

<b>Staff implications</b>	<b>Phase 1</b>	<b>Phase 2</b>	<b>Overall</b>
Total number of affected posts	55	26	81
Less vacant posts to be deleted	-12		-12
<b>Posts be to found through redundancies</b>	<b>43</b>	<b>26</b>	<b>69</b>
Less voluntary redundancy acceptances	-14		-14
Less redeployment of staff at risk of redundancy	-12		-12
<b>Compulsory redundancy total</b>	<b>17</b>	<b>26</b>	<b>43</b>

### **Equality Impact Assessments**

18.12. All budget proposals published in this first phase have been considered with regards to equality issues and where appropriate equality impact assessments have been completed and available on the council's website.

### **19. BACKGROUND DOCUMENTS**

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

## Appendix A - Phase two budget proposals schedule

### Investment Schedule

Dept.	Description	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
ASCHW	Adult Social Care Transformation Programme	0	479	0	0	0
COMM	Change in foster care legislation	130	195	225	225	225
COMM	Emergency out-of-hours contract	50	50	50	50	50
COMM	Selective Licencing	0	50	50	0	0
COMM	Youth Justice Liaison Diversion	0	57	57	57	57
GOV	Commercial Ops	0	100	100	100	100
GOV	Living Wage	22	22	22	22	22
GOV	Additional legal support for Adult Social Care	84	84	84	84	84
GOV	Single fraud investigation service	52	52	52	52	52
GOV	Increase in disabled parking bays	0	0	0	0	0
GRO	Roads and footpaths investment	3	10	14	14	15
GRO	Companion bus passes	0	0	0	0	0
RES	Capital financing investment costs	121	251	457	496	509
RES	Removal of expected net profit from Wind and solar farms	-419	1,263	4,810	5,295	5,769
RES	City wide funding unit	40	40	40	40	40
	<b>TOTAL</b>	<b>83</b>	<b>2,653</b>	<b>5,961</b>	<b>6,435</b>	<b>6,923</b>

### Savings Schedule

Dept.	Description	2015/16	2016/17	2017/18	2018/19	2019/20
		£k	£k	£k	£k	£k
ASCHW	Better Care Fund Transformation funding	-1,039	0	0	0	0
ASCHW	Shared Lives	-50	-200	-200	-200	-200
ASCHW	Care Act changes 2015/16	-660	0	0	0	0
CE	Senior Management Review phase two	-350	-350	-350	-350	-350
COMM	Increase income target for Clare Lodge	-182	-182	-182	-182	-182
COMM	Connecting mums sessions	-41	-55	-55	-55	-55
COMM	Contract efficiencies	-11	-30	-30	-30	-30
COMM	Reparation scheme	-4	-5	-5	-5	-5
CORP	Spend Management	-410	-410	-410	-410	-410
CORP	Increase fees and charges	-70	-70	-70	-70	-70
CORP	Removal of key user scheme	-26	-66	-66	-66	-66
CORP	Staff parking permits	-38	-38	-38	-38	-38
CORP	New Homes Bonus	-32	0	0	0	0
CORP	Employee lease car scheme	-50	-100	-100	-100	-100
CORP	Customer Experience Programme - phase two	-200	-2,000	-3,000	-3,000	-3,000
CORP	Council tax base growth – additional council tax	-750	-750	-750	-750	-750

Dept.	Description	2015/16	2016/17	2017/18	2018/19	2019/20
		£k	£k	£k	£k	£k
GOV	Members' allowances	-50	-50	-50	-50	-50
GOV	Community Leadership Fund	-57	-57	-57	-57	-57
GOV	HR Review	-40	-40	-40	-40	-40
GOV	Single fraud investigation service	-52	-52	-52	-52	-52
GRO	Roads and footpath maintenance	-450	-450	-210	0	0
GRO	Supporting growth - budget reduction	-40	-40	-40	-40	-40
GRO	Growth joint venture company	-120	-120	-120	-120	-120
RES	Serco Strategic Partnership	-1980	-1565	-1504	-1504	-1504
RES	Amey contract inflation	-150	-150	-150	-150	-150
RES	Parks, trees and open spaces - deferred from phase one	0	0	0	0	0
RES	Cutting of parkway verges	-10	-10	-10	-10	-10
RES	Grass cutting	-39	-39	-39	-39	-39
RES	Shrub removal	-83	-83	-83	-83	-83
RES	Bowling Greens	-25	-25	-25	-25	-25
RES	Tennis Courts	-11	-11	-11	-11	-11
RES	Cultural Services - changes to Library Service	-350	-350	-350	-350	-350
RES	Development of self-financing culture and leisure services	-150	-150	-150	-150	-150
RES	Support to housing associations	-40	-40	-40	-40	-40
RES	New financial system	-20	-20	-20	-20	-20
RES	Carbon reduction commitment	0	0	0	0	-300
RES	school capitalisations	-750	-250	-250	-250	-250
RES	Transport contract review	-200	-200	-200	-200	-200
RES	Business rates inflation	-77	-85	-87	-89	-91
RES	Empower solar panel scheme	-16	-66	-90	-30	-30
RES	contribution from capacity fund	-83	0	0	0	0
RES	Renewables business rate income	-40	-302	-308	-314	-321
CORP	Business Support - additional target not achievable	500	500	500	500	500
<b>TOTAL</b>		<b>-8,246</b>	<b>-7,911</b>	<b>-8,642</b>	<b>-8,380</b>	<b>-8,689</b>

## 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 of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned;
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city;
- Safeguarding vulnerable children and adults;
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.
- Supporting Peterborough's culture and leisure trust, Vivacity, to continue to deliver arts and culture;
- Keeping our communities safe, cohesive and healthy

# Report of the Chief Finance Officer

## 1. INTRODUCTION

1.1. Under Section 25 of the Local Government Act 2003 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 and summarises the key financial and technical information that supports the setting of the 2015/16 budget and Medium Term Financial Strategy to 2024/25.

1.2. This report comprises of the following sections:

- Provisional local government financial settlement
- Council priorities and financial position
- The 2015/16 Budget
- Overall budget position and future outlook
- The capital programme 2015/16 to 2024/25 including the capital strategy, asset management plan and treasury strategy
- Council tax
- Education funding
- Reserves, balances and robustness of estimates
- Fees and charges
- Budget virement limits

## 2. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1. The provisional local government financial settlement was announced on 18 December 2014. The settlement in 2015/16 is £0.5million worse than expected bringing overall grant reductions for 2015/16 to £12.8million. The final settlement is expected to be confirmed next month. The next table summarises the settlement with a further breakdown provided in appendix 1. The table does not include the retained business rate income over and above the baseline funding set by government.

	2014/15	2015/16	Variation	Original MTFS forecast
	£m	£m	£m	
Revenue Support Grant	45.973	34.026	-11.9	-11.9
Baseline Funding (Business Rates less tariff)	38.072	38.130	0.0	0.0
<b>= Settlement Funding Assessment (SFA)</b>	<b>84.045</b>	<b>72.156</b>	<b>-11.9</b>	<b>-11.9</b>
Other grants excluding New Homes Bonus and council tax freeze grant 2015/16	24.396	23.517	-0.9	-0.4
<b>Total</b>	<b>108.441</b>	<b>95.673</b>		
<i>Grant reduction £m</i>	-8.950	-12.768	-12.8	-12.3
<i>Cumulative grant reduction £m</i>	<b>-31.272</b>	<b>-44.040</b>		
<i>Cumulative grant reduction %</i>	<b>28%</b>	<b>39%</b>		

- 2.2. The key headlines are as follows:
- The council's main funding called Settlement Funding Assessment (SFA) remains largely unchanged
  - The SFA now includes a separately identified component for Local Welfare Reform provision of £596k. However, this is not new funding, only a presentational change within the components that the SFA comprises of.
  - Other grants excluding new homes bonus and council tax freeze grant 2015/16 has seen further government reductions. The main grants affected include:
    - Local council tax support and housing benefit administration grant
    - Council tax support new burdens funding
    - Reduction in the returned monies for New Homes Bonus that government estimated could be returned to local authorities.
  - Other changes to grants that have been included in the budget position:
    - New Homes Bonus – the council continues to build new homes and will see an increase in grant of £1.6m in 2015/16 reflecting year five of the of the government's scheme. The grant for 2015/16 will therefore be £6.3m;
    - The council will be eligible for the council tax freeze grant offered by government for 2015/16 if Council approve a council tax freeze on 4 March 2015. This grant will be £0.7m;
    - Adult social care specific grants excluding the Better Care Fund have been amended, however, the overall impact is slightly better than forecast;
    - The Public Health grant remains as forecast in the budget; and
    - Education funding remains largely unchanged from the budget forecast.
- 2.3. The Chief Financial Officer report last year highlighted a major concern in providing an accurate forecast of future year's grant reductions and this remains the case with very limited information available beyond the 2015/16 settlement data.
- 2.4. Nationally, government 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. This calculation does therefore has limitations when the council compares the government grants that it will actually receive to contribute towards service delivery and that is outside of its control to influence. Taking the published government data, nationally spending power has decreased by 1.8% and for the council spending power has decreased by 2.6%. The council preferred measure is to report on grants directly impacting on council services of which they have no influence, therefore the grant reduction for 2015/16 compared to 2014/15 is 11.8% (£12.8million).
- 2.5. For 2016/17 onwards, the council is expecting even further grant reductions over and above the grant reductions assumed in this report but may benefit from embedding joint planning in health and social care further. The Autumn Statement 2014 made it clear that there is further austerity measures still to

come through the next parliament with government not expecting balance to balance the books until 2018/19. However, as government has not detailed the headline announcement nationally that there would be further public sector efficiencies totalling £10 billion in the first two years of the next parliament nor published plans for health and social care funding from 2016/17 onwards, planning for the longer term remains incredibly challenging. As such, this makes it unrealistic to forecast with any accuracy future government grants beyond the further grant reductions contained within this report and indeed the Local Government Association have not made such forecasts, therefore Cabinet's approach will continue to work on reducing the current forecast deficit in 2016/17 £10million, refreshing grant estimates when the next parliament publish further detail on how local government funding will be affected. The funding forecasts also assume no growth in locally retained business rates until further grant reduction is known within the next parliament.

### **3. COUNCIL PRIORITIES AND FINANCIAL POSITION**

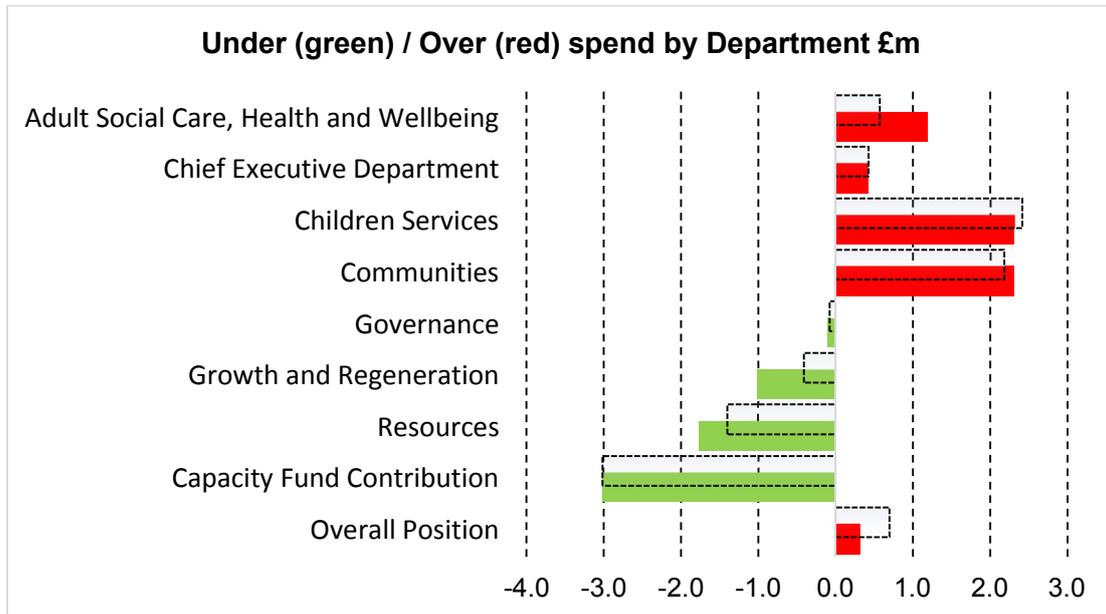
#### **Overview**

- 3.1. The budget is set in the context of the most incredibly challenging financial times local government has ever faced. Peterborough is no exception to this. Since the financial crash of 2008, the public sector has seen unprecedented reductions in funding. In the five years to 2015/16, the council has seen its government funding cut by £44million, which equates to 39 per cent of its government grant.
- 3.2. At the same time as unprecedented reductions in funding, the council is also experiencing significant financial pressures of £12.5million. The council has a range of statutory services that is required by law to provide, and with demand for these services increasing, the council has a legal duty to meet these extra demands. Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in priority areas. The advice contained within this report has regard for the council priorities.
- 3.3. Taking into account the £12.8million government grant reduction and financial pressures of £12.5million as a result of an increasing demand for services and legal changes, means the council faces an enormous challenge of finding £25million of savings to balance the budget in 2015/16, while continuing to invest in the city to ensure Peterborough is a great place to live, work, visit and stay.

#### **Probable Outturn - Revenue**

- 3.4. The November report to Cabinet identified the council's forecast year end position stood at £0.7million over spend. The corporate management team continue to regularly review the council's financial position to deliver a balanced budget this year and based on the latest departmental reports submitted as at 30 November 2014 the over spend has reduced to £0.3m. The probable outturn report is appended to this report in appendix 7.
- 3.5. Directors continue to take remedial action with regular updates discussed with within the Corporate Management Team. The actions taken between December 2014 and March 2015 will deliver a balanced budget for 2014/15.

As such, there is no need to use reserves and this has been factored into the reserves position as nil impact.



#### Probable Outturn - Capital

3.6. The capital programme approved for 2014/15 within the MTFs was £260.8million and increased to £285.0million as a result from delays in projects from 2013/14 as summarised in the financial report to Cabinet in June 2014. Since the beginning of the financial year, there has been a further reduction in expected spend to £198.4million as at 30 November 2014. This is mainly due to a revision to the schools programme, deferring the affordable homes budget based on current schemes and various large slippages into future years. The spend to date is £56.7million with further spend to the end of the financial year still to be incurred of £141.7million if there is no change to the continuation of capital projects.

#### 4. THE 2015/16 BUDGET

4.1. Financial advice has been provided to the Corporate Management Team and Cabinet who have met regularly since June 2015 to identify £25.3million saving proposals to balance the budget for the forthcoming financial year. Financial advice has also been provided to the cross party budget working group.

4.2. In formulating budget proposals, every budget area has been scrutinised and subject to challenge by Directors with due diligence undertaken on all budget investment and saving budget proposals that have been put forward by Directors.

4.3. The scale of the financial challenge and preference by the cross party budget working group to consult at the earliest opportunity led to a two stage

approach to identify budget proposals. Cabinet has presented budget proposals over two phases with:

- Phase one budget saving proposals of £16.6million approved by Council on 17 December 2014;
- The council tax support scheme under consideration, launched during phase one will save a further £0.5million. If there are no changes to council tax support, then further savings will need to be found; and
- Phase two budget proposals of £8.2million outlined in Cabinet's report within the Medium Term Financial Strategy.

4.4. The overall budget position for the council shown in the next table identifies a balanced budget for 2015/16 with deficits increasing year on year thereafter. The deficits in future years could further worsen in the next parliament when the next government provide further detail on further public sector spending reductions.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£k	£k	£k	£k	£k
<b>Original gap per phase 1</b>	<b>24,742</b>	<b>29,314</b>	<b>31,265</b>	<b>34,112</b>	<b>37,098</b>
Further grant reductions	541	342	342	342	642
Additional pressures	83	2,653	5,961	6,435	6,923
<b>Revised budget gap</b>	<b>25,366</b>	<b>32,309</b>	<b>37,568</b>	<b>40,889</b>	<b>44,663</b>
<b>To be closed by:</b>					
Phase 1 proposals (approved by Council 17 December 2014)	-16,620	-14,342	-14,932	-15,132	-15,549
Council Tax Support Scheme (to be considered by Council 28 January 2015)	-500	-500	-500	-500	-500
Phase 2 proposals (included in appendix A of the Cabinet report)	-8,246	-7,911	-8,642	-8,380	-8,689
<b>Revised budget deficit</b>	<b>0</b>	<b>9,556</b>	<b>13,494</b>	<b>16,877</b>	<b>19,925</b>

### Phase two budget proposals

4.5. The phase two budget proposals will be consulted upon as part of the formal budget consultation with Cabinet using the consultation feedback to recommend final budget proposals on 23 February to Council on 4 March. The phase two budget proposals include further investment and required savings proposals to balance the 2015/16 budget.

### Investment Proposals

4.6. Inescapable investment is required when the council has a range of statutory services that is required by law to provide, and with demand for these services increasing, the council has a legal duty to meet these extra demands, has budgetary pressures or contractual commitments. The table below consolidates the phase one and phase two budget proposals and incorporates the government grant funding settlement pressure. All other investment is categorised as essential investment, in that the investment

supports a policy decision or contributes towards achieving the council's priorities. A schedule of investment is attached to this report in appendix 3.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
Funding – Phase 1	617	617	617	617	617
Funding – Phase 2	509	342	342	342	342
Inescapable	6,491	8,521	12,902	13,709	14,680
Essential	114	593	114	114	114
<b>Total</b>	<b>7,731</b>	<b>10,073</b>	<b>13,975</b>	<b>14,782</b>	<b>15,753</b>

- 4.7. Excluded from the above table of £7.7million investment in 2015/16 is £4.8million of investment approved in previous budget strategies, therefore the total pressures for 2015/16 is £12.5million

### **Savings Proposals**

- 4.8. Cabinet's approach is to protect, as far as possible, the services residents care about the most the council's vision for the city. Cabinet's approach 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 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 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 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.

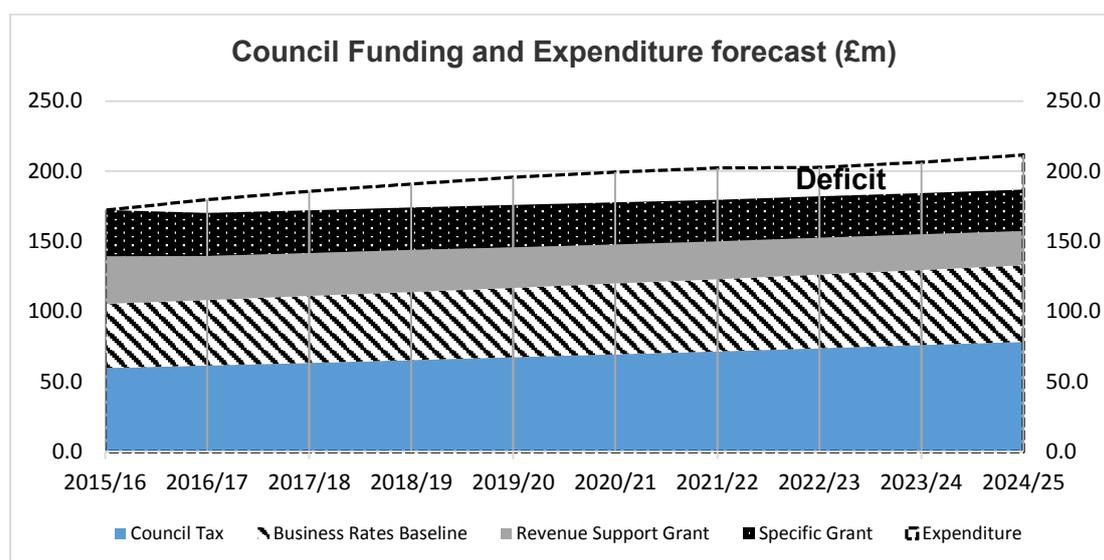
- 4.9. With a lot less money to go around there are going to have to be very significant changes. Cabinet is looking to see how some services can be delivered differently in order to save money but it is now clear that some services will be reduced and others may have to stop altogether. The consolidated phase one and phase two budget saving proposals underpinning this budget are summarised in the next table with a schedule of savings attached to this report in appendix 4.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£k	£k	£k	£k	£k
Council tax and other funding	-3,568	-1,552	-1,558	-1,564	-1,571
Additional income	-1,373	-1,513	-1,537	-1,477	-1,477
Efficiencies	-18,129	-17,475	-19,031	-19,263	-19,982
Service Reduction	-2,213	-2,213	-1,948	-1,708	-1,708
Contribution from reserves	-83	0	0	0	0
<b>Total</b>	<b>-25,366</b>	<b>-22,753</b>	<b>-24,074</b>	<b>-24,012</b>	<b>-24,738</b>

## 5. FUTURE FINANCIAL OUTLOOK

### Overall budget position

5.1. 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.



5.2. A tabular presentation of the graph has been included in the key figures section of the MTFS including the budget assumptions. However, the following significant issues impacting on the uncertainty for future funding projections:

- The level of funding available to councils in the next parliament through revenue support grant and other grants as outlined earlier in this report;
- The retained business rates scheme is currently only in the second year of operation so at this stage no forecast of future growth in business rates has been included in the budget. The budget does include the current level of business rate income and has been increased to reflect the nationally set increase in the business rate multiplier:
  - due to wide variations that exist with outstanding appeals and appeals that may still be lodged by businesses

- A significant issue for the council is the outstanding appeal outcome for Peterborough power station
- Government's approach to utilise their powers to support businesses through capping the business rate multiplier used to calculate the business rate bills and reliefs such as small business rate multiplier and retail relief reduce business rate income. Although the council is compensated for these measures, this is provided through a grant outside of business rate income and will have an impact on future forecasts
- The uncertainty of further reduction in revenue support grant in the next parliament
- The Better Care Fund allocation for Peterborough in 2015/16 is £11.999 million and is a pooled budget to help local places improve the integration of health and care services. The NHS and local authorities must agree locally through Health and Wellbeing Boards how the funding will be spent. The council expects to receive £7.671 million in 2015/16, however, government have not made any announcement on funding beyond 2016/17. The council funding is based on the following assumptions:
  - £3.522m will continue to be agreed annually at a similar level as now with the NHS as part of the S256 agreement between the council and clinical commissioning group
  - £0.800m protecting social care funding
  - £0.407m Care Act funding agreed in 2015/16, which is not guaranteed from 2016/17 onwards
  - £1.689m better care fund transformation funding agreed in 2015/16 which is not guaranteed to continue from 2016/17 onwards
  - £0.811m DFG funding and £0.442m capital funding, which funding streams are previously provided to the Council at similar levels, though now incorporated into the Better Care Fund.

### **Business Rates forecasting**

- 5.3. 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 £2.9m before government would fund any further shortfall.
- 5.4. As at September 2014, there was £59m of rateable value with an appeal outstanding on the RV 2010 listing of £231m and an additional £2m 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 2010 RV listing can 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 2014/15 the council has set aside for its share of successful appeals £2.7m in relation to 2014/15 and a further £8.5m in respect of appeals backdated to prior years.

The power station appeal is of major concern to the council on forecasting business rate income as follows:

- 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 which has now been concluded however it may still be some months until the judgement is issued. 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. Dependent on the outcome, the council in 2015/16 could have a further financial pressure of up to £1.7million on top of the £2.5million the council has already set aside in the accounts as of 31 March 2015.

## Conclusion

- 5.5. Factoring in the budget assumptions outlined within this report and accompanying documents, the council's underlying budget position is balanced in 2015/16 with deficits forecast thereafter increasing each year as shown in the next table. There are two major concerns that impact on preparing future year funding forecasts being:
- The ability in determining an accurate forecast of government grant funding. Once reliable information known and local government intelligence is forthcoming, the forecasts will be revised; and
  - The volatility in forecasting business rates.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
<b>Budget Surplus(+) / Deficit(-)</b>	<b>0</b>	<b>9,556</b>	<b>13,494</b>	<b>16,877</b>	<b>19,925</b>
<b>Year on year deficit targets (Further new savings to find each year)</b>		9,556	3,938	3,383	3,048

## 6. COUNCIL TAX

- 6.1. 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 fifth lowest council tax (some £110 per year lower than the average, and £304 lower than the highest).
- 6.2. Cabinet understands the current financial pressures that residents face and remains committed to keeping council tax low. The council has frozen council tax levels for three out of the previous four years.
- 6.3. The government has offered a council tax freeze grant for all councils that chooses to freeze council tax in 2015/16. 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.

- 6.4. The government also sets limits on the maximum increase in council tax. If any council proposes an increase higher than two per cent, they are 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 council has ever done so.
- 6.5. Having carefully considered the level of investment and saving proposals put forward in this budget for 2015/16 and the financial challenge ahead, the Cabinet is proposing to freeze council tax in 2015/16.
- 6.6. The current band D charge would remain at £1,128.03 in 2015/16. This means the council would have frozen council tax in four out of five years. For the average council tax payer, this means that annual bills are now around £116 lower than they otherwise would have been.
- 6.7. If these proposals are agreed at Council on 4 March 2015 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.
- 6.8. Government have not announced whether further council tax freeze grants will be available in future years nor whether the referendum level will be lowered from the current two per cent threshold level. Therefore for planning purposes, the MTFs assumes a two per cent increase for 2016/17 onwards. The council will continue to work with government to see if it is possible to keep council tax as low as possible over those future years.
- 6.9. In summary, the next table illustrates the council tax raised through:
- 2015/16 – council tax is frozen and therefore exempt from applying the council tax referendum calculation
  - The council will be eligible for the council grant in 2015/16 resulting in additional funding to the council of £0.7million in 2015/16
  - 2016/17 to 2024/25 – an increase of 2.0% per annum for planning purposes

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Council Tax increase	0.00%	2.00%	2.00%	2.00%	2.00%
Council Tax Band D	£1,128	£1,151	£1,174	£1,197	£1,221
Council Tax Base - Band Ds	52,749	53,312	53,883	54,460	55,043
Council amount raised (£m)	-59.5	-61.3	-63.2	-65.2	-67.2
Year on year extra (£m)		-1.8	-1.9	-2.0	-2.0

- 6.10. Cabinet is separately consulting on the localisation of council tax support scheme which will require approval by Council on 28 January. The council tax base calculation takes into account the scheme and is therefore dependent on the decision made by Council. The tax base above is based

upon the budget proposals suggesting a 40% council tax support scheme to reflect the proposals included in a balanced budget for 2015/16.

- 6.11. 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.
- 6.12. If the council were to consider increasing council tax by 2.00%, i.e. at the maximum level below referendum trigger, 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.
- 6.13. 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.

## **7. EDUCATION FUNDING**

- 7.1. Funding for all schools and early years settings is provided directly through a specific grant known as the Dedicated Schools Grant and is based upon pupil numbers in October annually. 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.
- 7.2. The estimated Dedicated Schools Grant (DSG) for 2015/16 is £181.6million and Schools Forum (consisting of head teachers, early year's providers and the Local Authority) make the decision on how this funding is shared. A national funding formula is used to allocate funding which is adjusted for local circumstances. Once individual schools budgets are set, the funding for academies is returned to the Education Funding Agency for distributing and the Council passes on the funding to local authority maintained schools. This will total £118.7million in 2015/16. The final figure for 2015/16 will not be confirmed until early 2015, when funding for pupils with special educational needs is confirmed.
- 7.3. Peterborough, along with 68 other local authorities, will benefit from a new funding initiative called Minimum Funding Levels (MFL). MFL allocates additional funding to those local authorities whose funding falls below the national averages (allocations are set on an historical basis). This additional

funding is ring fenced for schools. In total the DSG has grown by £15.4million between 2014/15 and 2015/16. The increase is attributable to the following:

<b>Funding Change</b>	<b>£k</b>
Minimum Funding level	840
Growth in pupil numbers ((an additional 754 pupil between October 2013 and October 2014)	3,400
Transfer of Funding for Thomas Deacon Academy, City of Peterborough Academy and City of Peterborough Academy	10,700
Early years Pupil Premium Funding	260
Additional growth in pupils with special needs (high needs block)	230
<b>Total</b>	<b>15,430</b>

- 7.4. There is additional funding for Education via ring-fenced grants for pupil premium (£8m) and 6<sup>th</sup> form funding (£3.4m).
- 7.5. 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 provisionally announced at £2.4m.

## **8. RESERVES**

- 8.1. 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.
- 8.2. 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.
- 8.3. 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. The council is in the bottom

third of unitary councils, therefore being one of the smallest councils level of reserves when compared to other councils.

- 8.4. 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.

	<b>Estimated balance at 31.04.15 £k 2014/15</b>	<b>Estimated balance at 31.04.16 £k 2015/16</b>
<b>Earmarked reserves</b>		
<b>Departmental reserve</b> – The majority of this reserve relates to City College Peterborough which operates on academic year funding and retains a reserve for potential claw back from awarding bodies	522	522
<b>Schools capital expenditure reserve</b> - Monies held on behalf of schools for capital spend	1,027	1,027
<b>Insurance and other minor reserves</b> – These reserves are held for a specific purpose and cannot therefore be used for budget setting purposes	3,570	3,578
<b>TOTAL earmarked reserves for specific purposes</b>	<b>5,119</b>	<b>5,127</b>
<b>General fund</b> – Set aside to meet unforeseen issues and risks	6,000	6,000
<b>Risk Management Contingency</b> – set aside as part of approval of budget by Council. This should not reduce below an absolute minimum level of £250k - £500k.	0	1,000
<b>Capacity building reserve</b> – This enables us to implement saving proposals	3,396	0

- 8.5. Projected movements on reserves for this MTFS are shown in the reserves section later in the MTFS.

- 8.6. The challenging financial position presents the Council with several issues with regards to reserves:

- The continued reduction in government grant funding with detail on 2016/17 not known until the next parliament.
- 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 2015/16, the safety net threshold will be in the region of £2.9m 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 2015/16 total £25.3million. 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 2016/17 in excess of £10million. To deliver savings of this scale, the council will need to utilise these reserves as appropriate under an invest to save approach.

8.7. The MTFS specifically addresses this as follows:

- General fund working balance maintained at £6.0million. The council is in the bottom third of unitary councils, having one of the smallest council level of reserves when compared to other councils. It is therefore proposed that the council maintain a risk management contingency.
- After allowing for costs of change to deliver budget saving proposals from the capacity fund, it is proposed to transfer £1m from the capacity fund to establish a risk management contingency. This is based on the advice of the Chief Financial Officer given the level of budget risks outlined in the medium term financial strategy. £1m is proposed, but it is advised that the absolute minimum level of risk contingency held by the council should be between £250k and £500k.
- As a result of this transfer, the capacity fund is expected to be fully utilised by the end of 2015/16, and the General fund balance and risk management contingency are the Council's only uncommitted reserves.

8.8. The Director has reviewed the financial risks identified (see Section 9 below), and the expected level of reserves at 1 April 2015. On this basis the Director is satisfied with the reserves proposals in the MTFS.

## **9. ROBUSTNESS OF ESTIMATES**

9.1. In setting a budget for 2015/16, including a medium term financial plan to 2024/25, 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. A summary of

other matters that Members should take into account when considering the budget is contained within appendix B.

## 10. FEES AND CHARGES

- 10.1. Fees and charges have been reviewed with a schedule attached to this report in section x. Where fees and charges are statutorily set by government, the schedule is based upon the latest known charges.

## 11. CAPITAL PROGRAMME 2015/16 TO 2024/25

- 11.1. 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.

- 11.2. In summary, the programme is as below, the first table covering the financial years 2015/16 to 2019/20 and the second table extending the summary for a further five years to 2024/25.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
<b>Total Capital Expenditure</b>	<b>141,058</b>	<b>58,152</b>	<b>43,929</b>	<b>22,862</b>	<b>18,780</b>
<b>Financed by:</b>					
Grants & 3 <sup>rd</sup> Party Contributions	16,920	20,462	17,840	5,580	5,580
Capital Receipts	11,820	3,215	5,525	1,145	-
Capital Financing Requirement (Borrowing)	112,318	34,475	20,564	16,137	13,200
<b>Total Capital Financing</b>	<b>141,058</b>	<b>58,152</b>	<b>43,929</b>	<b>22,862</b>	<b>18,780</b>

Capital Programme 2020/21 to 2024/25

<b>Capital Expenditure by Service:</b>	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Total Capital Expenditure</b>	<b>15,567</b>	<b>16,346</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>
<b>Financed by:</b>					
Grants & 3 <sup>rd</sup> Party Contributions	5,580	5,403	5,580	5,580	5,580
Capital Receipts	-	-	-	-	-
Capital Financing Requirement (Borrowing)	9,987	10,943	10,870	10,870	10,870
<b>Total Capital Financing</b>	<b>15,567</b>	<b>16,346</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>

- 11.3. 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.

- 11.4. Capital schemes will not progress until external funding has been secured where supporting a scheme.
- 11.5. 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.
- 11.6. 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.

## **12. ASSET MANAGEMENT PLAN**

- 12.1. 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.

- 12.2. 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 (90% of which is forecast in the first 3 years) in an improving market over the next five years to support the Council's Capital Budget. The programme will however flex to meet circumstance such as further assets coming into the programme and certain assets potentially coming out of the programme if a new service requirement is identified although this rarely happens.
  - Using Property in different ways to support the 'Growth Agenda' for the city.
  - Maintaining revenue streams from our investment portfolio in an increasingly competitive market where tenant default and insolvency remain key concerns. Current forecasts indicate a rental stream of £3.25m to year end 2015/2016

### **13. BUDGET VIREMENT**

- 13.1. 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.
- 13.2. 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.
- 13.3. The virement limits for 2015/16 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
- 13.4. The virement procedures will be exempt from the virement rules in relation to the outcome of the Senior Management Review providing that the budgets are vired to the new organisational structure in accordance with the decision made by Employment Committee.

## Appendix B – Budget Risks

Area	Risk	Action to Mitigate Risk
Overall Budget	Government's austerity budget – Government is to continue in the next parliament with further public sector efficiencies totalling £10 billion in the first two years	Prudent approach to forecasting outlined in this report.  Refresh forecasts immediately after detail is released by government for 2016/17 budget planning
Overall Budget	The current grant settlement (Settlement Funding Assessment) and other grants is for 2015/16. Government have not published future grant settlements and the funding may reduce beyond current forecasts.  Final announcement may differ from the provisional announcement	Prudent approach to forecasting outlined in this report.  Ensure council actively reviews new proposals to assess impact for future planning including review of the government announcements and policy reviews.  Accelerate our transformation programme  Review government websites for the most up to date information
Overall Budget	Social care funding, namely: Costs of Care Act exceed budgets Delivering the outcomes within the Better Care Fund allocation within available resources	Scrutiny of guidance and regulations and further refinement of modelling as information emerges on Care Act implications  Effective programme management of the projects associated with the Better Care Fund and close working with the Clinical Commissioning Group
Overall Budget	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	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.  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.

Area	Risk	Action to Mitigate Risk
	up councils for loss in business rates income would require a decrease in business rates of 7.5%.	On a monthly basis reports will be available to monitor business rates income.
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 @ 26% 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> <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>

Area	Risk	Action to Mitigate Risk
Overall Budget	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.	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.
Overall Budget	<p>The council has moved towards a commissioning function.</p> <p>Future delivery of services will need to be within cash limits and align with all resources available to the council</p>	<p>Implement a transformation programme and review of future service delivery options.</p> <p>Regular review of progress by CMT including risks and issues.</p>
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	<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>

Area	Risk	Action to Mitigate Risk
	extracted from budgets and the new savings programme will not be achieved.	The business transformation programme will be delivered in partnership with Serco.
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	Non collection rates increase beyond the budget assumptions and / or localisation of council tax benefit scheme if eligible claimants increase beyond forecasts	Monthly updates will monitor the collection rates  The council will revise future year forecasts on council tax income accordingly
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.  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.  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. Provisional Local Government Finance Settlement

### Analysis of provisional local government finance settlement

The overall headline is that the council has lost £12.8m, up from the current published estimate of £12.3m for 2015/16. The council is £0.5m worse off in 2015/16 as a result of the settlement.

The cumulative reduction remains just below 40%.

How is this broken down?

	2014/15	2015/16	Diff	Original MTFS forecast
	£m	£m	£m	
Revenue Support Grant	45.973	34.026	-11.9	-11.9
Baseline Funding (Business Rates less tariff)	38.072	38.130	0.0	0.0
<b>= Settlement Funding Assessment (SFA)</b>	<b>84.045</b>	<b>72.156</b>	<b>-11.9</b>	<b>-11.9</b>
Other grants excluding New Homes Bonus and council tax freeze grant 2015/16	24.396	23.517	-0.9	-0.4
<b>Total</b>	<b>108.441</b>	<b>95.673</b>		
<i>Grant reduction £m</i>	-8.950	-12.768	-12.8	-12.3
<i>Cumulative grant reduction £m</i>	<b>-31.272</b>	<b>-44.040</b>		
<i>Cumulative grant reduction %</i>	<b>28%</b>	<b>39%</b>		

The main areas behind the additional reduction are shown overleaf.

A comparison of the SFA against the MTFS forecast identifies that the further reduction is within the grants that sit outside the SFA assessment summarised as:

	<b>Settlement 2015/16 £k</b>
MTFS Forecast	72,281
Settlement	72,156
<b>Difference (Worse off)</b>	<b>-125</b>
Add Business Rates capping (AS 2014)	159
<b>Difference (Better off)</b>	<b>34</b>

The SFA now includes funding for the Local Welfare Reform, however this is not new money, only a presentational adjustment by reducing a component within the SFA (lower and upper tier funding). For comparative purposes, the grant in 2014/15 was £792k, the identified amount within the SFA is £596k.

The impact on the MTFs is that the Council is £0.5m worse off as a result of the settlement.

	2015/16 £k	2016/17 £k
SFA	-34	-34
Adult social care grants	-12	-12
New Homes Bonus	-53	0
Local Council Tax Support and Housing Benefit Administration Subsidy	290	290
Council Tax Support New Burdens Funding	75	75
Council Tax Freeze Grant 2015-16	23	0
New Homes Bonus (S31 – reallocation of sums held back by Government)	197	0
Education Services Grant	23	23
<b>Further budget pressure</b>	<b>509</b>	<b>342</b>

Finally, the Autumn Statement announced further public spending reductions from 2016/17 with insufficient detail to model the impact on the Revenue Support Grant allocation we have already assumed in the MTFs. Conversely the council may benefit from embedding joint planning in health and social care further. However, as government has not detailed the headline announcement nationally that there would be further public sector efficiencies totalling £10 billion in the first two years of the next parliament nor published plans for health and social care funding from 2016/17 onwards, planning for the longer term remains incredibly challenging. At this stage, no further adjustment has been made and will be assessed once further detail is known.

The next table provides a schedule of government grants included in the MTFs including 2014/15 for comparative purposes.

## Schedule of government grants

PETERBOROUGH				Grant reduction	
	2014/15	2015/16	2016/17	2014/15 – 2015/16	2015/16 – 2016/17
	£m	£m	£m	£m	£m
<b>FUNDING SETTLEMENT ASSESSMENT (Baseline + Revenue Support Grant)</b>	<b>84.046</b>	<b>72.156</b>	<b>70.364</b>	11.890	1.792
Public Health Grant	9.291	9.291	9.291	0.000	0.000
NHS Funding (S256 funding)	2.976	3.637	3.637	-0.661	0.000
Adult Social Care New Burdens	0.000	0.848	0.848	-0.848	0.000
Local Reform and Community Voices Grant	0.143	0.000	0.000	0.143	0.000
Department of Health Revenue grant	0.000	0.249	0.249	-0.249	0.000
Social Fund administrative funding	0.129	0.000	0.000	0.129	0.000
Community Right to Challenge	0.009	0.000	0.000	0.009	0.000
Community Right to Bid	0.008	0.000	0.000	0.008	0.000
Lead Local Flood Authority Funding	0.030	0.020	0.020	0.010	0.000
Social Fund - Programme Funding	0.663	0.000	0.000	0.663	0.000
Local Council Tax Support and Housing Benefit Administration Subsidy	1.558	1.268	1.268	0.290	0.000
Council Tax Support New Burdens Funding	0.121	0.046	0.046	0.075	0.000
S31 - Business Rates - SBRR	0.340	0.340	0.340	0.000	0.000
S31 - Business Rates - cap	0.397	0.556	0.556	-0.159	0.000
New Homes Bonus (S31)	0.126	0.125	0.000	0.001	0.125
Education Services Grant	3.257	2.406	2.406	0.851	0.000
Adoption Reform Grant	0.617	0.000	0.000	0.617	0.000
Private Finance Initiative Fund PFI	4.731	4.731	4.731	0.000	0.000
<b>TOTAL FUNDING</b>	<b>108.442</b>	<b>95.673</b>	<b>93.756</b>	<b>12.769</b>	<b>1.917</b>
<b>Other government grants</b>					
New Homes Bonus	4.743	6.335	7.277	-1.592	-0.942
Council Tax Freeze Grant 2015-16	0.000	0.672	0.000	-0.672	0.672

## 2. Key Figures

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£k									
Business Rates	-45,818	-46,751	-47,702	-48,634	-49,585	-50,555	-51,545	-52,554	-53,583	-54,634
Revenue Support Grant	-34,026	-31,472	-30,694	-29,901	-28,792	-27,966	-27,124	-26,265	-25,390	-24,496
Other Grants	-32,967	-30,669	-30,561	-30,386	-30,274	-30,001	-29,506	-29,567	-29,567	-29,567
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	-445	-445	-445	-445	-445	-445	-445	-445	-445	-445
Council Tax Base	-57,590	-59,502	-61,341	-63,237	-65,192	-67,208	-69,286	-71,429	-73,639	-75,919
Council Tax Growth Estimate	-1,911	-636	-656	-677	-698	-720	-743	-765	-791	-722
Council Tax Increase	0	-1,203	-1,240	-1,278	-1,318	-1,359	-1,401	-1,444	-1,489	-1,533
<b>Subtotal</b>	<b>-245,357</b>	<b>-243,278</b>	<b>-245,239</b>	<b>-247,158</b>	<b>-248,904</b>	<b>-250,854</b>	<b>-252,650</b>	<b>-255,069</b>	<b>-257,504</b>	<b>-259,916</b>
Schools Grant	-130,152	-130,152	-130,152	-130,152	-130,152	-130,152	-130,152	-130,152	-130,152	-130,152
<b>Total Funding</b>	<b>-375,509</b>	<b>-373,430</b>	<b>-375,391</b>	<b>-377,310</b>	<b>-379,056</b>	<b>-381,006</b>	<b>-382,802</b>	<b>-385,221</b>	<b>-387,656</b>	<b>-390,068</b>
<b>Control Totals</b>	<b>390,742</b>	<b>395,375</b>	<b>398,693</b>	<b>403,126</b>	<b>407,675</b>	<b>411,690</b>	<b>414,942</b>	<b>415,827</b>	<b>420,103</b>	<b>425,815</b>
Investment 2015/16										
Investment - Inescapable	-6,491	-8,521	-12,902	-13,709	-14,680	-15,003	-15,229	-15,469	-15,488	-15,497
Investment - Essential	-114	-593	-114	-114	-114	-114	-114	-114	-114	-114
<b>Sub Total</b>	<b>-6,605</b>	<b>-9,114</b>	<b>-13,016</b>	<b>-13,823</b>	<b>-14,794</b>	<b>-15,117</b>	<b>-15,343</b>	<b>-15,583</b>	<b>-15,602</b>	<b>-15,611</b>
Less: Savings 2015/16										
New Savings and Efficiencies	18,254	17,630	19,186	19,418	20,137	20,745	21,345	21,945	22,545	23,145
Additional Income	1,496	1,815	1,845	1,791	1,798	1,822	1,829	1,836	1,843	1,850
Service Reductions	2,088	2,058	1,793	1,553	1,553	1,553	1,553	1,553	1,553	1,553
<b>Sub Total</b>	<b>21,838</b>	<b>21,503</b>	<b>22,824</b>	<b>22,762</b>	<b>23,488</b>	<b>24,120</b>	<b>24,727</b>	<b>25,334</b>	<b>25,941</b>	<b>26,548</b>
<b>Total Expenditure</b>	<b>375,509</b>	<b>382,986</b>	<b>388,885</b>	<b>394,187</b>	<b>398,981</b>	<b>402,687</b>	<b>405,558</b>	<b>406,076</b>	<b>409,764</b>	<b>414,878</b>
<b>Budget Deficit/Surplus (-)</b>	<b>0</b>	<b>9,556</b>	<b>13,494</b>	<b>16,877</b>	<b>19,925</b>	<b>21,681</b>	<b>22,756</b>	<b>20,855</b>	<b>22,108</b>	<b>24,810</b>

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
Council Tax increase	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Council Tax Band D £	1,128.03	1,150.59	1,173.60	1,197.07	1,221.01	1,245.43	1,270.34	1,295.75	1,321.67	1,348.10
Council Tax Base - Band Ds	52,748.5	53,312.4	53,882.6	54,459.7	55,042.9	55,632.3	56,228.6	56,831.1	57,441.4	57,987.8

<b>Council Tax Base</b>	-57,590	-59,502	-61,341	-63,237	-65,192	-67,208	-69,286	-71,429	-73,639	-75,919
<b>Growth Estimate</b>	-1,911	-636	-656	-677	-698	-720	-743	-765	-791	-722
<b>Council Tax Increase</b>	0	-1,203	-1,240	-1,278	-1,318	-1,359	-1,401	-1,444	-1,489	-1,533
	<b>-59,501</b>	<b>-61,341</b>	<b>-63,237</b>	<b>-65,192</b>	<b>-67,208</b>	<b>-69,287</b>	<b>-71,430</b>	<b>-73,638</b>	<b>-75,919</b>	<b>-78,174</b>

	Percentage Level									
Inflation Budget Assumptions	2015/16 %	2016/17 %	2017/18 %	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
Pay Award - Single Status	2.2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pay Award - NHS	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pay Award - Senior Mgmt.	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pension - LGPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension - Teachers	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension - NHS	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Supplies & Services	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Contract	0.0%	2.5%	2.6%	2.5%	2.5%	2.4%	1.1%	1.2%	1.3%	1.3%
Fees & Charges	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Drainage & Flood Levy	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Gas / Electricity	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Water	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
NNDR	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

**Note**

The figures above for the LGPS pension scheme exclude the annual increase to the Lump Sum payment.  
Inflation assumptions are for planning purposes only and reviewed on an annual basis.

### 3. Investment

#### Appendix 3a – Investment – Inescapable

Dept	Area	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
Adult Social Care and Health and Wellbeing	Better Care Fund	250	250	250	250	250
Adult Social Care and Health and Wellbeing	Care Act	800	800	800	800	800
Adult Social Care and Health and Wellbeing	Deprivation of Liberty Safeguarding (DOLS)	250	250	250	250	250
Adult Social Care and Health and Wellbeing	Fees and charges	180	180	180	180	180
Adult Social Care and Health and Wellbeing	Transport savings	240	240	240	240	240
Childrens Services	Social Care Workforce	2,296	1,893	1,893	1,893	1,893
Communities	Change in foster care legislation	130	195	225	225	225
Communities	Emergency out-of-hours contract	50	50	50	50	50
Communities	Mental Health Employment Services	80	80	80	80	80
Communities	Neighbourhood investment - care and repair and community centres	200	200	200	200	200
Communities	Older People services	75	75	75	75	75
Communities	Selective Licensing	0	50	50	0	0
Communities	Support for looked after children	1,837	2,179	2,773	3,106	3,589
Communities	Youth Justice Liaison Diversion	0	57	57	57	57
Governance	Additional legal support for Adult Social Care	84	84	84	84	84
Governance	Commercial Operations	0	100	100	100	100

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Growth and Regeneration	Roads and footpaths investment	3	10	14	14	15
Resources	Capital financing investment costs	121	251	457	496	509
Resources	Private finance initiative (PFI)	164	164	164	164	164
Resources	Removal of expected net profit from Wind and solar farms	-419	1,263	4,810	5,295	5,769
Resources	Support services to Communities and Children's Services	150	150	150	150	150
		<b>6,491</b>	<b>8,521</b>	<b>12,902</b>	<b>13,709</b>	<b>14,680</b>

**Appendix 3b – Investment – Essential**

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Adult Social Care and Health and Wellbeing	Adult Social Care Transformation Programme	0	479	0	0	0
Corporate	Living Wage	22	22	22	22	22
Governance	Increase in disabled parking bays	0	0	0	0	0
Governance	Single fraud investigation service	52	52	52	52	52
Growth and Regeneration	Companion bus passes	0	0	0	0	0
Resources	City wide funding unit	40	40	40	40	40
		<b>114</b>	<b>593</b>	<b>114</b>	<b>114</b>	<b>114</b>

**Appendix 3c – Investment – Funding Pressures**

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Corporate	Adoption Reform Grant	617	617	617	617	617
Corporate	Settlement	367	168	168	168	468
Resources	Housing Benefit and Council Tax administration grant – The provisional grant announcement is less than has been assumed in the MTFS estimates by £174k	174	174	174	174	174
		<b>1,158</b>	<b>959</b>	<b>959</b>	<b>959</b>	<b>1,259</b>

## 4. Savings

### Appendix 4a – Savings – Service Reductions

Dept	Area	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
Adult Social Care and Health and Wellbeing	Day opportunities for under 65's	-600	-600	-600	-600	-600
Communities	Adolescent intervention service	-323	-323	-323	-323	-323
Growth and Regeneration	Climate Change – removal of Powerdown budget	-12	-12	-12	-12	-12
Growth and Regeneration	Climate change – staffing reduction	-28	-28	-28	-28	-28
Growth and Regeneration	Peterborough highway services – staffing reduction	-130	-130	-130	-130	-130
Growth and Regeneration	Reduction in tree management	-127	-127	-127	-127	-127
Growth and Regeneration	Street lighting maintenance	-55	-55	-30	0	0
Growth and Regeneration	Roads and footpath maintenance	-450	-450	-210	0	0
Resources	Cutting of parkway verges	-10	-10	-10	-10	-10
Resources	Parks, trees and open spaces	-110	-110	-110	-110	-110
Resources	Grass Cutting	-39	-39	-39	-39	-39
Resources	Shrub Removal	-83	-83	-83	-83	-83
Resources	Bowling Greens	-25	-25	-25	-25	-25
Resources	Tennis Courts	-11	-11	-11	-11	-11
Resources	Street scene services	-165	-165	-165	-165	-165
Resources	Waste management – removal of bring bank sites	-45	-45	-45	-45	-45
		<b>-2,213</b>	<b>-2,213</b>	<b>-1,948</b>	<b>-1,708</b>	<b>-1,708</b>

**Appendix 4b – Savings – New Savings and Efficiencies**

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Adult Social Care and Health and Wellbeing	Adult social care demography changes	-1,072	-1,514	-2,033	-2,561	-3,019
Adult Social Care and Health and Wellbeing	Assistive technology	-250	-500	-500	-500	-500
Adult Social Care and Health and Wellbeing	Care Act changes 2015/16	-660	0	0	0	0
Adult Social Care and Health and Wellbeing	Electronic call monitoring	-500	-500	-500	-500	-500
Adult Social Care and Health and Wellbeing	High cost placements review	-800	-800	-800	-800	-800
Adult Social Care and Health and Wellbeing	Interim beds.	-100	-100	-100	-100	-100
Adult Social Care and Health and Wellbeing	Joint Funding Protocol Review	-250	-250	-250	-250	-250
Adult Social Care and Health and Wellbeing	Low cost care packages review	-400	-400	-400	-400	-400
Adult Social Care and Health and Wellbeing	Reablement	-350	-350	-350	-350	-350
Adult Social Care and Health and Wellbeing	Shared Lives	-50	-200	-200	-200	-200
Adult Social Care and Health and Wellbeing	Transformation of Adult Social Care services	-363	-363	-363	-363	-363
Adult Social Care and Health and Wellbeing	Community-based care	-400	-400	-400	-400	-400

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Adult Social Care and Health and Wellbeing	Development of Extra Care Housing schemes	-100	-100	-100	-100	-100
Chief Executive	Senior Management Review phase two	-350	-350	-350	-350	-350
Childrens Services	Meeting the needs of challenging behaviour in schools	-150	-150	-150	-150	-150
Communities	Connecting mums sessions	-41	-55	-55	-55	-55
Communities	Foster Care Agency	-375	-750	-750	-750	-750
Communities	Improving public health awareness	-50	-50	-50	-50	-50
Communities	Contract efficiencies	-11	-30	-30	-30	-30
Communities	Re-design the Direct intervention, supervised contact and family group meeting services.	-50	-50	-50	-50	-50
Communities	Reparation scheme	-4	-5	-5	-5	-5
Corporate	Business support	-1,000	-1,000	-1,000	-1,000	-1,000
Corporate	Business Support - additional target not achievable	500	500	500	500	500
Corporate	Customer Experience Programme - phase two	-200	-2,000	-3,000	-3,000	-3,000
Corporate	Inflation	-1,107	-1,107	-1,107	-1,107	-1,107
Corporate	Pre-paid payment cards	-50	-50	-50	-50	-50
Corporate	Spend Management	-410	-410	-410	-410	-410
Corporate	Staff parking permits	-38	-38	-38	-38	-38
Governance	Communications	-200	-200	-200	-200	-200
Governance	Community Leadership Fund	-57	-57	-57	-57	-57
Governance	Coroner's office	-150	-150	-150	-150	-150
Governance	Elections	-100	150	-100	-100	-100

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Governance	HR Review	-40	-40	-40	-40	-40
Governance	Members' allowances	-50	-50	-50	-50	-50
Governance	Restructuring within regulatory services	-200	-200	-200	-200	-200
Growth and Regeneration	Reduction in Local Plan budget	-63	-63	-63	-63	-63
Growth and Regeneration	Concessionary fares	-450	-250	-250	-250	-250
Growth and Regeneration	Growth joint venture company	-120	-120	-120	-120	-120
Growth and Regeneration	Highways contract inflation	-144	-144	-144	-144	-144
Growth and Regeneration	Increase in traded or shared planning services and reduction in staffing.	-175	-175	-175	-175	-175
Growth and Regeneration	Planning Service - reduction in legal and consultant budget	-40	-40	-40	-40	-40
Growth and Regeneration	Supporting growth - budget reduction	-40	-40	-40	-40	-40
Resources	Repairs and maintenance	-130	-130	-130	-130	-130
Resources	Amey contract inflation	-150	-150	-150	-150	-150
Resources	Business rates inflation	-77	-85	-87	-89	-91
Resources	Capital project financing	-900	0	0	0	0
Resources	Carbon reduction commitment	0	0	0	0	-300
Resources	Development of self-financing culture and leisure services	-150	-150	-150	-150	-150
Resources	External Audit Fees	-30	-40	-40	-40	-40
Resources	Growth capital programme	-720	-1,345	-1,165	-865	-823

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Resources	Insurance and risk management	-100	-100	-100	-100	-100
Resources	New financial system	-20	-20	-20	-20	-20
Resources	Reorganisation of finance team	-100	-100	-100	-100	-100
Resources	Resources capital programme	-430	-276	-36	-38	-39
Resources	school capitalisations	-750	-250	-250	-250	-250
Resources	Schools capital programme	-411	-324	-324	-324	-324
Resources	Serco Strategic Partnership	-1,980	-1,565	-1,504	-1,504	-1,504
Resources	Cultural Services - changes to Library Service	-350	-350	-350	-350	-350
Resources	Serco Strategic Partnership	-266	266	0	0	0
Resources	Strategic client services review.	-100	-100	-100	-100	-100
Resources	Transport contract review	-200	-200	-200	-200	-200
Resources	Waste management – energy from waste plant	-750	-100	-100	-100	-100
Resources	Waste management – reduce treatment costs	-55	-55	-55	-55	-55
		<b>-18,129</b>	<b>-17,475</b>	<b>-19,031</b>	<b>-19,263</b>	<b>-19,982</b>

**Appendix 4c – Savings – Additional Income**

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Adult Social Care and Health and Wellbeing	Continuing Health Care	-625	-625	-625	-625	-625
Communities	Increase income generated by early years support team.	-100	-100	-100	-100	-100
Communities	Increase income target for Clare Lodge	-182	-182	-182	-182	-182
Corporate	Employee lease car scheme	-50	-100	-100	-100	-100
Corporate	Increase fees and charges	-70	-70	-70	-70	-70
Corporate	Removal of key user scheme	-26	-66	-66	-66	-66
Governance	Parking revenue	-112	-112	-112	-112	-112
Governance	Single fraud investigation service	-52	-52	-52	-52	-52
Resources	Empower solar panel scheme	-16	-66	-90	-30	-30
Resources	Property review	-100	-100	-100	-100	-100
Resources	Support to housing associations	-40	-40	-40	-40	-40
		<b>-1,373</b>	<b>-1,513</b>	<b>-1,537</b>	<b>-1,477</b>	<b>-1,477</b>

**Appendix 4d – Savings – Council Tax and Other Funding**

<b>Dept</b>	<b>Area</b>	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
Adult Social Care and Health and Wellbeing	Better care fund - protecting social care	-1,207	0	0	0	0
Adult Social Care and Health and Wellbeing	Better Care Fund Transformation funding	-1,039	0	0	0	0
Corporate	Council tax base growth – additional council tax	-750	-750	-750	-750	-750
Corporate	New Homes Bonus	-32	0	0	0	0
Resources	Council tax support scheme – option 1	-250	-250	-250	-250	-250
Resources	Council tax support scheme – option 2	-250	-250	-250	-250	-250
Resources	Contribution from capacity fund	-83	0	0	0	0
Resources	Renewables business rates income	-40	-302	-308	-314	-321
		<b>-3,651</b>	<b>-1,552</b>	<b>-1,558</b>	<b>-1,564</b>	<b>-1,571</b>

## 5. 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	0.0%	Council Lead	
Adult Social Care, Health and Wellbeing	Independent Sector Placements	Extra Care Schemes	2.5%	Council Lead	
Adult Social Care, Health and Wellbeing	Independent Sector Placements	Day services	3.8%	Council Lead	
Adult Social Care, Health and Wellbeing	Independent Sector Placements	Direct payment rates	0.5%	Council Lead	
Adult Social Care, Health and Wellbeing	Independent Sector Placements	Respite	1.7%	Council Lead	
Adult Social Care, Health and Wellbeing	Independent Sector Placements	Meals on wheels	11.5%	Council Lead	
Chief Executive	Parking Services	Off Street Parking	5.5%	Council Lead	Increase only on Bishops Road, Car Haven and Riverside car parks
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	

Directorate	Service Area	Charge	Average % increase in fees & Charges	Council Lead/Statutory	Comments
Chief Executive	Parking Services	Staff Parking	5% - 10%	Council Lead	Dependant on employee banding
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	8.2%	Council Lead	
Chief Executive	Tourism	Tickets sold on behalf of event organisers	0.0%	Council Lead	
Children's Services	Childrens Social Care	Unauthorised absence penalty notice	0.0%	Statutory	
Children's Services	Learning & Skills	Placement costs recovery	0.0%	Statutory	
Children's Services	Learning & Skills	Parental contribution to Bus Passes issued	5.1%	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	0.0%	Statutory	
Governance	Licensing	Public Entertainment Licences	0.0%	Statutory	
Governance	Licensing	Gambling Act Licensing	0.0%	Statutory	
Governance	Licensing	Hackney Carriage Licensing	0.0%	Council Lead	
Governance	Licensing	Animal Welfare Licensing	6.6%	Council Lead	

Directorate	Service Area	Charge	Average % increase in fees & Charges	Council Lead/Statutory	Comments
Governance	Business Regulations	Other Environmental Health Licensing	2.9%	Council Lead	
Governance	Business Regulations	Construction, Design and Management Fees	0.0%	Statutory	
Governance	Business Regulations	Trading Standards	0.8%	LACORS (Local Authority Coordination of Regulated Services)	
Governance	Business Regulations	Street Trading Consents (Non Pedestrian Area)	1.0%	Council Lead	
Governance	Licensing	Lottery Licensing	0.0%	Statutory	
Governance	Community Protection	Environmental Protection Act	0.0%	Statutory	
Governance	Business Regulations	Other charges	1.0%	Council Lead/Statutory	
Governance	Community Protection	Environmental Enforcement	0.0%	Statutory	
Governance	Mayoralty/Civic	Civic Room Lettings	3.1%	Council Lead	
Governance	Land charges	Search fees	59.3%	Council Lead/Statutory	Costs in the area have increased. Raised to put fees on par with neighbouring councils as we haven't increased fees in a number of years
Growth and Regeneration	Passenger Transport	Queensgate Bus Station	0.0%	Council Lead	

Directorate	Service Area	Charge	Average % increase in fees & Charges	Council Lead/Statutory	Comments
Growth and Regeneration	Street Works	Licenses and permits	0.0%	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	
Growth and Regeneration	Archaeology Service	Archaeology Services	41.7%	Council Lead	Charge only instigated in 2014/15
Resources	Bereavement Services	Crematorium fees	5.2%	Council Lead	
Resources	Bereavement Services	Memorial Sales	4.3%	Council Lead	
Resources	Bereavement Services	Cemetery fees	5.1%	Council Lead	
Resources	Registration Services	Private Citizenship Ceremonies	4.0%	Council Lead	
Resources	Registration Services	Approved Premises/Registration Office	5.1%	Council Lead	
Resources	Registration Services	Nationality Checking	6.8%	Council Lead	
Resources	Registration Services	Baby Naming/Renewal of Vows	6.1%	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

## 6. Reserves Position

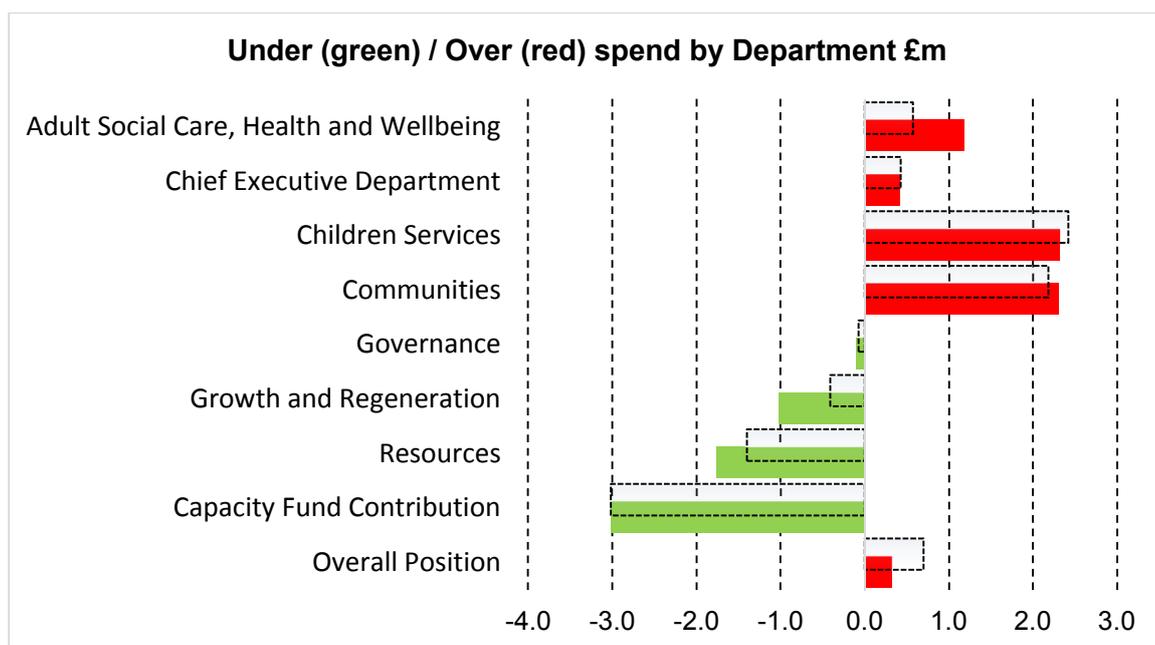
	2014/15 £k	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
	Estimated Balance at 31.03.15	Estimated Balance at 31.03.16	Estimated Balance at 31.03.17	Estimated Balance at 31.03.18	Estimated Balance at 31.03.19	Estimated Balance at 31.03.20
<b>Earmarked Reserves</b>						
Departmental Reserve	522	522	522	522	522	522
Schools Capital Expenditure Reserve	1,027	1,027	1,027	1,027	1,027	1,027
Insurance and Other minor reserves	3,570	3,578	3,440	3,429	3,419	3,419
<b>Subtotal - Earmarked Reserves</b>	<b>5,119</b>	<b>5,127</b>	<b>4,989</b>	<b>4,978</b>	<b>4,968</b>	<b>4,968</b>
General Fund Balance	6,000	6,000	6,000	6,000	6,000	6,000
Risk Management Contingency	0	1,000	0	0	0	0
Capacity Building Reserve	3,396	0	0	0	0	0

## 7. Budget Monitoring – Probable Outturn

### BUDGET 2014/15 AND CURRENT POSITION

#### Revenue

- 4.1 The current budget for 2014/15 is £151.6m. Based on reported departmental information as at 30 November 2014, forecast spend is £154.9m, before inclusion of a one off contribution from the capacity fund of £3.0m as agreed by Cabinet on 30 June 2014. As a result, if no further action is taken to bring the budget back into balance, the potential over spend for this financial year would be £0.3m.
- 4.2 Through robust management action, the budget outturn position has been steadily improving since the with the September Cabinet report based on July 2014 information reported an overspend of £1.3m and November Cabinet report based on September data reporting a £0.7m overspend.
- 4.3 The graph below illustrates by department the outturn position with further breakdown provided in appendix A.



- 4.4 Since the budget was set by Council on 5 March 2014 for 2014/15, the council has seen a variety of pressures against those budget plans. It has identified savings to mitigate the pressures, albeit the majority of the savings are one off actions. The key variances are summarised in appendix A, and continue to be reviewed to identify whether these are one off issues or will continue into future financial years as part of setting the budget strategy.
- 4.5 Since setting the budget for 2014/15, CMT have received regular updates on the in-year budget position including tracking the delivery of savings approved as part of the budget and management of identified budget risks. This information has been shared and discussed with Cabinet and the Budget

Working Group as part of setting next year's budget. CMT continue to identify and implement specific actions to produce in year cost reductions to bring the current forecast overspend position back in line with budget.

- 4.6 Where these actions require Cabinet (or indeed Council) approval, they will be brought forward as soon as possible for approval. The Council has a good track record in recent years of managing financial pressures, and would expect to deliver proposals to balance the budget by year end.
- 4.7 Directors continue to take remedial action with regular updates discussed with within the Corporate Management Team. The actions taken between December 2014 and March 2015 will deliver a balanced budget for 2014/15. As such, there is no need to use reserves and this has been factored into the reserves position.

### **Capital**

- 4.8 The revised Capital Programme's budget as at 30 November is £198.4m, which includes £40.5m for invest to save schemes (I2S). The agreed investment as per the Medium Term Financial Plan (MTFS) was £260.8m. The movement between the MTFS position and the £285.0m as at 01/04/2014 was as a result of slippages from 2013/14.
- 4.9 The actual capital expenditure as at 30 November 2014 is £56.7m and the probable out-turn is estimated at £198.4m. Therefore based on the information that is being reported by project managers the Council is to spend a further £141.7m before the 31st March 2015.
- 4.10 The Capital Programme is funded via three core elements, external third party income (including grants), capital receipts generated from the sale of Council assets, and borrowing from the external market and the latest forecast is include within appendix B.
- 4.11 The current programme includes the budget for invest to save schemes (I2S). The I2S budget is for schemes that must cover the cost of borrowing from either income generation or from generated savings. The following schemes are currently utilising Invest to Save funds in 2014/15:
  - The 1<sup>st</sup> Phase of Energy Saving Projects with a total Invest to Save budget of £2.0m were started at the end of 2013/14 which included the following Council and School Properties:
    - Jack Hunt Swimming Pool
    - Bushfield Sports Centre
    - Regional Pool
    - Central Library
    - City Market
    - Multi Storey Car Park
    - Town Hall
    - John Mansfield

- The 2<sup>nd</sup> Phase of Energy Saving Projects with a total Invest to Save budget of £0.7m were agreed in 2014/15 which includes the following Council and School Properties:
  - 3 Schools – Replacement of Boilers
  - Kingfisher Centre
  - Regional Pool – Combined Heat and Power Unit
  
- There are a further Invest to Save projects with a total budget of £2.5m which have been agreed which involved installing Solar Panels on the following Council's properties:
  - 49 Lincoln Road
  - Museum
  - The Grange Pavilion
  - Chauffeurs Cottage
  - Central Library
  - Embankment Pavilion
  - Peters Court
  - 441 Lincoln Road
  - Various schools

4.12 The capital receipts are monitored on a monthly basis and each receipt is given a status of Red, Amber or Green to identify the likely receipt before the 31/03/2015. The split of the receipts over this status is:

<b>RAG Status</b>	<b>Amount Originally Expected (£000)</b>	<b>Updated figures (£000)</b>	<b>Received (£000)</b>	<b>Still to receive (£000)</b>
<b>Red</b>	1,800	400	0	400
<b>Amber</b>	6,884	6,699	0	6,699
<b>Green</b>	1,080	1,901	762	1,139
<b>Total</b>	<b>9,764</b>	<b>9,000</b>	<b>762</b>	<b>8,238</b>

NB The figures for Capital receipts are correct as per November reports but have been revised down during December.

**Appendix A – REVENUE MONITORING REPORT AS AT 30<sup>th</sup> NOVEMBER 2014 (PROBABLE OUTTURN)**

Previous Variance £k	Department (showing previous department and service area)	Budget 2014/15 £k	Spend 2014/15 £k	Variance 2014/15 £k
	<b>ADULT SOCIAL CARE, HEALTH AND WELLBEING</b>			
0	Directors Office	472	472	0
112	Care Services	6,825	6,854	29
-375	Independent Sector Placements	35,303	35,005	-298
249	Quality and Information	564	805	241
587	Finance and Organisational change	-2,186	-972	1,214
<b>573</b>	<b>TOTAL ADULT SOCIAL CARE, HEALTH AND WELLBEING</b>	<b>40,978</b>	<b>42,164</b>	<b>1,186</b>
	<b>CHIEF EXECUTIVE'S DEPARTMENT</b>			
0	Chief Execs Office	327	327	0
0	Chief Execs Departmental Support	117	188	71
<b>0</b>	<b>TOTAL CHIEF EXECUTIVE'S DEPARTMENT</b>	<b>444</b>	<b>515</b>	<b>71</b>
	<b>CHILDREN SERVICES</b>			
2,420	Social Care	8,425	10,742	2,317
<b>2,420</b>	<b>TOTAL CHILDREN SERVICES</b>	<b>8,425</b>	<b>10,742</b>	<b>2,317</b>
	<b>COMMUNITIES</b>			
2,015	Strategy, Commissioning and Prevention	19,373	21,075	1,702
699	Strategic Commissioning (Adult Social Care)	3,564	4,535	971
-529	Savings to be identified	0	-366	-366
<b>2,185</b>	<b>TOTAL COMMUNITIES</b>	<b>22,937</b>	<b>25,244</b>	<b>2,307</b>
	<b>GOVERNANCE</b>			
-200	Legal & Governance	4,871	4,696	-175
120	Communications	545	665	120
0	Human Resources	1,313	1,313	0
5	Neighbourhoods	502	453	-49
426	Commercial Operations	-1,522	-1,176	346
<b>351</b>	<b>TOTAL GOVERNANCE</b>	<b>5,709</b>	<b>5,951</b>	<b>242</b>
	<b>GROWTH AND REGENERATION</b>			
155	Cex - Growth and Regeneration	945	1,100	155
-564	OPS - Planning Transport and Engineering	13,706	12,531	-1,175
<b>-409</b>	<b>TOTAL GROWTH AND REGENERATION</b>	<b>14,651</b>	<b>13,631</b>	<b>-1,020</b>
	<b>RESOURCES</b>			
0	Director's Office	225	225	0
-2,760	Corporate Services	21,682	18,508	-3,174
0	Environment Capital	-370	-370	0
0	Internal Audit	288	288	0
0	Insurance	1,283	1,283	0
-12	Strategic Client Services	5,408	5,422	14
0	Peterborough Serco Strategic Partnership	9,065	9,065	0
0	ICT	4,262	4,262	0
60	Waste and Operational Services Management	13,261	13,321	60
0	Cultural Services	3,475	3,475	0
-16	Registration and Bereavement	-953	-939	14
-50	Westcombe Engineering	7	-86	-93
1,374	Childrens Resources	626	2,041	1,415
3	School Transport	222	222	0
<b>-1,401</b>	<b>TOTAL RESOURCES</b>	<b>58,481</b>	<b>56,717</b>	<b>-1,764</b>
<b>3,719</b>	<b>TOTAL GENERAL FUND</b>	<b>151,625</b>	<b>154,964</b>	<b>3,339</b>
-3,019	Capacity Fund Contribution			-3,019
<b>700</b>	<b>Forecast Financial Position - Overspend</b>			<b>320</b>

### **Adult Social Care, Health and Wellbeing - £1.2m overspend**

- This includes one off project costs and interim support to support the delivery of an adult social care transformation programme and as reported to September Cabinet will be partly offset by a one off contribution from the capacity fund.
- A pressure of £0.2m relates to a recent legal case, known as the West Cheshire judgement and is best outcome estimate. This means that Deprivation of Living (DOLS) assessments now need to be applied in domestic settings, such as extra care and supported living. Previously they were restricted mainly to residential and hospital settings. The costs could be higher dependent on national announcement on implications and this is currently being flagged as a risk. This issue will continue into future financial years.
- Further demographic pressures of £0.3m, and other minor pressures (£0.2m) are offset by overachievement of savings targets (£0.6m) and vacancy savings (£0.1m).

### **Chief Executive Department - £0.1m overspend**

- Specialist HR work to support formulation of the budget proposals.

### **Children Services - £2.3m overspend**

- Demand for children social care services and the complexity of the cases has increased within Peterborough meaning that the demand for these services is over and above the budget and will impact on future years. These costs relate to the recruitment and retention of social workers including agency social workers to meet increased workloads, essential to support vulnerable children.

### **Communities - £2.3m overspend**

- The increased demand in children social care cases within Peterborough increases pressure on providing placements for children coming into local authority care resulting in an overspend of £1.3m. The council has a statutory duty to provide care.
- The continued costs of supporting independent living clients within adult social care supporting people budget is £0.2m overspent and places a pressure on budgets in future financial years.
- Adult social care commissioning services includes transformation costs of £0.9m which will be offset by a one off contribution from the capacity fund.
- The income target for selective licensing is showing a £0.2m pressure.
- Staffing savings of £0.3m slightly offset the above.

### **Governance - £0.2m overspend**

- The Coroners and Justice Act 2009 requires the council to employ a medical examiner. There has been a delay nationally in implementing the reforms and therefore there is a one off saving in 2014/15 of £0.2m.
- The council held local elections around the same time as the European elections during May 2014. A one off saving of £0.1m has arisen following a reimbursement of costs for the European elections.
- Following the 2014 elections, the costs of current Members has not increased, a one off saving of £0.1m has been confirmed. Savings in future financial years is dependent on the annual review of the members

allowance scheme and may be impacted by the result of the local elections.

- Achieving income budgets within commercial operations is a challenge for the council, with a current forecast shortfall of £0.2m on car parking income and £0.1m on market income.
- There is also a £0.3m cost pressure relating to temporary staffing.

#### **Growth and Regeneration - £1m underspend**

- An underspend of £0.4m relates to a contract saving mechanism within the concessionary fares budget which is not due for review until 2016 and demand and increased costs being lower than budgeted for.
- There are employee savings of £0.4m, and a further £0.2m saving in the set up costs of the JV due to delays in the commencement date.

#### **Resources - £1.8m underspend**

- Since the budget was set, the funding assumption for the adoption reform grant has reduced resulting in a pressure of £0.6m on the council's financial position. It has also now been identified that there is a shortfall in the Education Services grant of £0.2m.
- The support and education budgets transferred into the Resources department during 2013/14. Some of the budgets are demand led resulting in pressures in the following areas:
  - An increase in home to school transport provision requirements for secondary schools places is forecasting an overspend of £0.4m.
  - An overspend of £0.2m on the secondary school public finance initiative (PFI) contract energy costs being in excess of inflationary increases.
  - Increased demand for services to support children social care including business support and legal services.
- A refresh of the capital programme projects since the budget was set coupled with a reduction in forecast interest rates for the remainder of this year and borrowing requirements impacting on the minimum revenue provision has identified a one off underspend of £2.6m. The ongoing capital programme will be reviewed as part of the annual budget setting process.
- There have been further savings identified of £0.1m for e-services, a dividend received from ESCO of £0.1m and a projected trading surplus of £0.1m at Westcombe Industries.

## Appendix B – Capital Monitoring Report As At 30th November 2014

Capital Programme by Directorate	Budget 01/04/2014 £000	Budget as at 30.11.14 £000	Budget to Date £000	Actual Expenditure £000	Total Spent Against Profiled Budget
Governance	69	69	46	7	15%
Chief Executives	671	231	188	11	6%
Adult Social Care	3,860	1,195	869	606	70%
Communities	3,954	3,438	2,642	1,129	43%
Growth & Regeneration Resources	46,496	36,958	24,909	12,618	51%
Resources - CHS	75,080	65,987	50,831	29,188	57%
Resources - Renewable Energy	33,368	22,990	15,494	10,210	66%
Invest to Save	26,200	26,200	17,467	-295	-2%
<b>Total</b>	<b>284,973</b>	<b>198,360</b>	<b>139,973</b>	<b>56,665</b>	<b>40%</b>
<b>Financed by:</b>					
Grants & Contributions	37,081	35,286	28,530	28,530	100%
Capital Receipts	9,764	9,100	3,797	3,797	100%
Borrowing	238,128	153,974	107,646	24,338	23%
<b>Total</b>	<b>284,973</b>	<b>198,360</b>	<b>139,973</b>	<b>56,665</b>	<b>40%</b>

**8. Treasury Strategy, Prudential Code and Minimum Revenue Position**



**The Prudential Code  
&  
Treasury Management Strategy  
2015/16 to 2024/25**

**Including the Minimum Revenue Policy 2015/16**

## 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 2015/16

1.3.1 The strategy for 2015/16 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 2017.
- 1.4.2 The Council recognises that responsibility for treasury management decisions remain 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 2015/16 to 2024/25

- 2.1.1 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.
- 2.1.2 **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	2013/14 Actual £m	2014/15 Est. £m	2015/16 Est. £m	2016/17 Est. £m	2017/18 Est. £m	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25E st. £m
Governance	-	0.1	-	-	-	-	-	-	-	-	-	-
Chief Executives	1.3	0.2	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adult Social Care	0.1	1.2	2.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Communities	2.2	3.4	3.0	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Resources - CHS	40.8	24.4	32.0	14.0	8.0	3.7	0.9	0.9	0.9	0.9	0.9	0.9
Resources	30.2	62.9	30.1	14.9	4.1	4.8	4.6	3.6	4.6	4.7	4.7	4.7
Growth & Regeneration	14.2	34.1	18.7	26.6	29.1	11.7	10.4	8.1	8.1	8.1	8.1	8.1
Invest to Save	2.1	40.5	54.8	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>90.9</b>	<b>166.8</b>	<b>141.1</b>	<b>58.2</b>	<b>43.9</b>	<b>22.9</b>	<b>18.8</b>	<b>15.6</b>	<b>16.3</b>	<b>16.4</b>	<b>16.4</b>	<b>16.4</b>

2.2 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.

<b>(1b) Capital Expenditure &amp; Financing</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>	<b>2024/25</b>
	<b>Actual</b>	<b>Est.</b>										
	<b>£m</b>											
Capital Expenditure	90.9	166.8	141.1	58.2	43.9	22.9	18.8	15.6	16.3	16.4	16.4	16.4
<b>Financed by:</b>												
Capital receipts	3.7	3.6	11.8	3.2	5.5	1.1	-	-	-	-	-	-
Capital grants & contributions	27.3	35.3	16.9	20.5	17.8	5.6	5.6	5.6	5.4	6.0	5.6	5.6
<b>Net financing requirement</b>	<b>59.9</b>	<b>127.9</b>	<b>112.4</b>	<b>34.5</b>	<b>20.5</b>	<b>16.2</b>	<b>13.2</b>	<b>10.0</b>	<b>10.9</b>	<b>10.4</b>	<b>10.8</b>	<b>10.8</b>

2.3 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.

2.4 **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.

2.5 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.

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

(2) Capital Financing Requirement	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m
CFR B/fwd	316.0	365.7	482.9	582.6	601.9	606.9	607.2	604.2	597.5	591.7	584.8	577.8
Borrowing	47.6	76.7	44.9	19.4	5.0	0.3	(3.0)	(6.7)	(5.9)	(6.8)	(7.1)	(7.7)
Invest to Save*	2.1	40.5	54.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CFR C/fwd	365.7	482.9	582.6	602.0	607.0	607.2	604.2	597.5	591.7	584.8	577.8	570.1
<b>Movement in CFR</b>	<b>49.7</b>	<b>117.2</b>	<b>99.6</b>	<b>19.5</b>	<b>5.0</b>	<b>0.4</b>	<b>(3.0)</b>	<b>(6.7)</b>	<b>(5.9)</b>	<b>(6.8)</b>	<b>(7.1)</b>	<b>(7.7)</b>
Net financing requirement	59.9	127.9	112.4	34.5	20.5	16.2	13.3	10.1	10.9	10.4	10.9	10.9
Less MRP & other financing	(10.2)	(10.7)	(12.8)	(15.0)	(15.6)	(15.8)	(16.2)	(16.7)	(16.8)	(17.2)	(17.9)	(18.6)
<b>Movement in CFR</b>	<b>49.7</b>	<b>117.2</b>	<b>99.6</b>	<b>19.5</b>	<b>5.0</b>	<b>0.4</b>	<b>(3.0)</b>	<b>(6.7)</b>	<b>(5.9)</b>	<b>(6.8)</b>	<b>(7.1)</b>	<b>(7.7)</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)

2.7 **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	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Est.										
Total ratio	5.9%	6.1%	7.6%	8.3%	8.5%	8.5%	8.4%	8.4%	8.3%	8.3%	8.4%	8.4%

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

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

2.10 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.

2.11 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>2013/14 Actual</b>	<b>2014/15 Est.</b>	<b>2015/16 Est.</b>	<b>2016/17 Est.</b>	<b>2017/18 Est.</b>	<b>2018/19 Est.</b>	<b>2019/20 Est.</b>	<b>2020/21 Est.</b>	<b>2021/22 Est.</b>	<b>2022/23 Est.</b>	<b>2023/24 Est.</b>	<b>2024/25 Est.</b>
Incremental change in capital financing budget between MTFS's on Band D Council Tax (£)	(£42.37)	(£72.62)	(£108.32)	(£154.94)	(£158.74)	(£162.29)	(£179.74)	(£183.23)	(£184.08)	(£193.03)	(£196.21)	(£188.81)

### 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

<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 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
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.
Expenditure investing in third parties via a loan which is fully secured and where repayment is in bullet form.	The Council considers the repayment of the loan negates the need for an amount of MRP to be charged each year as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security

3.4. The Council intends to make secured loans to third parties. These loans are only made after the Council's formal decision making process has been followed, which includes formal approval by the Head of Strategic Finance. As part of the formal decision to grant the loan the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment. The Council have approved in principal the secured loans to two third parties which are Axiom Housing Association (Council 8<sup>th</sup> October 2014) and Empower Community Management LLP (EC) (Council - 17<sup>th</sup> December 2014).

3.5. 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.

3.6. 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. 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.

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

3.8. 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 2014, 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	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual £m	Est. £m										
<b>External Borrowing</b>												
Market Borrowing	253.9	253.9	373.2	474.7	495.7	502.2	503.9	503.9	503.9	503.9	503.9	503.9
Repayment of borrowing	0.0	(44.0)	(17.0)	(7.0)	(13.1)	(6.0)	-	-	-	(7.1)	-	(8.0)
Expected change in borrowing	0.0	163.3	118.5	28.0	19.6	7.6	-	-	-	7.1	-	8.0
Other long-term liabilities	40.1	40.4	38.5	36.8	35.2	33.9	32.7	31.4	30.4	29.5	28.5	27.2
<b>Gross Debt at 31 March</b>	<b>294.0</b>	<b>413.6</b>	<b>513.2</b>	<b>532.5</b>	<b>537.5</b>	<b>537.8</b>	<b>536.5</b>	<b>535.2</b>	<b>534.3</b>	<b>533.4</b>	<b>532.3</b>	<b>531.0</b>
CFR	365.7	482.9	582.6	602.1	607.0	607.2	604.2	597.5	591.7	584.8	577.8	570.1
<b>% of Gross Debt to CFR</b>	<b>80.4%</b>	<b>85.6%</b>	<b>88.1%</b>	<b>88.4%</b>	<b>88.5%</b>	<b>88.6%</b>	<b>88.8%</b>	<b>89.6%</b>	<b>90.3%</b>	<b>91.2%</b>	<b>92.1%</b>	<b>93.2%</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 2015/16 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.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>(6) Operational Boundary</b>	<i>Actual</i>	<i>Est.</i>										
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Borrowing	253.9	585.6	647.4	567.3	552.8	548.1	546.5	545.2	544.3	543.4	542.3	541.0
Other long term liabilities	40.1	40.4	38.5	36.8	35.2	33.9	32.7	31.4	30.4	29.5	28.5	27.2
<b>Total</b>	<b>294.0</b>	<b>626.0</b>	<b>685.9</b>	<b>604.1</b>	<b>588.0</b>	<b>582.0</b>	<b>579.2</b>	<b>576.6</b>	<b>574.7</b>	<b>572.9</b>	<b>570.8</b>	<b>568.2</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:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>(7) Authorised Limit</b>	<i>Actual</i>	<i>Est.</i>										
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Borrowing	253.9	649.9	681.8	582.6	560.1	555.1	549.8	549.3	547.5	546.4	544.6	544.0
Other long term liabilities	40.1	40.4	38.5	36.8	35.2	33.9	32.7	31.4	30.4	29.5	28.5	27.2
<b>Total</b>	<b>294.0</b>	<b>690.3</b>	<b>720.3</b>	<b>619.4</b>	<b>595.3</b>	<b>589.0</b>	<b>582.5</b>	<b>580.7</b>	<b>577.9</b>	<b>575.9</b>	<b>573.1</b>	<b>571.2</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> (All rates shown as %)	<b>Now</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>	<b>Jun 17</b>	<b>Sep 17</b>	<b>Dec 17</b>	<b>Mar 18</b>
Bank Rate View	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	2.00	2.25	2.50
5yr PWLB Rate	2.50	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.50	3.50	3.50
10yr PWLB Rate	3.20	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.10	4.10	4.20	4.20	4.30	4.30
25yr PWLB Rate	3.70	3.90	4.10	4.30	4.40	4.50	4.60	4.70	4.70	4.80	4.80	4.90	4.90	5.00
50yr PWLB Rate	3.70	3.90	4.10	4.30	4.40	4.50	4.60	4.70	4.70	4.80	4.80	4.90	4.90	5.00
Budget Assumption	3.83		4.33				4.70				4.90			

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 2014 to 31 October 2015. 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.

4.3.4 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 consistently since quarter 1 of 2013. This continued growth means that the UK will have the strongest growth of any G7 country in 2014. Growth prospects remain strong going forward in the services and construction sectors, whilst there has been a weakening in the future trends for manufacturing. Most economic forecasters expect the rate of growth to have peaked during 2014, although growth is expected to remain strong through 2015 and 2016.

- Markets are expecting the Monetary Policy Committee (MPC) to increase the Bank Rate in Q2 of 2015. This follows the strong economic growth and subsequent fall in unemployment along with a sharp fall in CPI during 2014, it is expected that inflation will continue to fall to around 1% and is forecast to remain at this level for the next 2 years.
- This economic outlook and structure of market interest rates and government debt yields have several treasury management implications:
  - Eurozone sovereign debt difficulties continue to cause concern around 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 may show a small increase during 2015, but further rises are likely to be cautious due to the levels of indebtedness of consumers.
  - An increase in the Bank Rate is likely to lead to further increases in borrowing interest rates.
  - 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 MTFFS 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 2015/16 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.

<b>Interest Rate Exposure (Upper Limits)</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>	<b>2024/25</b>
	<i>Actual</i>	<i>Est.</i>										
	<i>£m</i>											
<b>(8) Limits on fixed interest rates based on net debt</b>	253.9	690.3	720.3	619.4	595.3	589.0	582.5	580.7	577.9	575.9	573.1	571.2
<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	172.6	180.1	154.8	148.8	147.2	145.6	145.2	144.5	144.0	143.3	142.8
<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 Strategy – Changes to Credit Rating Methodology**

- 4.7.1 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts" which may lead to downgrading of Counterparties. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing support ratings.

As a result of these rating agency changes, the credit element of the future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories.

#### **4.8 Annual Investment Policy**

- 4.8.1 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").
- 4.8.2 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.
- 4.8.3 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.
- 4.8.4 **Investment Counterparty Selection Criteria and Investment Strategy**
- 4.8.5 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.
- 4.8.6 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.

4.8.7 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.

4.8.8 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.

4.8.9 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.

4.8.10 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.

4.8.11 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.

4.8.12 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.

- All of the above would be subject to continuous credit rating reviews, specifically with regards to the credit rating methodology changes noted in 4.7.1
- Barclays Bank, the Council's own banker. If Barclays fall below the criterion in 4.8.14 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 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)

<b>Agency</b>	<b>Short Term</b>	<b>Long Term</b>
<b>Fitch</b>	F1	A
<b>Moody's</b>	P-1	Aa
<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.

4.8.13 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.

4.8.14 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

4.8.15 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 4.8.14, when using the options outlined in Appendix 1.

4.8.16 Investment returns expectations - Bank Base Rate is forecast to remain unchanged at 0.50% before starting to rise from quarter two in 2015. Bank Rate forecasts for financial year ends are:

<b>Financial Year</b>	<b>Bank Base Rate</b>	<b>Forecast</b>
2014/15	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
2015/16	1.00%	

Financial Year	Bank Base Rate	Forecast
2016/17	1.50%	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.
2017/18	2.50%	

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.

4.8.17 **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

(11) Interest Rate Exposure (Upper Limits)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	<i>Actual</i> £m	<i>Est.</i> £m										
Principal sums invested > 364 days	1.0	4.0	6.0	8.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

4.8.18 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.

4.8.19 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.

#### 4.9 Peterborough's Growth Delivery Project

4.9.1 The following model has been established and agreed in the paper submitted to Cabinet on the 24<sup>th</sup> February 2014 <http://democracy.peterborough.gov.uk/documents/s19284/5.%20Funding%20Peterboroughs%20Future%20Growth.Pdf> and the Executive Decision on the 9<sup>th</sup> December 2014 <http://democracy.peterborough.gov.uk/ieDecisionDetails.aspx?ID=1022>

- 4.9.2 A Joint Venture, Limited Liability Partnership (JV LLP) 50:50 owned and controlled by the Council and Lucent Peterborough Partnership SARL will work to create commercially viable Project Plans. Once an Project Plan is approved by the JV LLP board it will create a Special Purpose Vehicle (SPV) to oversee the plan implementation.
- 4.9.3 As projects are developed the Council will sell sites previously earmarked for disposal at their current market value to the JV LLP for development. The Council will receive Loan Notes from the JV LLP in consideration. The Council may also receive loan notes in consideration for any other costs it incurs on behalf the JV LLP.

#### **4.10 Treasury Management Scheme of Delegation**

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

##### Full Council / Audit Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of 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 Finance / Financial Services 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 4.8.9)

<b>APPROVED "SPECIFIED" INVESTMENTS</b>				
<b>Investment Type</b>	<b>Maximum Maturity period</b>	<b>Minimum Credit Criteria</b>	<b>Collective Limit £m</b>	<b>Individual Limit £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) 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 (long term)	50	10
Deposit accounts with regulated UK building societies	6 months	Minimum ratings - F1 (Fitch short term) A (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 £m</b>	<b>Individual Limit £m</b>
Commercial Paper (short term obligations issued by banks, corporations & other issuers).	6 months	Minimum short term rating - F1 (Fitch) (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 Certificates of Deposit are tradable	Minimum ratings - F1(Fitch - short term) AAA (long term)	10	10
UK Government & Local Authority Stock Issues	Maturities of 1 - 10 years 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 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 but tradable	Minimum rating – AAA (Fitch, S&P A-1etc) (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 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 £m</b>	<b>Individual Limit £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) 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	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
(1) Capital expenditure (£m)	£90.9m	£166.8m	£141.1m	£58.2m	£43.9m	£22.9m	£18.8m	£15.6m	£116.3m	£16.4m	£16.4m	£16.4m
(2) Capital Financing Req. (CFR) (£m)	£365.7	£482.9m	£582.6m	£602.m	£607.0m	£607.2m	£604.2m	£597.5m	£591.7m	£584.8m	£577.8m	£570.1m
(3) Ratio of financing costs to net revenue budget	5.9%	6.1%	7.6%	8.3%	8.5%	8.5%	8.4%	8.4%	8.3%	8.3%	8.4%	8.4%
(4) Incremental impact of capital investment on Council Tax (£) Adjusted	(£42.37)	(£72.62)	(£108.32)	(£154.94)	(£158.74)	(£162.29)	(£179.74)	(£183.23)	(£184.08)	(£193.03)	(£196.21)	(£188.81)
(5) % of gross debt to the CFR	80.4%	88.1%	88.4%	88.5%	88.6%	88.8%	89.6%	90.3%	91.2%	92.1%	93.2%	88.1%
(6) Operational boundary for External Debt (£m)	£294.0m	£626.0m	£685.8m	£604.1m	£588.1m	£582.0m	£579.2m	£576.6m	£574.7m	£572.9m	£570.8m	£568.2m
(7) Authorised Limit for External debt (£m)	£294.0m	£690.3m	£720.3m	£619.4m	£595.3m	£589.0m	£582.5m	£580.7m	£577.9m	£575.9m	£573.1m	£571.2m
(8) Upper limit for fixed interest rate exposure (£m)	£174.6m	£690.3m	£720.3m	£619.4m	£595.3m	£589.0m	£582.5m	£580.7m	£577.9m	£575.9m	£573.1m	£571.2m
(9) Upper limit for variable interest rate exposure (£m)	£0.0m	£172.6m	£180.1m	£154.8m	£148.8m	£147.2m	£145.6m	£145.2m	£144.5m	£144.0m	£143.3m	£142.8m
(10) – Maturity Structure of Borrowing – See Section 4.4.3 for details												
(11) Interest Rate Exposure (Upper Limits) >364 days	£1.0m	£4.0m	£6.0m	£8.0m	£10.0m							

**Explanation Of Credit Ratings****APPENDIX 3**

<b>Agency</b>	<b>Short Term</b>	<b>Long Term</b>
<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>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>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.

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



# Capital Strategy

2015 – 2025

<b>Contents</b>	<b>Page</b>
1 Introduction and Strategic Principles.....	101
2 Aims of the Strategy .....	102
3 Strategic Context .....	102
3.2 Sustainable Community Strategy (SCS) .....	102
3.3 Peterborough Planning Policy Framework .....	103
4 Key Areas of Council Capital Investment.....	104
4.3 Adult Social Care .....	104
4.4 Community Infrastructure (Communities).....	105
4.5 Education and Children’s Resources .....	107
4.6 School Places (Resources).....	109
4.7 Delivery of Growth Schemes – Growth and Regeneration .....	111
4.8 Transport (Growth and Regeneration) .....	112
4.10 Strategic Property and ICT (Resources) .....	114
4.11 Invest to Save.....	115
4.12 Invest to Save Current Schemes: .....	116
4.13 Renewable Energy / Energy Efficiency .....	117
5 Managing the Capital Programme .....	118
6 Sources of Capital Funding.....	119
6.1 Neighbourhood Proportion.....	120
6.2 Alternative Financing Arrangements .....	120
6.3 Capital Receipts .....	121
7 Procurement Strategy.....	121
8 Conclusion.....	121

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# 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 use 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

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.
- Maximising external funding where it demonstrates VFM

## 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)

- 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'
- 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.

### 3.3 Peterborough Planning Policy Framework

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 Development Plan – adopted December 2014.

Having these up to date plans in place puts the Council in an excellent position to encourage and guide public and private investment decisions.

The major growth identified in the above policy documents will require substantial funding for the infrastructure requirements which such growth generates (on top of funding required to maintain our existing infrastructure). The sources of such funding are wide ranging, including government grants, private sector investment and our own corporate resources. It should also be noted that this growth will also in turn generate additional funding which will offset some of the investment cost, such as increases in Council Tax revenues from additional homes built, additional New Homes Bonus grant from government, and through the new funding arrangements surrounding Business Rates where local authorities are able to keep an element relating to growth.

To coordinate the infrastructure requirements associated with growth, the Council has embarked on preparing an Infrastructure Delivery Schedule (IDS)<sup>1</sup>; the first such schedule was approved by Cabinet in September 2012 and a subsequent refresh was approved in July 2014. 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 received from S106 Planning Obligations and Community Infrastructure Levy (CIL) Charging Schedule which will, once adopted, replace adopted Peterborough Planning Obligations

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<sup>1</sup>IDS - [http://www.peterborough.gov.uk/planning\\_and\\_building/planning\\_policy/planning\\_policy\\_framework/community\\_infrastructure\\_levy.aspx](http://www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/community_infrastructure_levy.aspx)

Implementation Scheme (POIS) and some elements of the S106 process (see para 6.1.4).

- 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 2015/16 to 2024/25 totals £366m 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.

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

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.

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.
- The Care Act and Better Care Fund bring some significant requirements around IT and technology. As a Local Authority we need to be able to offer interactive information and advice to the public, we also need to enable self-assessment and in the long term a customer view of their record. We also need to undertake joint assessments and share care plans with health colleagues, which requires our systems to talk to each other. In addition we need to be able to increase our efficiencies by creating assessment and support planning tools that can be completed in real time with our service users.

We require capital investment to develop a range of delivery tools with Arcus or other partners which will be funded through the Customer Experience programme or Invest to Save.

- Co-Location - conversion of the existing Gloucester Centre building to workplace compatible offices. The co-location will be made up of the 0 to 25 Transitions Team, SEND Inclusion Team and The CAMs Team. This is a joint location initiative that will improve the service experience received by clients delivered through key workers and professionals in education, health and social care.
- The strategy as presented is in the context of a developing service relating to the Transformation of Social Care and the implications of the emerging Care Act Bill and future integration with health, so will need to be kept under constant review.

#### **4.4 Community Infrastructure (Communities)**

- 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 2015-2025. Funding for community infrastructure needs primarily come forward via new developments as part of the S106/POIS/CIL.
- During the first 30 years of the contract governing the Large Scale Voluntary Transfer of the Council's housing stock to Cross Keys Homes (CKH) in October 2004, the Council receives part of the sale proceeds under the Preserved Right to Buy (Council tenants transferred to CKH retain the right-to-buy) on an agreed basis. 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.
- A significant percentage of new affordable housing provision will continue to come forward via developers as part of S106 planning agreements. The Council's current planning policy aims to secure 30% of all new housing (on eligible sites) to be affordable homes, subject to negotiation with developers. The delivery of affordable housing varies each year according to national funding allocations, local funding and planning permissions approved. For 2015/16, current projections indicate at least 350 new affordable homes should be completed. The IDS has further details on specific affordable housing projects in the pipeline.
- 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. The Building Research Establishment has been commissioned to provide a Private Sector Stock Modelling Report for the Council which will inform disabled facility, Repairs Assistance and fuel poverty activity for the next five years.

- 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 October 2014 there were 2797 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. 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, and the impacts of the Care Act are yet to be fully realised.
- The Council's 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.
- Future Community Infrastructure will be delivered through a principle of 'co-located' facilities providing flexible use of space as a community hub which will incorporate multiple needs for service provision such as health and wellbeing, police/emergency services, community, sport and leisure facilities, learning and skills, libraries etc. The revised approach is intended to provide greater consistency and innovative approaches to providing infrastructure which reduce cost whilst ensuring well designed, quality places to live and work.
- Evidence for community infrastructure requirements will be captured via community needs assessments, Parish or Community Group Plans and/or Neighbourhood Plans.
- The Council is committed to working with the civil sector to assist successful community asset transfers in Peterborough that will result in successful, vibrant and inclusive community managed assets that are sustainable in the long term.
- The Green Open Space Strategy (GOSS) for Peterborough has been developed by Enterprise Peterborough as part of their partnership commitment with the Council. This is delivered via the Green Open Space Implementation Programme (GOSIP).
- The Council recognises that there is a need within the city to provide adequate amenities to meet the needs of the Traveller and Gypsy community. Within Peterborough there are two permanent Traveller and

Gypsy sites located at Norwood Lane and Oxney Road. The management of these sites has now been brought back in house to ensure that the service is effective and efficient. Investment will be required at these sites, currently comprehensive inspections are underway to identify all repair and improvement work to ensure statutory and welfare requirements are met for our tenants and to inform the capital programme. The Council continues to see a high number of illegal encampments in the City. We have developed and implemented expedient processes in order to minimise the effect of these encampments on the residents and businesses in the City. In September 2014 Cabinet approved the designation of 3 Locations in the City as Emergency Stopping Places. These sites can be used for 28 days in a 12 month period. These sites will be used to move illegal encampments onto, where those encampments are on vulnerable or high risk sites.

#### 4.5 Education and Children's Resources

- The Council is responsible for ensuring there are sufficient school places within its area to meet the needs of the population. The Council is responsible for providing transport where children have to access schools which are some distance from their home, often as a result of a shortage of school places.
- The Council has some clear objectives in terms of school place planning:
- Local places for local children with the aim to meet parental preferences for catchment schools.
- Offering a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies.
- High quality places for people to learn that encourage high levels of achievement.
- Avoiding significant changes to catchment areas
- Limited and temporary use only of mobile accommodation.
- However, there are a number of factors that make it more difficult for the Council to meet these objectives:
- There has been exceptional growth in the number of children living in Peterborough in recent years due to a number of issues:
  - Peterborough is the fastest growing city in the UK, with the second highest private sector employment growth at 5.5%. The birth-rate is the second highest in the country which combines with the second highest rate of 'in-year' school admissions – those outside the normal admissions rounds of starting primary or secondary school. Between October 2013 and October 2014 there was an overall increase in pupil numbers of 1,113.
  - Between 2011 and 2013 the number of dwellings increased by 1513 but the overall pupil numbers by 2232, 147 new pupils per 100 dwellings. Up to 2011 the pupil number growth could be mainly attributed to an expanding housing stock, since then the school

- population has risen at a much faster rate, as new families have moved into areas.
- There are planning permissions in place for over 8,000 further dwellings that have not yet been started. It is anticipated that as the economy recovers the rate of house building will increase.
  - 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.
- Peterborough has been allocated government grants of £2.1m to cover capital maintenance in 2014-15 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.
  - The only funding the Council is expected to receive for 2015/16 onwards is devolved formula capital (passported direct to the schools) and capital maintenance. The DfE has indicated for 2015/16 and 2016/17 Peterborough's growth is not sufficient to warrant further funding, although this will be challenged and updated pupil numbered projections have been submitted.
  - The government announced the second phase of the Priority Schools Building Programme in June 2014. The programme is intended to undertake major rebuilding and refurbishment projects to address the needs of schools in the very worst condition.
  - Unlike the first round of bidding, where the Council was successful with St Johns Orton and West Town, there is no funding for expansion and bids can be submitted on a block basis rather than a whole school basis. The Council has submitted bids for the KS1 block at Southfields Primary, the main block at Marshfield's Special School and the whole school at Norwood Primary School.
  - If the Council is successful, the projects will be funded and managed by the Education Funding Agency but the cost of any abnormalities will have to be met by the Council.
  - The value of expressions of interest nationally is likely to significantly exceed the funding available so the Council cannot rely on the success of the bid. If the bids are unsuccessful then some works which have an energy benefit will need to be carried out but this includes those that could be funded under the Energy Performance Contract.
  - 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.
  - 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.

- 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.
- 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 3,280 in 2016. 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.
- The Children Services capital programme addresses the dual pressures caused by an increase in population and the growth in housing developments in the city.
- The schemes provisionally proposed for 2015/16 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
- 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.

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

The schemes currently provisionally proposed for 2015/16 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>
Ravensthorpe Primary School	Expansion by one to two Form of Entry (FE) using existing space in school	Feb 2015	210
Thorpe Primary School	New build and re-modelling to create 1 FE extension	September 2015	210
Phoenix Special School	Expansion to create 54 places on a split site (Malborne Way)	September 2015	54
Discovery Primary School	New build and re-modelling to create 1 FE extension	September 2015	120
Orton St John's Primary School	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
Nenegate Special School	2 classroom extension	September 2015	20
West Town Primary School	Move existing school to new site (i.e. hospital site) and increase capacity	September 2016	315
Southfields Primary School	Expansion by 1 FE using existing space	September 2016	210
St Michael's Primary School, Stanground	Phase 2 extension from one FE to two FE in response to growth at the Cardea development	September 2016	210
Paston Reserve Primary School	A new two FE primary school to support new development	September 2017	420
Hampton Gardens Secondary School	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)
Hampton Gardens Primary school	First of two new two FE primary schools to support new developments east of A15	September 2018	420
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

#### 4.7 Delivery of Growth Schemes – Growth and Regeneration

- 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.
- City Centre Development Plan<sup>2</sup> adopted in December 2014 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.
- 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 underway for Long Causeway.
- 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 (LTPS)<sup>3</sup> for the area to 2026 and a more detailed programme of works to 2016.
- 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. In addition the Council is working with the private sector to establish a Joint Venture that will focus on physical regeneration of key sites within the city. Opportunity Peterborough will continue to focus on core economic development strength.
- 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

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<sup>2</sup> City Centre Action Plan – [fly-through demonstration link](#)

<sup>2</sup> City Centre Development Plan - [www.peterborough.gov.uk/planning\\_and\\_building/planning\\_policy/planning\\_policy\\_framework/development\\_planning\\_documents/city\\_centre\\_plan.aspx](http://www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/development_planning_documents/city_centre_plan.aspx)

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.

- In addition the Council is taking forward the development of key sites within the city – including the South Bank - now called the Riverside 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 Joint Venture.
- The Council has established a Joint Venture Company to prepare viable and consented development schemes for a series of sites which will be developed to promote growth, regeneration and economic development within the City. The Council will be granting Option Agreements on specified sites as identified within the Cabinet Report Funding Peterborough’s Future Growth on the 24<sup>th</sup> February 2014, supplemented by CMDN ‘Progressing Funding for Peterborough’s Future Growth - DEC14/CMDN/110’

#### 4.8 Transport (Growth and Regeneration)

- Transport incorporates new roads, bus and railway stations, street lighting, footways / cycle ways and other transport related infrastructure items for the period 2015-2025.
- To provide the context, the third Peterborough LTP (LTP3) was adopted in April 2011 and sets out the Peterborough Long Term Transport Strategy (LTTS)<sup>4</sup> 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.
- 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
- 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.

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

- The Council awarded as of 1st October 2013 a new 10 Year Highway Services contract, which can be extendable by a further 10 years. This contract gives the authority more flexibility in meeting its strategic objectives and goals in an efficient and effective manner.
- The Council 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.
- 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. Funding for Major Schemes is now primarily delivered through the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGP LEP). Peterborough City Council will concentrate on promoting and delivering projects that enhance the economic wellbeing of Peterborough.

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

- 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.
- Cultural Services within the city face significant challenges which relate to growth and the re-development of existing facilities to meet changing customer expectations.
- Consideration is being given to investment to refurbish the Regional Pool and undertake the upgrade of air conditioning and lighting at the Central Library.
- 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.
- 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.
- The Council will be investing in new technology enabling increased public access and opening hours to nine of Peterborough libraries. The system known as Open+ allows library services to maintain or extend library opening hours, providing customers and communities with more choice and flexibility as to when and how they engage with the library service. The Open+ model is currently operational in selected libraries in Leeds and London, with best practice shared between organisations. The fully

functional Open+ solution can automatically control and monitor building access, self-service kiosks, public access computers, lighting, alarms, public announcements and customer safety. The system links through to the current library management system, utilising membership cards and pin number and is compatible with current library self-service kiosks. It is anticipated that the Open + model will enable Peterborough library buildings to be open from 9-5pm with variances from library to library, Central library will be opened from 9-7pm.

- PCC is in discussion with British Cycling with the aim of providing a new purpose built cycling track within the city centre. It is hoped that 75% of the £500k capital investment will be met from external funding. 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.
- The Energy Performance Contract with Honeywell 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.

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

- The Council keeps its property portfolio under constant review; ensuring assets are kept only for specific reasons and the recent improvements to Bayard Place have enabled the Council to increase the number of workstations by 85. 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.
- 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.
- 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.
- 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.
- 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.

- The digital agenda is not just about the Council's own use of ICT. For example, the partnership with City Fibre to develop a gigabit network across the city will not only help the council deliver the benefits of its ICT strategy outlined above, but also to help deliver benefits for business and residents and develop smart city concepts. Our investment in digital services to support the customer experience programme will change the way our residents interact with us.

#### 4.11 Invest to Save

- The Capital Programme contains funding for Invest to Save schemes. This budget is included on the basis that any projects funded via this budget will deliver savings to the Council, for example renewable energy schemes. Business cases for future proposals are required to demonstrate how the cost of borrowing will be covered, 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.
- 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.
  - An update on schemes is included in future financial reports to Cabinet during the year.

#### 4.12 Invest to Save Current Schemes:

- Schools Solar PV Installation - Phase 1 of the programme has already been completed where following investment of £1.4m 12 schools now benefit from the renewable energy that is generated from these panels. Further phases approved include the following schemes:
  - Further Council buildings including the Central Library
  - Further schools
  - Buildings within the commercial Estate
- 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.
- The second Phase of Energy Saving Projects with a total Invest to Save budget of £0.7m were agreed in 2014/15 which includes the following Council and School Properties:
  - Kingfisher Centre
  - Regional Pool – Combined Heat and Power Unit
- In addition to the invest to save schemes outlined above, three schools have commissioned replacement boilers under the ENPC framework agreement, funded through the children services asset management plan capital budget. This will improve energy efficiency for the schools. The schools will pay the council the energy savings resulting from the works and will enter into a separate agreement confirming this is the case
- The council has continued to investigate further ways it can support the development of housing, and is proposing is to provide finance of £10million to Axiom Housing Association to help support their activities in the city, potentially including more additional affordable homes and supported accommodation in the city. This would enable the housing association to deliver more housing as it will enable it to secure lower cost finance through the council. The benefit for the council and its residents is that the loan would generate a financial return to support the council’s budget and to protect other council services. This loan is treated as capital expenditure, and as such will be financed from the invest to save budget.

#### 4.13 Renewable Energy / Energy Efficiency

- **Wind and Solar Farms** - On 2nd October 2014, the government announced that support for large scale solar projects would be scrapped from April 2015. This was on the back of changes to national planning guidance on wind and solar schemes, national funding uncertainties for onshore wind schemes and local opposition to the proposed solar farm schemes. Also taken into consideration was the report from the Solar and Wind Energy Review Group which was presented to the Cabinet meeting on 22 September 2014. Cabinet announced on 7 October that it was to halt the renewable schemes on Newborough and Morris Fen on the back of the changes to national planning guidance on wind and solar schemes. A motion was also put forward to Council on 8 October to halt these schemes.

The budget assumes a worst case scenario that in addition the America's Farm project will not proceed. Much of the knowledge gained during the projects will be used to support the projects outlined below.

- **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.
- **Empower Solar Panel Scheme** - The council has agreed to enter into a partnership with social enterprise Empower Community Management LLP to deliver solar panels on private properties in the city.

Under the scheme, property owners benefit from in the region of £200 worth of free energy each year generated by the solar panels and a one-off payment of £100 every five years for their participation in the scheme.

Based on an assumed take-up of 1,500 properties, the council expects to generate in the region of £1million during the 20 year life of the scheme.

- **Green Leases** – In August 2014 the Council agreed to issue a memorandum of understanding to all existing tenants of council owned buildings (and new tenants as they enter into leases) to ensure that it was explicitly clear that the Council would not prohibit a tenant from undertaking any works that would improve the energy performance of a building. In addition to this the Council committed to carrying out a review to identify which of the council's assets have a low energy efficiency rating and are likely to be rented out now or at some point in the future. This includes an assessment of the potential loss of income that may be felt if these properties become un-rentable in the future, alongside a potential schedule for invest to save works that would prevent this as appropriate
- **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. This would be subject to the necessary licencing approvals.

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.

- **Energy from Waste Facility** - 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.

The energy from waste facility will save over 10,000 tonnes of CO2 every year compared to sending the City's waste to landfill. The facility is being 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 burn any waste that cannot be recycled to ash and in so doing all significant energy to be captured from an otherwise wasted resource. In doing so, the weight of rubbish needing to be sent to landfill will be reduced by more than 93 per cent. The remaining ash can also be recycled, for example as aggregate for building roads, diverting potentially 100 per cent from landfill. The facility is due to come into operation in 2015.

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**

To manage the capital programme the Council operates a project management system (Verto). Option appraisals and feasibility studies are required to support

and justify a business case for projects. The Programme Management Team are responsible for co-ordinating and monitoring this process. The longer term property and revenue implications (i.e. whole-life considerations) are part of this process which is consistent with the principles set down in the Prudential Code for Capital Finance in Local Authorities.

Project officers monitor the implementation of the Capital Programme on a regular basis with reports being submitted monthly to Verto and regular updates are reported to Department Management Teams.

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**

A summary of the sources of Capital funding is shown in Table 1, Annex 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.

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 2014, this is 46% (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.

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).

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. The anticipated timetable for public examination hearings on the Draft Charging Schedule is January 2015, with adoption of the Peterborough CIL Charging Schedule currently scheduled for April 2015. 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.

Legislation requires the Council to hand over a proportion of any CIL money it receives to the parish council (the neighbourhood proportion) in which the development is located (if it is in a parished area) or to discuss with the local community how to spend that proportion locally (if the development is in an un-parished area). The proportion to be handed over depends upon whether there is or is not a statutory neighbourhood development plan in place. The Council will also retain a proportion of CIL receipts for administration of the charge. Provisionally, the Council has agreed that the remaining CIL receipts are to be split via the thematic areas outlined below (though it is important to note that such thematic areas will receive other funding via other sources in addition to the CIL).

### 6.1 Neighbourhood Proportion

	Proportion of CIL to be allocated where development has taken place
Parishes / neighbourhoods without a neighbourhood plan	15% - capped at £100 per Council tax dwelling
Parishes / neighbourhoods with an adopted neighbourhood plan	25% - uncapped

### Remaining CIL receipts - Proposed funding split by infrastructure theme

Transport	30%
Education and skills	40%
Community Infrastructure	10%
Utilities services	5%
Emergency services / health and well-being	5%
Environmental sustainability	10%

### 6.2 Alternative Financing Arrangements

- 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

- 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.
- 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.
- 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.
- Receipts due to support the funding of the capital programme are shown in Annex 4 to this Strategy.

## 7 Procurement Strategy

- Procurement has an important part to play in the delivery of the Council's core aims and objectives. Principally, this can be achieved through procurement activity that enhances efficiency, is supported by adequate resources and result in the most cost effective bids being selected.
- The Council is working to adopt a new and more flexible procurement ethos which aims to:
  - Make best use of existing frameworks, for example, using published contracts available for public sector to receive reduced rates by benchmarking eg School's Building Framework and Midland Highways Alliance
  - For small works the Council use existing partnerships eg Skanska and Amey
  - A tender process is undertaken when it is appropriate and cost benefits are achieved

## 8 Conclusion

- 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.

- 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:	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Chief Executives	540	100	100	100	100	100	100	100	100	100
Adult Social Care	2,021	216	216	216	216	216	216	216	216	216
Communities	2,927	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420	2,420
Resources – CHS	32,049	13,958	7,958	3,658	858	858	858	858	858	858
Resources	29,566	14,857	4,157	4,790	4,818	3,855	4,634	4,738	4,738	4,738
Growth & Regeneration	18,665	26,601	29,078	11,678	10,368	8,118	8,118	8,118	8,118	8,118
Invest To Save	54,791	-	-	-	-	-	-	-	-	-
Resources - Renewable Energy	500	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	<b>141,058</b>	<b>58,152</b>	<b>43,929</b>	<b>22,862</b>	<b>18,780</b>	<b>15,567</b>	<b>16,346</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>
<b>Financed by:</b>										
Grants & 3 <sup>rd</sup> Party Contributions	16,920	20,462	17,840	5,580	5,580	5,580	5,403	5,580	5,580	5,580
Capital Receipts	11,820	3,215	5,525	1,145	-	-	-	-	-	-
Capital Financing Requirement (Borrowing)	112,318	34,475	20,564	16,137	13,200	9,987	10,943	10,870	10,870	10,870
<b>Total Capital Financing</b>	<b>141,058</b>	<b>58,152</b>	<b>43,929</b>	<b>22,862</b>	<b>18,780</b>	<b>15,567</b>	<b>16,346</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>

Summary of Fixed Asset Values as at 31<sup>st</sup> March 2014

Fixed Asset Values	Gross book value £000	Depreciation £000	Net book value £000
Land & buildings	343,525	(28,873)	314,652
Vehicles, plant & equipment	29,671	(17,245)	12,426
Infrastructure assets	197,596	(73,216)	124,380
Community assets	4,160	(3,264)	896
Heritage assets	570	-	570
Investment properties	35,047	-	35,047
Surplus assets	23,132	(2,255)	20,877
Assets Under Construction	46,036	(352)	45,684
<b>Total</b>	<b>679,737</b>	<b>(125,205)</b>	<b>554,532</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 2015/16 to 2024/25

Annex Three

Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2015 to 2020 Total 5 Yrs		2015 to 2025 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>CHIEF EXECUTIVES</b>														
Car Parks	360	100	100	100	100	100	100	100	100	100	760	-	1,260	-
CCTV	180	-	-	-	-	-	-	-	-	-	180	-	180	-
<b>Total Chief Executives</b>	<b>540</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>940</b>	<b>-</b>	<b>1,440</b>	<b>-</b>
<b>ADULT SOCIAL CARE</b>														
Aids and Adaptations	332	216	216	216	216	216	216	216	216	216	1,196	-	2,276	-
Adults PSS Capital Grant	1,456	-	-	-	-	-	-	-	-	-	593	862	593	862
ASC ICT Scheme	58	-	-	-	-	-	-	-	-	-	58	-	58	-
MH Preventative Housing Project	175	-	-	-	-	-	-	-	-	-	-	175	-	175
<b>Total Adult Social Care</b>	<b>2,021</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>1,847</b>	<b>1,037</b>	<b>2,927</b>	<b>1,037</b>
<b>COMMUNITIES</b>														
Disabled Facilities Grant	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	2,223	4,777	4,578	9,422
Repair Assistance Grant	1,446	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	5,526	-	10,626	-
Improving Facilities at Hampton	81	-	-	-	-	-	-	-	-	-	79	2	79	2
<b>Total Communities</b>	<b>2,927</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>7,828</b>	<b>4,779</b>	<b>15,283</b>	<b>9,424</b>
<b>RESOURCES - CHS</b>														
Capital Maintenance on Schools	1,217	567	567	400	400	400	400	400	400	400	3,150	-	5,150	-
Jack Hunt - Kitchen and Dining Area	1,700	-	-	-	-	-	-	-	-	-	1,700	-	1,700	-
Academies	100	-	-	-	-	-	-	-	-	-	100	-	100	-
New School Places	8,924	1,507	5,384	2,800	-	-	-	-	-	-	12,115	6,500	12,115	6,500
Hampton Leys (Garden)	2,500	9,000	1,500	-	-	-	-	-	-	-	7,000	6,000	7,000	6,000
Stanground South New School	2,895	250	-	-	-	-	-	-	-	-	3,145	-	3,145	-
Southfields Primary	2,214	733	28	-	-	-	-	-	-	-	2,975	-	2,975	-
Thorpe School	1,443	47	-	-	-	-	-	-	-	-	1,490	-	1,490	-
St Michaels School	1,481	1,360	54	-	-	-	-	-	-	-	2,895	-	2,895	-
Phoenix School Extension	2,724	69	-	-	-	-	-	-	-	-	2,793	-	2,793	-
Schools Capital Expenditure	426	426	426	458	458	458	458	458	458	458	-	2,193	-	4,483
West Town Replacement School	5,500	-	-	-	-	-	-	-	-	-	1,500	4,000	1,500	4,000
NPA Access	925	-	-	-	-	-	-	-	-	-	925	-	925	-
<b>Total Resources - CHS</b>	<b>32,049</b>	<b>13,958</b>	<b>7,958</b>	<b>3,658</b>	<b>858</b>	<b>858</b>	<b>858</b>	<b>858</b>	<b>858</b>	<b>858</b>	<b>39,788</b>	<b>18,693</b>	<b>41,788</b>	<b>20,983</b>
<b>RESOURCES</b>														
Cost of Disposals	500	2,000	500	500	500	500	500	500	500	500	4,000	-	6,500	-
Strategic Property Portfolio	450	530	400	400	400	400	400	400	400	400	2,180	-	4,180	-
Structural Maintenance Of Council Buildings	621	571	516	516	516	516	339	516	516	516	2,740	-	5,320	-177
Property Portfolio	245	3,659	819	2,044	1,719	819	1,737	1,737	1,737	1,737	8,486	-	16,253	-
Health and Safety	105	330	150	150	150	150	150	150	150	150	885	-	1,635	-
Investment Portfolio	1,150	550	150	150	150	150	150	150	150	150	2,150	-	2,900	-
Leisure Trust Properties	650	1,008	350	350	350	350	350	350	350	350	2,708	-	4,458	-
Investment in Library (Self Service)	225	-	-	-	-	-	-	-	-	-	225	-	225	-
Roman Gallery and Georgian Operating Theatre	300	-	-	-	-	-	-	-	-	-	300	-	300	-

Cycle Track Embankment	500	-	-	-	-	-	-	-	-	-	-	125	375	125	375
Crematorium Development and Relining	35	1,171	-	-	-	35	73	-	-	-	-	1,157	49	1,265	49
Open Spaces and Play Areas	185	185	185	185	185	185	185	185	185	185	185	925	-	1,850	-
London Road Stadium	950	-	-	-	-	-	-	-	-	-	-	950	-	950	-
Waste Management Strategy	18,118	2,366	-	-	-	-	-	-	-	-	-	20,006	477	20,006	477
Schools Capitalisation	750	250	250	250	250	250	250	250	250	250	250	1,750	-	3,000	-
Customer Experience	1,558	840	-	20	-	-	-	-	-	-	-	2,418	-	2,418	-
Peterborough SERCO Strategic Partnership	99	842	612	-	98	-	-	-	-	-	-	1,651	-	1,651	-
ICT Projects	1,350	330	-	-	250	250	250	250	250	250	250	1,930	-	3,180	-
Broadband Infrastructure	1,400	-	-	-	-	-	-	-	-	-	-	1,400	-	1,400	-
City Centre Wi-Fi Extension	150	-	-	-	-	-	-	-	-	-	-	-	150	-	150
ICT Managed Service	225	225	225	225	250	250	250	250	250	250	250	1,150	-	2,400	-
<b>Total Resources</b>	<b>29,566</b>	<b>14,857</b>	<b>4,157</b>	<b>4,790</b>	<b>4,818</b>	<b>3,855</b>	<b>4,634</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>57,136</b>	<b>1,051</b>	<b>80,016</b>	<b>874</b>
<b>GROWTH &amp; REGENERATION</b>															
Integrated Transport Programme	2,163	2,263	2,263	2,163	1,913	1,913	1,913	1,913	1,913	1,913	1,913	3,473	7,292	6,003	14,327
Bourges Boulevard	3,000	3,000	7,500	-	-	-	-	-	-	-	-	-	13,500	-	13,500
Footway Budget	230	230	230	230	170	170	170	170	170	170	170	1,090	-	1,940	-
Pavement Cleaning Equipment	815	-	-	-	-	-	-	-	-	-	-	815	-	815	-
Highways Capitalisation	120	120	-	-	-	-	-	-	-	-	-	240	-	240	-
G&R-Other Infrastructure	-	2,000	2,050	2,000	2,000	-	-	-	-	-	-	8,050	-	8,050	-
South Bank Mill	1,500	-	-	-	-	-	-	-	-	-	-	1,500	-	1,500	-
Public Realm	1,950	2,000	1,750	-	-	-	-	-	-	-	-	5,700	-	5,700	-
Peterborough Delivery partnership projects	1,177	500	500	500	500	500	500	500	500	500	500	3,177	-	5,677	-
LSTF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Affordable Housing	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	5,000	-	10,000	-
Westwood Footbridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street Column Replacement	1,115	870	870	870	870	870	870	870	870	870	870	4,595	-	8,945	-
Drought Damage	-	303	-	-	-	-	-	-	-	-	-	303	-	303	-
A47/AA15 Lincoln Road Junction 18 Improvements	-	-	2,500	-	-	-	-	-	-	-	-	2,500	-	2,500	-
A47/A15 Paston Parkway Junction 20 Improvements	-	5,000	-	-	-	-	-	-	-	-	-	-	5,000	-	5,000
Bishop's Road/Boongate Bridge	-	600	-	-	-	-	-	-	-	-	-	600	-	600	-
Crescent Bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A1139 Frank Perkins Parkway (River Nene Bridge to Jct 8)	-	250	250	250	250	-	-	-	-	-	-	1,000	-	1,000	-
A1179 Longthorpe Parkway (Jct33 A1260 to Jct 34)	-	1,500	-	-	-	-	-	-	-	-	-	1,500	-	1,500	-
Nene Bridge Bearing Replacement	-	-	4,000	-	-	-	-	-	-	-	-	4,000	-	4,000	-
A1260 Nene Parkway Jct 3- 15	-	1,500	1,500	-	-	-	-	-	-	-	-	3,000	-	3,000	-
Roads & Bridges (including footpaths)	5,595	5,465	4,665	4,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	9,026	15,029	13,421	28,959
<b>Total Growth &amp; Regeneration</b>	<b>18,665</b>	<b>26,601</b>	<b>29,078</b>	<b>11,678</b>	<b>10,368</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>55,569</b>	<b>40,821</b>	<b>75,194</b>	<b>61,786</b>
<b>INVEST TO SAVE</b>															
Invest to Save Projects	54,791	-	-	-	-	-	-	-	-	-	-	54,791	-	54,791	-
	<b>54,791</b>	-	-	-	-	-	-	-	-	-	-	<b>54,791</b>	-	<b>54,791</b>	-
<b>RENEWABLE ENERGY PROJECTS</b>															
Renewable Energy Projects	500	-	-	-	-	-	-	-	-	-	-	500	-	500	-
<b>Total Renewable Energy Projects</b>	<b>500</b>	-	-	-	-	-	-	-	-	-	-	<b>500</b>	-	<b>500</b>	-
<b>TOTAL CAPITAL PROGRAMME</b>	<b>141,058</b>	<b>58,152</b>	<b>43,929</b>	<b>22,862</b>	<b>18,780</b>	<b>15,567</b>	<b>16,346</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>	<b>16,450</b>	<b>218,399</b>	<b>66,381</b>	<b>271,939</b>	<b>94,104</b>

**Capital Receipts Summary from 2015 to 2019**

**Annex Four**

Property Description	Ward	2015/16	2016/17	2017/18	2018/19
5 & 7 York Road & New England - Dementia Resource Centre	Park				*
Alfric Square - Industrial Units	Orton with Hampton		*		
Braybrook Primary School - Surplus Land	Orton Longueville	*			
Bretton Court - Investment Office and Retail Block Over Three Storeys	Bretton North	*			
Bretton Residential Land	Bretton North	*			
City Clinic - NHS Operate Clinic Facility	East		*		
Covenants - Garden Land	City wide	*	*	*	*
CRA Windfall - Land	City wide	*	*	*	*
Duke of Bedford Primary School - Surplus Land	Eye & Thorney		*		
First Drove, Fengate - Land	East	*			
Fleet surplus Assets - Land	Stanground Central	*	*		
Gostwick - Orton Brimbles - Land	Orton Waterville	*			
Gunthorpe Family Centre - Land and Buildings	Paston	*			
Herlington Centre - Investment Retail Units	Orton Longueville	*			
Hill Farm Barn - Farm Estate	Newborough	*			
Horsefair Car Park	Fletton & Woodston	*			
John Mansfield - Main Site Land	Dogsthorpe	*			
John Mansfield - Remote Site Land	Dogsthorpe	*			
Land at Splash Lane Woodlands-Castor	Glington & Wittering	*			
Land at Tenterhill - Thistle Drove	Stanground Central	*			
Middleton Primary School - Surplus Land	Bretton North	*			
Miscellaneous Farm Estate	Eye & Thorney; Newborough; East		*	*	
Nab Lane, Welland - Allotment Land	Dogsthorpe	*			
New England Complex, Lincoln Road - Investment asset - Former School	Central	*			
Northminster House, Ground Lease - Investment Asset - Freehold Office	Central	*			
Orton Bowling Green	Orton Waterville	*			
Orton Centre Filling Station	Orton Waterville	*			
Paston CRA land	Paston				*
Peterscourt - Investment Asset - Offices	Central			*	
St Pauls Road - Land	Central	*			

Substations	All wards north of river	*			
Tenterhill/Thistle Drive - Land	Stanground Central	*			
Thorney Tank Yard, Thorney - Storage and Industrial Units	Eye & Thorney	*			
Welland House - Former Care Home	Dogsthorpe		*		
Food Hall & Market	Central			*	
Laxton Square - Land	Central			*	
Operational Assets Pending Property Rationalisation	All wards	*	*	*	
Other operational assets miscellaneous ASC - ASCP. Part of rationalisation programme.	All wards	*		*	
Wellington Street Car Park	East	*		*	
<b><u>JV Sites</u></b>					
Bayard Place	Central			*	
Northminster Car Park	Central			*	
Pleasure Fair Car Park	Fletton and Woodston			*	
Riverside Opportunity Area (includes Former Matalan & B&Q sites, Aqua House, Bridge House site and Engine sheds (Mill complex being acquired))	Fletton and Woodston			*	
Wirrina Car Park	East	*			

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

# Asset Management Plan

2014 – 2019

Contents

- 1 Preface ..... 132
- 2 Executive Summary – Asset Management Plan..... 135
  - 2.1 Policy Context..... 135
  - 2.2 Background..... 135
  - 2.3 The Format of the Asset Management Plan..... 135
  - 2.4 The Future Management of Property..... 136
- 3 Introduction ..... 136
  - 3.1 The Asset Management Plan in Context..... 136
  - 3.2 Creating opportunities – tackling inequalities ..... 137
  - 3.3 Creating strong and supportive communities ..... 137
  - 3.4 Creating the UK’s environment capital ..... 137
  - 3.5 Delivering substantial and truly sustainable growth..... 138
  - 3.6 What is an Asset ..... 138
  - 3.7 The Use of Assets..... 138
- 4 The Strategic Context..... 139
  - 4.1 Asset Management and obtaining value for money from the Property Portfolio..... 141
  - 4.2 Partnership Working ..... 142
  - 4.3 Delivering Growth ..... 142
- 5 Current Asset Base..... 144
  - 5.1 Determining the Current Asset Base ..... 144
  - 5.2 Identification of Asset Records ..... 144
  - 5.3 GIS in Peterborough..... 146
  - 5.4 Asset Summary ..... 146
  - 5.5 The Use of IT to Support Property ..... 147
- 6 The Strategic Approach to Property..... 148
  - 6.1 The Current Position..... 148
  - 6.2 The Way Ahead..... 148
  - 6.3 The Disposal Option ..... 148
  - 6.4 Outcomes..... 149
- 7 Towards the Future..... 149
  - 7.1 Getting More From Less ..... 149
- 8 Programme and Planned Development and Implementation ..... 150
  - 8.1 Service Delivery and Property – identifying project need..... 150
  - 8.2 Resourcing Capital Projects ..... 151
  - 8.3 Children’s Services Requirements ..... 152

8.4	Option Appraisal and Project Prioritisation .....	152
8.5	Links to the Capital Programme .....	153
8.6	Financial Planning for the future (3-5 year action plan) .....	153
8.7	Financial Planning for the future (6-10 year action plan).....	154
8.8	Corporate Property Accommodation Review .....	155
8.9	Supporting the Economic Development Agenda .....	155
8.10	Strategy for the Retention and Development of the Farms Estate .....	156
8.11	Objectives for the Peterborough Farms Estate .....	156
8.12	Implementation of Objectives.....	156
8.13	Environmental.....	158
8.14	Social .....	158
8.16	Pump Priming Economic Development through our Corporate Asset Strategy.....	160
9	Organisational Arrangements for Asset Management .....	162
9.1	CPO – Roles and Responsibilities .....	162
9.2	Reporting Framework – Cabinet & Corporate Management Team .....	162
9.3	Surplus Property - Declaration and Procedures.....	163
9.4	The CPO will only accept the asset when:.....	164
9.5	CMDN – Surplus Declaration and Future of the Property .....	165
9.6	The Localism Act 2011.....	166
9.7	Community Infrastructure Levy.....	166
9.8	Business rates retention .....	167
9.9	Consultation .....	167
9.10	Neighbourhood Management in Peterborough .....	167
10	Asset Management Plan Glossary of Terms .....	169

## 1 Preface

In common with other Local Authorities across the UK, Peterborough City Council faces unprecedented challenges and budgetary pressures.

The measures to ensure that the UK economy emerges from the recent recession with an improved deficit position mean that the money available to Local Government is reduced. This prompts challenges in terms of service delivery and maintaining the most efficient use of operational property.

Hand in hand with this are the more positive aspects of the emergence from recession and the recently strengthening economy – that of ensuring that the Commercial Property Portfolio is capable of supporting the Council's growth and inward investment aspirations for the Peterborough area.

It is imperative that the Council's current property portfolio makes a positive contribution to both of these objectives by offering up operational efficiencies and reducing non-operational cost as well as ensuring that the most attractive premises are available to allow current and new business to grow in the area.

Consequently the way the Council is approaching the management of the property portfolio is changing. Some changes have already been put in place through Strategic Partnerships, such as that with Serco who now provide estates and facilities management services and the Amey partnership which delivers design services and commissions property maintenance.

These two strategic Partners of the Council have begun working together to look beyond the "boundaries" of their respective contracts to see where the best support can come from to support the Council meeting the challenges outlined above.

Additionally, 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 and assets, earmarked for alternative use, can now be considered in the context of a streamlined planning process. Offices can now for example be converted to residential use utilising Permitted Development Rights hence the usual planning application process is not required. The Act also challenges authorities to work closer with the voluntary sectors, in particular where they relate to community facilities.

In response, the Council has developed a Community Asset Transfer policy and allocated resources to support voluntary organisations bidding for services under the auspices of community transfer.

This iteration of the Asset Management Plan (AMP) takes into account this, and other policy developments as well as other major initiatives by the Council. This AMP is intended to be an evolution of those that have been presented in the past and will consider these matters and also 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.

Having regard to the Council's Strategic Partnerships such as with Serco, Amey for waste collection, Honeywell for energy performance enhancement works to Council assets and City Fibre for fast broadband, it is appreciated that there must be an effective AMP and a set of assets and infrastructure, such as ICT, that has the ability to adapt quickly to both rapid and incremental changes. For example there are already joint staff appointments with other public sector partners

and each will have their own requirements around matters such as staff to desk ratio, meeting space and how staff deal with members of the public.

Accordingly, the AMP will begin to set out how we might achieve greater co-location with other public and private sector organisations and how the Council might approach this differently for exemplifying pooling budgets, sharing facilities management or even back office functions.

The Council has identified, as part of the Senior Management Review (which concluded 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.

In addition, a new Gateway process is to come into effect in the second quarter of 2015 to ensure wider peer review of projects, at concept stage, thus ensuring scarce resources are allocated against projects identified by the Gateway Board, as priorities.

In order to assist in the achievement of new Asset Management methodologies, 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). Additional structural changes to the asset management/property functions within the Council will take place during 2015. These will reflect the setting up of the new 50/50 Joint Venture growth partnership with a new growth partner – Lucent Peterborough Partnership SARL to develop key regeneration sites in the City Centre and the need to strengthen the Council's commissioning processes for technical asset management work externally provided by the likes of Serco and Amey.

A number of the other recommendations arising from this Health Check will be addressed in this AMP. 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**



## **2 Executive Summary – Asset Management Plan**

### **2.1 Policy Context**

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.

### **2.2 Background**

Peterborough City Council is a major property owner with an asset base of circa 1461 assets. These assets are used to deliver the Council's wide ranging objectives.

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 best 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.
- The pressures on Council revenue budgets through the current spending round dictating a service by service review of how property is utilised and what could be declared surplus.
- 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.

Due to the factors above, 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 an improving market over the next five years to support the Council's Capital Budget. The programme will however flex to meet circumstance such as further assets coming into the programme and certain assets potentially coming out of the programme if a new service requirement is identified although this rarely happens.
- Using Property in different ways to support the 'Growth Agenda' for the city.
- Maintaining revenue streams from our investment portfolio in an increasingly competitive market where tenant default and insolvency remain key concerns. Current forecasts indicate a rental stream of £3.25m to year end 2015/2016.

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 Government.

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

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.
- It sets out the property needs for individual Services
- Sets out the processes and procedures to be followed in the management of the Property Portfolio.

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.

## 2.4 **The Future Management of Property**

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.
- Has a Gateway board considering all capital investment proposals.
- 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.

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 a 'need' and best fit basis.
- 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 and with it liabilities, 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.
- To work with its Joint Venture Company to identify and transfer assets at market value to the JV. The assets transferred to the JV will have plans developed to promote growth, regeneration and economic development within the City

## 3 **Introduction**

### 3.1 **The Asset Management Plan in Context**

The AMP 2015-2019 continues to build on the work undertaken by the Council, its Partners and with a contribution from the community in developing a Sustainable Community Strategy, a strategy with the vision and outcomes, to effectively match the ambitions of our community.

The AMP 2015-2019 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.

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.

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.

### 3.2 **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 (University Centre Peterborough).

### 3.3 **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.

### 3.4 **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.

### 3.5 **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

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.

The 2015-2019 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.

### 3.6 **What is an Asset**

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.

### 3.7 **The Use of Assets**

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 and challenging proposed and already programmed 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.

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

## 4 The Strategic Context

In common with other Local Authorities across the UK, Peterborough City Council faces unprecedented challenges and budgetary pressures.

The measures to ensure that the UK economy emerges from the recent recession with an improved deficit position mean that the money available to Local Government is reduced. This prompts challenges in terms of service delivery and maintaining the most efficient use of operational property.

Hand in hand with this are the more positive aspects of the emergence from recession and the recently strengthening economy – that of ensuring that the Commercial Property Portfolio is capable of supporting the Council's growth and inward investment aspirations for the Peterborough area.

It is imperative that the Council's current property portfolio makes a positive contribution to both of these objectives by offering up operational efficiencies and reducing non-operational cost as well as ensuring that the most attractive premises are available to allow current and new business to grow in the area.

This Asset Management Plan attempts to identify all of the initiatives currently being undertaken in this regard and to set them in a coherent context that identifies each initiative and allows them to interact with each other towards a common set of goals for the people of Peterborough.

The Asset Management Plan also lays out the framework for the governance and strategic direction of the property portfolio to ensure that these overarching objectives are observed in all property decisions going forward.

Current property related initiatives underway within the Council include: -

**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.

**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.

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.

**Strategic Housing** – The Council adopted The Peterborough Housing Strategy 2011-15 in Feb 2012 which will be reviewed during 2015. This strategy is aligned with the Asset Management Plan and Capital Strategy.

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.

During 2014 substantial work was done with a number of Registered Providers (RP's) looking at collaboration with the Council whereby the Council would use its land to provide a pipeline of sites for the delivery of affordable housing. This work will continue during the life of the AMP and models for collaboration refined as the AMP progresses.

Peterborough's Resources 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.

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.

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 in a number of ways. These range from merely identifying Council owned land for development, providing technical advice to Developers right through to contributing financially to address development viability through the provision of gap funding. The Council administers the Affordable Housing Fund built up following the Large Scale Voluntary Transfer (LSVT) of Council housing in 2004 and through off site Affordable Housing Contributions via the planning obligations process. Currently this capital fund is only open to RP's however this may need to flex during the AMP period to reflect the newly formed joint venture partnership and other affordable housing delivery related objectives.

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.

In addition, Peterborough aims to be an example of how the Council has worked together with our partners to **build on our Environment City status by becoming the UK's Environment Capital**. The implementation of photovoltaic schemes on the Town Hall, Regional Pool and a number of schools has been successfully completed. Other initiatives being explored include bio-digester, further photovoltaic, automated meter readings, power save devices, daylight controlled lights, new heating appliances, replacement windows etc. In addition the Council is working in partnership with Honeywell to deliver reductions in energy bills in Council buildings. 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, in order to avoid penalties and ensure emissions drop below the threshold for the next round of carbon tax, so that it drops out of the scheme and is not required to make a

payment (although it should be noted that Government has indicated it will remove funding from Council's who fall below the threshold and do not have to pay the carbon tax).

All of the property-related initiatives above must be managed in a holistic manner in order that they each interact with each other – and, in turn, support the aims of the Council's overall Asset Management Plan. The Council has already set up its own Energy Supply Company (ESCO) Blue Sky Peterborough Ltd.

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

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.

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.

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 should continue to challenging holding assets where a capital receipt may be more beneficially financially in the long term. The Council continues to invest in maintaining and upgrading its assets to extend the life of the property.

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 static and 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.

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.

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 these 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.

## 4.2 **Partnership Working**

Peterborough also takes the opportunity whenever practicable to work in partnership to deliver joint outcomes.

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.

PCC continues to work in Partnership with Health Services in Peterborough. Changes to the structure of healthcare provision resulted in PCC taking back the delivery of the Learning Disability Services and also Adult Social Care Service plus the responsibility and delivery of Public Health from March 2013. These responsibilities continue to grow with services such as a schools nursing transferring into the Council. This increase in headcount needs to be reflected in our use of assets.

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. The Adult Social Care team has used an existing Council property in Lincoln Road to deliver a Dementia Resource Centre which became operational on 5 September 2014.

The Council has established a Joint Venture Company to prepare viable and consented development schemes for a series of sites which will be developed to promote growth, regeneration and economic development within the City. The Council will be granting Option Agreements on specified sites as identified within the Cabinet Report Funding Peterborough's Future Growth on the 24<sup>th</sup> February 2014, supplemented by CMDN 'Progressing Funding for Peterborough's Future Growth - DEC14/CMDN/110'

## 4.3 **Delivering Growth**

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.

The City Centre Development Plan Document was adopted at Full Council on 17 December 2014. 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.

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 refurbishment of Long Causeway which commenced in May 2014.

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 (Growth and Regeneration Directorate including Planning and Highways services) which will commission Opportunity Peterborough (OP) on city centre vibrancy, economic development and skills and be an active member of the newly formed joint venture growth delivery partnership. The Council approved the setting up of the new joint venture partnership in December 2014. The partnership will focus on the physical regeneration on specific projects in and around the Riverside Opportunity Area, Northminster and Bishops Road.

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. Phase 3 (the final phase) of the development was brought forward this year to be developed alongside phase 2, due to a high demand for housing.

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/JV arrangements.

Within the ROA the Council has completed 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 seat stand incorporating a 3400 sq. metre Sustainable Skills Centre. The stand and skills centre were handed over to the Council just before Christmas 2014. The centre will provide accommodation for university/further education, business start-up and grow on space for business together with conferencing facilities with pitch views. 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. This investment reflects the Council's stated objective when it purchased the London Road Stadium, in 2009, to create a community stadium.

The Council is also preparing a business case for the potential rationalisation of office space it occupies across the city into a single new civic headquarters of approximately 120,000 sqft. This would mean existing office accommodation could be either disposed of or adapted for alternative use for example conversion to residential, utilising the relaxation in planning referred to earlier in the AMP. The business case will be developed during 2015. The site for the new headquarters building has been agreed as Fletton Quays, within the ROA area. Subject to the Council approving a viable business case construction and delivery of this will be one of the first projects to be taken forward under the newly formed growth partner JV arrangements.

Opportunities to help improve the health and well-being of the citizens of Peterborough through the continued investment into new sport facilities were closely examined during 2014. Technical studies were undertaken to look at the option to provide additional swimming provision, all weather pitches and new 1km closed circuit cycle leveraging in grant funding as necessary. These studies will be developed during 2015 into fully scoped and fully costed/programmed projects and delivered, as appropriate.

The Council will also continue to look at innovative ways of funding and delivering improvements to its existing sports facilities, for example by using the new Energy Performance Contract (ENPC). Upgrade works were carried out to the Regional Pool during 2014, utilising the ENPC.

The Council has and will continue working in partnership with Sport England and Vivacity to develop a new Sports Strategy and deliver continuous assessment of the current supply of sports facilities across the city and future needs. The Strategy is likely to concentrate on swimming, cycling, all weather pitch provision and sports halls. The Strategy will be used to underpin investment proposals to be considered by the Gateway Board.

## **5 Current Asset Base**

### **5.1 Determining the Current Asset Base**

The foundation to any Asset Management Plan is the establishment of the core data relating to the property holdings. This should include a clear understanding of: -

The Asset Register – a comprehensive and up to date register of the Council's Property Portfolio

Tenure and terms of all occupation across the estate, whether premises occupied by the Council or premises owned by the Council and occupied by others

- Utilisation
- Fitness for Purpose
- Maintenance burdens
- Energy usage
- Other running costs

The Council generally has good base records on all of the above categories, though traditionally this has at times been on a fragmented basis with information being held across Strategic Property Services, Finance, Growth and Regeneration and the holding departments within the Council.

### **5.2 Identification of Asset Records**

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.

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 similarly 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.

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.

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.

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.

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.

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. The 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 the Council's statutory duty to provide school places. Funding has been allocated 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 and the Council working with Honeywell to improve the environmental impact of all our assets.
- **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.

### 5.3 GIS in Peterborough

The 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.”

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 (a map based software application) has been available for this purpose since July 2007.

### 5.4 Asset Summary

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 1461 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.

The below is a breakdown of the above figure:

<b>Details of categories</b>	<b>Summary of categories</b>	<b>No.</b>
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	6
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	General	1106

Site/Travellers Site/Car Parks/Substations/Farms		
Total		1461

It should be noted that these records focus on the property portfolio. It does not include, for example the roads and streetlights the Council is responsible for.

## 5.5 The Use of IT to Support Property

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.

Whilst not promising the paperless office, ICT does enable the organisation to access information from a variety of locations, potentially from any place and at any time and is integral to effective use of the property estate.

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.

The largest ICT project is around the recent agreement signed with CityFibre to become the UK's first Gigabit city. Peterborough will have access to a future-proofed pure fibre infrastructure that will position it at the forefront of the UK's digital economy. The roll-out starting in Spring 2014, will see 90km of core fibre infrastructure deployed throughout the city, bringing the benefits of gigabit speeds to key business districts, data centres and mobile base-stations, as well as schools, hospitals and other sites important to the community. This first phase is expected to be completed within 18 months.

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.

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.

The digital agenda is not just about the Council's own use of ICT. For example, the partnership with City Fibre to develop a gigabit network across the city will not only help the council deliver the benefits of its ICT strategy outlined above, but also to help deliver benefits for business and residents and develop smart city concepts. Our investment in digital services to support the customer experience programme will change the way our residents interact with us.

## **6 The Strategic Approach to Property**

### **6.1 The Current Position**

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

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.

### **6.2 The Way Ahead**

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.

### **6.3 The Disposal Option**

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.

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

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.

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.
- Where the revenue generated from that asset is greater than the pro rata reduction in Council borrowing which a capital receipt would achieve
- An acceptable investment return.
- A strategic reason.
- Social need.

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.

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.

#### 6.4 **Outcomes**

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.

### 7 **Towards the Future**

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

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.

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 of up to £50M over a 10 year period that will have to be addressed.

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.

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.

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 will 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.

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**

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.

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 **Programme and Planned Development and Implementation**

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

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

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.

The process 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 according to level of officer decision making delegations.

## 8.2 **Resourcing Capital Projects**

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 including those generated as a result of the LSVT (in 2004) with Cross Keys Housing which is on a 30 year formulaic agreement

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 – grants and short term low or zero interest borrowing options.

The Council recognised that it has neither the capacity, and in some instances, the expertise to deliver the ambitious Growth Agenda contained in the capital programme. The relatively short programme makes it impracticable to recruit additional staff given the time that it will take for them to achieve the necessary level of competence. Consultants with the requisite skills are therefore being used to deliver this programme.

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.

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.

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 has had 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 in part a consequence of the continued difficulties in developers securing the development finance at viable rates.

The Council's newly formed growth partner JV offers the Council the opportunity to access substantial private sector funding for the delivery of city centre regeneration projects as well as spreading project/development risk to the private sector. The Council will use its assets as equity funding for projects subject to viable business cases being approved by the Council.

### 8.3 **Children's Services Requirements**

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.

In March 2013 the Government announced Basic Needs Funding for 2013-2015 which enable the Council to set a strategic approach to school building but uncertainty surrounds Government funding after 2015 leading to the adoption of construction changes to achieve reduced costs.

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. Additional education provision is being catered for at Haddon and Paston/Norwood and feasibility is under way for a new school at Hampton to provide 1200 places in 2017.

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.

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.

### 8.4 **Option Appraisal and Project Prioritisation**

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.
- 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.

Capital project proposals and an agreed capital programme are developed from action plans evolving through the Policy and Service Planning Cycle.

As part of this process capital proposals are invited from Service providers and options are identified and appraised. The Council's various Project Boards confirm the requirement and proceed to the next stage with regular reports back. This does not preclude the requirement to obtain the necessary approvals as set out in Contract Regulations. It ensures that projects are tested before they get to this stage.

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.

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.

## 8.5 **Links to the Capital Programme**

The Head of Strategic Finance is responsible for co-ordinating the Council's capital programme. The preparation of that programme starts in the early autumn of each year when the likely level of capital resources including capital receipts from the sale of surplus property and development sites is identified. The extent of funding required is determined by bids submitted by Directorates. These are then prioritised against an agreed matrix which identifies those which should be given priority. This will reflect the Medium Term Financial Strategy and determines the levels of capital spend.

The resources for the capital programme will come from the following sources:

- Capital Receipts
- Capital Grants & Third Party Funding
- Borrowing

These resources are aggregated to give the total amount available to fund the capital programme in the next year. After taking into account the level of slippage and commitments the level of resources available for new starts is determined.

Using the best information available the likely level of capital receipts is also projected for the next two years. As the review process continues to develop confidence in the projected disposals for the next few years is becoming greater and as such the estimated resources become more realistic. An estimate of the likely level of other capital resources is also made for the following two years.

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

The capital resources projection currently allows a 5 year capital programme to be set. As the review process becomes more sophisticated the level of resources for future years will

become more certain, allowing the Council to develop a capital programme which extends to a 10 year rolling programme.

The capital programme for 2015/16 is included in this budget consultation. This will include the rolling programme for Structural Maintenance of Council Buildings. This programme has been reviewed in line with the level of resources available and in accordance with the development of the Asset Management Plan and the Capital Strategy. The focus has been to minimise expenditure whilst remaining within Health and Safety consideration especially given the proposal for a new Riverside Opportunity Area.

As additional resources are confirmed, the Council will add schemes to the capital programme or reduce the borrowing requirements.

The Council will also look to maximise the use of external resources to deliver Council objectives. Funding opportunities that have an impact on the property portfolio are considered at the Corporate Asset Management Group.

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.

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

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
- Business Rates – for example, supplementary business rate usage or locally led increase in business rates to support infrastructure
- Community Infrastructure Levy expected to be implemented from 2015
- New Homes Bonus
- Capital Receipts
- Corporate Borrowing – either through traditional PWLB methods or consideration to a Council bond issuance or the Municipal Bonds Agency

## **Corporate Property Accommodation Review**

Since the financial Year 2011/2012, the Authority has undertaken a review of the main property assets that it occupies, originally 6 properties were occupied and by the end of calendar year 2014, this was reduced to 2 main properties Town Hall, Bayard Place. The Council does hold a lease on its former offices at Manor Drive, Gunthorpe but these are now 100% occupied by Serco employed staff. As a consequence this has reduced the annual operating costs by over £900K.

### **Town Hall**

The building provides the main focus of the Civic life of the City is the central point for all political inter-reaction across the Authority. With the ending of our lease at Stuart House staff have been redeployed into the refurbished second floor. During 2014 two projects have been undertaken to take down the cellular offices so that desk density can be increased to accommodate staff transferring into the office and to aid the closure of other offices.

The property is held as freehold

Currently – 575 staff are based from this site using 660 desks across 3 floors so there is still some room for additional personnel within this building

### **Bayard Place**

Across the 5 floors the building provides the office accommodation for the front line services provided by the Authority and the main service centre for face to face meetings with the citizens.

The property is held as freehold

Currently – 694 staff are based from this site using 730 desks so again there is room for additional personnel within this building.

### **Manor Drive**

The Authority holds a lease of part of the first floor at Baker Perkins, the staff based here provide support and transactional services to the Authority via Serco. There is a short term lease remaining.

Currently – 151 staff are based from this site using 171 desks

## **Supporting the Economic Development Agenda**

### **The Commercial Estate**

The Council consider that one of the greatest levers to growth and prosperity in the City is the support that a considered and sustainable commercial property strategy can offer to Economic Development initiatives.

By ensuring that our property strategy provides a mix of premises aligned to the requirements of business users, we can provide premises that are suitable to encourage business start-ups, business growth and attracting major occupiers into the city with attendant growth in employment and prosperity.

The major initiatives to support our Economic Development objectives over the timeframe of this Asset Management Plan will be to maintain substantial lettings along Bridge Street. The Council and its Strategic Property partner have been investing considerable effort into

ensuring that a stable and sustainable tenant base is achieved in Bridge Street to underpin the shopping offer in the City Centre. Improving the vibrancy of a key area of the city between the main retailing centre, Queensgate, and the 110 acres ROA where the Council is anticipating significant regeneration will continue to be a key objective for the Council's asset management team.

#### 8.10 **Strategy for the Retention and Development of the Farms Estate**

The overall strategy for the estate is to retain it as a viable land holding which will provide significant benefit to the people of Peterborough.

The strategy identifies the principle objectives of ownership and the methods by which the objectives may be achieved.

The estate is subject to many changing influences, many of which are beyond the Council's influence. The strategy is designed to give the Council the flexibility to react to changing financial, social, environmental circumstances.

The strategy will be supported by three yearly and ten yearly programs which will be updated annually. It is within these programs that the details of projects will be agreed by the Council.

#### 8.11 **Objectives for the Peterborough Farms Estate**

##### **Financial**

- Promotion of viable farm enterprises
- Maintenance of rental and capital values of the estate
- Sale of property which is genuinely surplus to the operating requirements of the estate or which are not financially viable to retain

##### **Agricultural**

- Provide opportunities new farm businesses, new entrants into farming and opportunity for diverse farming related enterprises
- Encourage sustainable farming practices and businesses

##### **Social & Environmental**

- Provide opportunities for varied use, environmental and social benefit to the people of Peterborough.
- Where appropriate non-agricultural uses will be integrated with agricultural use

#### 8.12 **Implementation of Objectives**

**Financial Investment** – The estate has not had any significant investment in the repair and improvement of its fixed equipment (mainly houses, farm buildings and land drainage) since the 1970s. To maintain the rental and capital value of the estate as well as to provide the basis for viable farming businesses, the Council will undertake targeted investment in the repair and improvement of the estate. The Council will seek a sustainable financial return on the cost of investment.

- **Rental Values** – Rents of let holdings will be reviewed regularly in accordance with the provisions of the relevant statutory provisions. When vacant holdings are re-let, they will be advertised on the open market where appropriate. The amount of rent tendered by applicants will be a key factor to be balanced against other material considerations,

such as sustainability and non-financial benefits of the tender, in seeking best value for Peterborough.

- **Sustainable Businesses** – Agricultural incomes are volatile, being highly dependent on factors outside the control of the individual farming business. The Council will seek to set rents for independent holdings at sustainable levels. When re-letting on the open market the Council will not be bound to accept the highest or any rent tendered if such amounts are likely to be unsustainable. The Council will encourage diversification of businesses which are appropriate to the rural environment if they help support individual farm businesses and the wider rural economy.
- **Sustainability of the Estate** – A balance will be sought between maximising immediate financial return and achieving indirect and non-financial benefits to Peterborough. To achieve a balance, account will be taken of the financial demands on the Council as the local authority.
- **Sales & Development** – Property which is identified as surplus to the requirements of the sustainability of the estate shall be offered for sale on the open market. Property which is available for sale at a significant capital uplift, for example following the gaining of planning permission for development, will be sold on the open market or retained for re-letting at a viable financial return.
- **Acquisition of Land and Property** – The estate will not be regarded as an unchangeable asset. The Council will consider purchase of agricultural property elsewhere if that property would provide significant advantages to Peterborough. Where appropriate, acquisitions will be funded by sale of less strategically valuable parts of the existing estate.
- **Agricultural New Tenants** – In accordance with the responsibility placed on the Council by the Agriculture Act 1970, the Council will endeavour to provide opportunities for new entrants into agriculture. Consideration will be given to making available small part-time holdings and holding with and without fixed equipment. Provision of housing on the holding will not be necessary for all tenancies. All new tenants will be required to demonstrate a good standard of agricultural expertise and training. Whilst new entrants may not have extensive business management experience, a good understanding supported by appropriate academic qualification will be necessary. Proposals for mixed agricultural / commercial businesses which meet the Council's environmental and sustainability standards will be encouraged to provide economic diversity and strength.
- **Sustainable Farming** – EU and UK government policy is to encourage environmentally sustainable practices. The Council will encourage tenants to enter into appropriate environmental stewardship schemes with a view to enhancing the landscape and wildlife habitat of the estate whilst maintaining a high level of agricultural output. When re-letting land, proposals for innovative low environmental impact methods and systems shall be considered favourably if they help to support an economically and environmentally viable business. Conditions of tenancy concerning the management and use of land will be informed by statutory controls prevailing at the time. The growth of genetically modified crops will not be permitted without formal decision of the Council.
- **Sustainable Food Delivery** – Market conditions do not always favour the sale of produce locally. However, favourable consideration shall be given to applicants for tenancies that include proposals for local food production and marketing.

**Social & Environmental** - The government recognises the social and environmental importance of county farms estates within the local and national context. The Peterborough Farms Estate potentially provides a valuable social, financial and environmental link between the urban and rural communities.

The farms estate is run on a relatively intensive basis supporting significantly more households than the equivalent area of privately let land. Encouragement will be given to business enterprises which provide employment opportunities for local residents or contribute to business in the city.

#### 8.13 **Environmental**

**Sense of Place** - There is scope to enhance the character and appearance of the estate through a planned programme of tree and hedge planting. Whilst largely a Fenland Landscape targeted planting could greatly enhance the landscape and improve habitat. A co-ordinated approach with other initiatives and bodies (e.g. the Woodland Trust and Peterborough Forest) are being explored.

**Energy** – Energy efficiency and use of renewable energy products should be encouraged. A program of energy efficiency improvement of the housing stock is needed to bring the properties up to modern standards.

**Habitat** – The soils of the estate are largely suitable for intensive, high output agriculture. This is generally considered good use of the land. There should be a presumption in favour of food and industrial crop production with habitat schemes directed to poorer quality land, both on the estate and elsewhere.

#### 8.14 **Social**

Peterborough is growing fast and overall there is little social and financial exchange between the urban and rural areas of the district. Whilst Nene Park provides a major recreational link to the Nene Valley west of the city, its objectives are not necessarily the same as the Farms Estate's. The Farms Estate provides an opportunity for the Council to encourage better integration of the two communities, especially to the east of the city.

- **Education** – Promote formal and informal education, including promotion of the profile of the estate through occasional newsletters and press releases. Encourage tenants to allow school visits, Open Farm Sunday etc. Provide information boards when carrying out projects visible to the public. Work with other Council departments to enable social and community work projects as appropriate. Work with the Regional College in the development of its rural based curriculum will continue.
- **Social Inclusion** – Ensure that all elements of the population of Peterborough are given the opportunity to tender for land to let. Peterborough is ethnically diverse and there is scope for development of specialist local growers to serve the local community.
- **Support of the Rural Community and Economy** – The government recognises the importance of maintaining and developing a strong rural economy. The letting of the estate as small holdings results in intensity of use which supports more livelihoods per area of land than larger, less intensively run farming operations tend to. The Council will endeavour to let the majority of the land as small holdings whilst maintaining a balance with its financial aims and demands.
- **Retirement of Farm Tenants** – Few of the Council's farm tenants are financially equipped to retire comfortably at 65. Many of the tenants hold retirement tenancies which enable the Council to terminate the tenancy after the tenant has reached the age of 65. The Council will adopt a retirement policy which will enable tenants to continue to farm for a limited period beyond 65 where the tenant continues to farm actively with a good standard of husbandry, where it does not compromise unduly the ability of the Council to make land available for new entrants into farming or the overall management objectives for the Estate. Each tenant's case will be assessed on its merits. Tenants

who hold retirement tenancies and who wish to farm beyond 65 will be required to enter into a new fixed term agreement for the additional term.

- **Public Access** – There is limited informal public access to the farms estate. Provision of permissive footpaths and bridleways where there is an identifiable need will be considered as and when necessary. The right to create new permissive access routes will be reserved in new tenancy agreements. The estate provides a long term potential for recreational open space to the east of the city.

## 8.15 Green Leases

It should also be noted that, in order to further promote the Green Agenda and support the Council's initiative to become the Environmental Capital of the UK, our Property Team are introducing "Green Leases" when new industrial use tenants are signed up. There is currently no agreed legal definition of a green lease. However, the intention of such a lease arrangement is to improve the sustainability of a rental building by providing a system for engagement between owners and occupiers in relation to environmental management and performance.

Essentially a green lease contains additional provisions whereby the landlord and tenant undertake specific responsibilities/obligations with regards to the environmental operation of a property. At the most basic level a green lease seeks to remove restrictions contained within a standard lease that prevent energy efficiency works taking place. More demanding green leases set specific legally binding obligations and targets to improve the environmental performance of a building that can incur penalties if not delivered. Such targets may relate to a wide range of measures including energy efficiency, waste reduction/management, water efficiency, supply chains and social and ethical considerations.

The 'green lease' was first developed in Australia where its use became mandatory in all Government owned and occupied buildings. Then it was expanded to the private sector around the world as a voluntary initiative

### **Why should we consider green leases?**

**Legislation** – It is likely that green leases will become more commonly adopted as legislation to deal with legally binding carbon reduction targets in the Climate Change Act 2008 and the need to adapt buildings to a changing climate become more apparent. Aspects of the Climate Change Act are beginning to force businesses to re-evaluate the way they operate properties that they either own or occupy. For example the Carbon Reduction Commitment Scheme (CRC) requires participants to report their energy consumption and pay for the associated carbon emissions which directly puts a price tag on a buildings environmental performance.

From September 2013 the London Stock Exchange Main Market Listed Companies (c.1400), which includes both UK and foreign companies, must report their global greenhouse gas emissions within their annual financial report. In addition, green leases help to ensure compliance with the increasingly tighter energy efficiency targets contained within Building Regulations.

**Monetary benefits and reduction in obsolescence risk.** Green leases should provide bottom line business benefits for both the landlord and tenant. However, market take up has been relatively low without legislative drivers. However, this is likely to change because, as a consequence of the Energy Act 2011's 'Minimum Energy Performance Standards for lettings' determining that buildings with an Energy Performance Certificate rated below a

minimum (potentially E) will no longer be leasable after April 2018. The most current data suggests that approximately a fifth of the UK's commercial buildings will become unlettable and obsolete unless owners take active steps to improve their energy efficiency.

### **What are the benefits of green leases?**

There is currently no obligation for green leases to be utilised by landlords and tenants and at present it is a matter for market practise and negotiation between owners and occupiers. Yet, there are a number of benefits for both parties.

Benefits for occupiers

- Reduce operating costs.
- Improve staff productivity and retention.
- Meeting legislative reporting requirements including the CRC.
- Metering to track performance to ensure most efficient use of the building.
- Higher quality operating environment.
- Benefits to owners
- The potential to see an increased occupier demand.
- Limit regulatory exposure.
- Retaining asset value.
- Attract investors.
- Data sharing to monitor performance and ensure good practice on building use.

### **What are the barriers to green leases?**

There are a number of barriers that are currently limiting the uptake of green leases. These include:

Traditional adversarial landlord and tenant relationships.

The question of who will incur costs of energy efficiency works? Owners are often unwilling to invest in improving the energy, water and waste efficiency of a building, as in many cases, the financial benefits will be reaped by the tenant through lower energy, water and waste bills. The tenant also often has little incentive to incur expenditure on a leased building or agree contributions to improvements by the landlord.

- A lack of evidence that the rental levels or capital value will increase.
- Constantly evolving and changing legislations, for example the Carbon Reduction Commitment Energy Efficiency Scheme, has raised concerns about the need to maintain as much flexibility as possible in leases.
- If buildings are already let, the landlord can only carry out alterations under the terms of the lease. In most cases the owner/ landlord does not have the ability to recover the cost of these improvements through the service charge.

It was agreed at the Sustainable Growth and Environmental Capital Scrutiny Committee in September 2014 that Council adopts a policy of Green Leases and in future gives a commitment that in entering into leases on commercial properties (as either landlord or tenant) that they are Green Leases except in exceptional circumstances. This is in support of the Environment Capital agenda.

8.16

### **Pump Priming Economic Development through our Corporate Asset Strategy**

By ensuring that the wider Peterborough economy is a consideration when making its own strategic property decisions, Peterborough City Council can make a positive contribution whilst doing what's right to maintain an efficient estate for its own use.

Currently, the Council is exploring options to develop a new headquarters building at Fletton Quays (discussed in more detail elsewhere). The motivation for this development is not only to provide the Council with a more efficient and sustainable working environment but, importantly, to support the overall development of the regeneration site.

It is anticipated that, by locating on this important strategic site, the Council can act as the catalyst for further development of similar space, giving developers' confidence in investing in the site and the local economy.

## **9 Organisational Arrangements for Asset Management**

In order to ensure a cohesive approach to all property asset Management matters, the Council have moved to a “Corporate Landlord” model – this gives a single point of reference and responsibility on all estates planning matters.

### **9.1 CPO – Roles and Responsibilities**

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 Councils assets.

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.

### **9.2 Reporting Framework – Cabinet & Corporate Management Team**

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 matters of policy.

The Leader of the Council chairs a Cabinet of 9 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 City Centre Management, Culture and Tourism
- Cabinet Member for Adult Social care
- Cabinet Member for Children’s Services
- Cabinet Member for Resources
- Cabinet Member for Communities and Environmental Capital
- Cabinet Member for Street Scene, Waste Management and Communications
- Cabinet Member for Planning and Housing Services

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.

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.

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.

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.

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

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.

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.

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.

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.

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.

The Council has established a Joint Venture Company to prepare viable and consented development schemes for a series of sites which will be developed to promote growth, regeneration and economic development within the City. The Council will be granting Option Agreements on specified sites as identified within the Cabinet Report Funding Peterborough's Future Growth on the 24<sup>th</sup> February 2014, supplemented by CMDN 'Progressing Funding for Peterborough's Future Growth - DEC14/CMDN/110'. These sites are listed below:

Site	CCDPD policy
Wirrina Car Park	CC7: Riverside North
Former B&Q site	CC6: Riverside South
Former Matalan site	CC6: Riverside South
Bridge House Site	CC6: Riverside South
Engine Sheds	CC6: Riverside South
Bayard Place	CC3: City Core
Market Multi-storey Car Park	CC3: City Core
Pleasure Fair Meadows Car Park	CC6: Riverside South
Aqua House	CC6: Riverside South
The Mill (purchase negotiations in progress)	CC6: Riverside South
Central Library (inclusion subject to further discussions)	CC10: City North

#### 9.4 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

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.

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.

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.

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.

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.

Where two or more services are interested in the property and joint occupation is not possible or agreeable, the CPO will initiate negotiations between the services concerned to resolve the conflicting claims for occupation.

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.

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

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).

Where there is a strategic reason to retain a property but no identified, immediate service need, the CPO will determine whether there is:

- An identified future need.
- A proposal 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.

Where there is no service requirement for the property and no strategic reason to retain the property, the CPO will determine that the asset is surplus and in all likelihood can be made available for disposal. The subsequent agreed terms of any such disposal will be reported to the Cabinet for approval.

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.

## 9.6 **The Localism Act 2011**

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

**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.

**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.

**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.

During 2014 3 Council assets were registered as Assets of Community Value (ACVs):

- London Road Stadium
- Pyramid Community Centre
- Former allotment land at London Road

## 9.7 **Community Infrastructure Levy**

The community infrastructure levy is a new levy that local authorities in England and Wales can choose to charge on new developments in their area. Our overview document provides a quick guide to the levy. The levy is designed to be fairer, faster and more transparent than the previous system of agreeing planning obligations between local Councils and developers under section 106 of the Town and Country Planning Act 1990.

In areas where a community infrastructure levy is in force, land owners and developers must pay the levy to the local Council

The charges are set by the local Council, based on the size and type of the new development.

The money raised from the community infrastructure levy can be used to support development by funding infrastructure that the Council, local community and neighbourhoods want, like new or safer road schemes, park improvements or a new health centre.

The community infrastructure levy:

- gives local authorities the freedom to set their own priorities for what the money should be spent on
- gives local authorities a predictable funding stream that allows them to plan ahead more effectively
- gives developers much more certainty from the start about how much money they will be expected to contribute
- makes the system more transparent for local people, as local authorities have to report what they have spent the levy on each year

- rewards communities receiving new development through the direct allocation of a proportion (15% or 25% depending on whether a Neighbourhood Plan is in place) of levy funds collected in their area

The Council has formally approved that a CIL will be effective in Peterborough from April 2015.

## 9.8 **Business rates retention**

A business rates retention scheme was introduced in April 2013. It provides a direct link between business rates growth and the amount of money Councils have to spend on local people and local services. Councils is able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. This provides a strong financial incentive for Councils to promote economic growth. Business rates retention is at the heart of the government's reform agenda and will help achieve 2 priorities: economic growth and localism.

At the beginning of the scheme, the government carried out calculations to ensure that Councils with more business rates than their current spending will make a tariff payment to government. Similarly, where Councils have greater needs than their business rates income, they will receive a top-up payment from the government. The total sums of these payments will equal each other.

The levels of tariff and top-up payments will remain fixed each year, but will increase in line with the Retail Price Index.

They will not change until the system is reset. The government has said that this will not occur before 2020 at the earliest. This will provide Councils with the certainty they need to plan and budget.

In addition, safety net payments will be available if a Council's business rates income falls by a certain amount. This will provide support if, for example, a major local employer closes.

This safety net will be funded by a levy paid by those Councils whose business rates revenue increases by a disproportionate amount compared to their needs. The levy is designed to ensure that the more Councils grow their business rates, the more they benefit.

## 9.9 **Consultation**

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.

## 9.10 **Neighbourhood Management in Peterborough**

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

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.

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.

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.

Peterborough City Council has placed the principles of a neighbourhood approach at the heart of its continuous improvement agenda and it acts as a delivery mechanism to help achieve the majority of its objectives.

The Council is developing a series of community plans which will be continually updated. The plans aim 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.

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.'

## Asset Management Plan Glossary of Terms

<b>Acronym</b>	<b>Meaning</b>
AMP	Asset Management Plan
CAMG	Corporate Asset Management Group
CAMP	Corporate Asset Management Plan
CMDN	Cabinet Member Decision Notice
CMT	Corporate Management Team
CAA	Comprehensive Area Assessment
CIPFA	Chartered Institute of Public Finance
CPO	Corporate Property Officer
CSCI	Commission for Social Care Inspection
DCLG	Department of Communities and Local Government
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
LSVT	Large Scale Voluntary Transfer
NNDR	National Non-Domestic Rates
NOF	New Opportunities Fund
OP	Opportunity Peterborough
PB	Property Board
PCC	Peterborough City Council
PCT	Primary Care Trust
RICS	The Royal Institution of Chartered Surveyors
VFM	Value for Money

## 11. Budget Consultation

**Medium Term Financial Strategy  
Phase 2 Budget Proposals Document  
from Cabinet**

**January 2015**

**STRICTLY EMBARGOED UNTIL  
5pm on 9 January 2015**

<b>1. INTRODUCTION</b>	<b>3</b>
<b>2. PRIORITIES</b>	<b>3</b>
<b>3. SERVICE DEMANDS AND FINANCIAL PRESSURES</b>	<b>4</b>
<b>4. APPROACH TO TACKLING THE FINANCIAL GAP</b>	<b>5</b>
<b>5. OVERALL FINANCIAL POSITION</b>	<b>5</b>
<b>6. COUNCIL RESERVES</b>	<b>6</b>
<b>7. IMPLICATIONS FOR COUNCIL TAX</b>	<b>7</b>
<b>8. OVERALL BUDGET POSITION AND FUTURE PROSPECTS</b>	<b>8</b>
<b>9. BUDGET CONVERSATION</b>	<b>9</b>
<b>APPENDIX 1 - OVERALL COUNCIL BUDGET AND FUNDING</b>	<b>13</b>

#### **SERVICE IMPLICATIONS - SAVINGS/INVESTMENTS**

• <b>Appendix 2 - Adult Social Care and Health and Wellbeing</b>	<b>14</b>
• <b>Appendix 3 - Chief Executive</b>	<b>19</b>
• <b>Appendix 4 - Communities</b>	<b>20</b>
• <b>Appendix 5 - Governance</b>	<b>24</b>
• <b>Appendix 6 - Growth and Regeneration</b>	<b>27</b>
• <b>Appendix 7 - Resources</b>	<b>29</b>
• <b>Appendix 8 - Funding implications</b>	<b>39</b>
• <b>Appendix 9 - Staff implications</b>	<b>40</b>

## 1. INTRODUCTION

This document sets out the second set of budget proposals that will be considered by Cabinet to ensure Peterborough City Council has a balanced budget for 2015/16. The first phase budget proposals were consulted on during November and December, before being approved by Council on 17 December.

The second phase of proposals has been set in the context of the incredibly challenging financial position that all councils face. Peterborough is no exception to this. Since the financial crash of 2008, the public sector has seen unprecedented reductions in funding. In the five years up to 2015/16, the council has seen its government funding cut by £44m, which equates to nearly 40 per cent of its government grant.

For next year (2015/16) the council will see its government grant reduced by £12.8m. In addition, it faces financial pressures of £12.5million as a result of an increasing demand for services and legal changes. This means we face an enormous challenge of finding over £25million 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.

In doing so, the council maintains its unerring focus on three big issues for the people of Peterborough – prosperity, education and quality of life. These issues are at the heart of everything the council does and in particular how we make increasingly difficult decisions about where to spend the money we have available to provide services.

Since the first phase of proposals was approved, the council has received its financial settlement for next year. Unfortunately this was even worse than expected, and the council stands to have its grant reduced by another £500,000, on top of the £12.3m already expected.

The first set of budget proposals will make savings of £16.6m. The proposed changes to council tax support being consulted on will also save a further £500,000 and will be discussed by Cabinet on 19 January and then Council on 28 January 2015. If there are no changes to council tax support, then further savings will need to be found.

This second set of proposals closes the remaining £8.2m gap in the budget.

As part of our on-going city-wide Budget Conversation we want to know what local residents and business people think about the proposals presented in this document. More information on the Budget Conversation is available on page ten.

**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. A chart on page 13 (appendix 1) outlines our total budget for 2014/15 of £149.9m and how much is spent in each department. All items included in this document are changes, amounting to £8.2m, to that total net budget.**

We have also included the investments we are intending to make in the coming year to ensure we can meet new requirements for adult social care services set out in national changes and to ensure children and families are supported and safe from harm.

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

## 2. 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;
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.
- Supporting Peterborough's culture and leisure trust, Vivacity, to continue to deliver arts and culture;
- Keeping our communities safe, cohesive and healthy.

### **3. SERVICE DEMANDS AND FINANCIAL PRESSURES**

At the same time as unprecedented reductions in funding, we are also experiencing significant financial pressures. We have a range of statutory services that we are required by law to provide, and with demand for these services increasing, we have a legal duty to meet these extra demands. Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in priority areas.

This budget, therefore, also included financial pressures we are facing which we need to fund. Many were detailed in our phase one document. Some of the most significant are also outlined below:

- An increasing elderly population, with people living longer and other adults developing more complex needs;
- From April 2015 the statutory delivery of adult social care will be covered by the Care Act 2014. This act represents the greatest change to adult social care legislation since the National Assistance Act 1948 and brings with it a general duty for the council to promote and protect the wellbeing of residents;
- Increased numbers of children in care including those with increasingly complex needs resulting in higher cost placements;
- Investing £32m in schools over the next two years to provide more primary and secondary places.

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 in bringing new companies into the city by continuing to position Peterborough as 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 in recent years and these projects will continue, with a number approaching completion during the coming year:

- Supporting peoples to stay in their homes through home adaptations, disabled facilities grants and repairs assistance
- Roads maintenance and works, including Crescent Bridge roundabout

- Waste strategy – energy from waste to reduce the amount of waste going to landfill and cost efficiencies
- Investing in new technology in our libraries to support extending opening hours through self-service
- Investing in new equipment and tripling litter bin capacity to help keep our streets clean and to generate efficiencies

#### **4. APPROACH TO TACKLING THE FINANCIAL GAP**

The majority of this document outlines the Cabinet's second phase proposals for how we will tackle the financial gap. These proposals demonstrate the Cabinet's commitment to the priorities set out in section 2 which are to protect, as far as possible, the services you care about the most and our vision for the city.

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 them 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 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.

With a lot less money to go around there are going to have to be very significant changes. We are looking to see how some services can be delivered differently in order to save money but it is now clear that some services will be reduced and others may have to stop altogether.

It is also clear that councils can expect further grant reductions in the next parliament, and as a result we are expecting a significant budget gap in 2016/17. Decisions made now must also consider the future financial position of the council.

#### **5. 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 on the following page:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Original gap per phase one document</b>	24.7	29.3	31.3	34.1	37.1
Further grant reductions	0.5	0.3	0.3	0.3	0.6
Additional pressures	0.1	2.7	6.0	6.4	6.9
<b>Revised budget gap</b>	<b>25.3</b>	<b>32.3</b>	<b>37.6</b>	<b>40.8</b>	<b>44.6</b>
<b>To be closed by:</b>					
Phase one proposals (approved by Council 17 December 2014)	-16.6	-14.3	-14.9	-15.1	-15.5
Council tax support scheme (to be considered by Council on 28 January 2015)	-0.5	-0.5	-0.5	-0.5	-0.5
Phase two proposals (as detailed in this document)	-8.2	-7.9	-8.6	-8.4	-8.7
<b>Revised budget deficit</b>	<b>0</b>	<b>9.6</b>	<b>13.6</b>	<b>16.8</b>	<b>19.9</b>

When the council published its phase one proposals, the budget gap was nearly £25m, made up of an expected reduction in government grant of £12.3m, as well as financial pressures of £12.5m as a result of an increasing demand for services and legal changes.

Since the first phase of proposals was approved, the council has received its financial settlement for next year. Unfortunately this was even worse than expected, and the council stands to have its grant reduced by another £500,000, on top of the £12.3m already expected. We have also revised some of the financial pressures we face.

As a result the total budget gap we face for 2015/16 stands at £25.3m. This will be tackled as follows:

- The first set of budget proposals, approved by Council on 17 December 2014, will make savings of £16.6m.
- Cabinet is currently consulting on a proposal to increase the reduction in council tax support to 40 per cent, which will save a further £500,000. These will be discussed by Cabinet on 19<sup>th</sup> January and then Council on 28<sup>th</sup> January 2015. If there are no changes to council tax support, then further savings will need to be found
- The second set of proposals in this consultation document closes the remaining £8.2m gap in the budget.

The next section outlines how we will tackle this financial gap to deliver a balanced and sustainable budget.

## **6. 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 31.04.15 £k</b>	<b>Estimated balance at 31.04.16 £k</b>
<b>Earmarked reserves</b>		
<b>Departmental reserve</b> – The majority of this reserve relates to City College Peterborough which operates on academic year funding and retains a reserve for potential claw back from awarding bodies	522	522
<b>Schools capital expenditure reserve</b> - Monies held on behalf of schools for capital spend	1,027	1,027
<b>Insurance and other minor reserves</b> – These reserves are held for a specific purpose and cannot therefore be used for budget setting purposes	3,570	3,578
<b>TOTAL earmarked reserves for specific purposes</b>	<b>5,119</b>	<b>5,127</b>
<b>General fund</b> – Set aside to meet unforeseen issues and risks	6,000	6,000
<b>Risk Management Contingency</b>	0	1,000
<b>Capacity building reserve</b> – This enables us to implement saving proposals	3,396	0

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

## **7. 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 fifth lowest council tax** (some £110 per year lower than the average, and £304 lower than the highest).

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

The government has offered a council tax freeze grant for all councils that choose to freeze council tax in 2015/16. 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. If any council proposes an increase higher than two per cent, they are required to put the matter to local taxpayers through a referendum. Given that the cost of running such a referendum is likely to outweigh the benefit, no council has ever done so.

Having carefully considered the level of investment and savings proposals put forward in this budget consultation document and the financial challenge ahead, **Cabinet is proposing to freeze council tax in 2015/16.**

The current band D charge would remain at £1,128.03 in 2015/16. **This means we will have frozen council tax in four out of five years.** For the average council tax payer, this means that annual bills are now around £116 lower than they otherwise could have been.

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.

Cabinet believes this proposal strikes the right balance between investing in our city, delivering efficiencies and keeping council tax as low as possible. 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 Council on 4 March 2015.

## **8. OVERALL BUDGET POSITION AND FUTURE PROSPECTS**

The introductory sections have so far outlined:

- The priorities of the council in supporting our communities
- The service demands and financial pressures we are facing
- Our approach to tackling the financial gap
- The overall financial position that we face
- 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, are outlined below:

	<b>2015/16 £k</b>	<b>2016/17 £k</b>	<b>2017/18 £k</b>	<b>2018/19 £k</b>	<b>2019/20 £k</b>
<b>Revised budget gap</b>	<b>25,366</b>	<b>32,309</b>	<b>37,568</b>	<b>40,889</b>	<b>44,663</b>
Council tax and other funding	-3,568	-1,552	-1,558	-1,564	-1,571
Additional income	-1,373	-1,513	-1,537	-1,477	-1,477
Efficiencies	-18,129	-17,475	-19,031	-19,263	-19,982
Service reduction	-2,213	-2,213	-1,948	-1,708	-1,708
<b>MTFS position</b>	<b>83</b>	<b>9,556</b>	<b>13,494</b>	<b>16,877</b>	<b>19,925</b>
Contribution from reserves	-83	0	0	0	0
<b>MTFS position</b>	<b>0</b>	<b>9,556</b>	<b>13,494</b>	<b>16,877</b>	<b>19,925</b>

On this basis the council has a set of proposals that deliver a balanced budget in 2015/16. In future years the impact of further grant reductions and pressures combine to produce further budget gaps. For 2016/17 this is currently expected to be £9.6m. However, this does not yet factor in the further impact of additional public spending reductions flagged in the Autumn Statement (on the basis that specific details will not be announced until after the 2015 General Election), and as such the budget gaps in future years are expected to widen.

It is clear that further difficult decisions will need to be taken in the coming years.

## **9. BUDGET CONVERSATION**

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

As has been said earlier in this document, the city council has seen its government grant cut by nearly 40 per cent in the five years up to the end of 2015/16 – that's £44m.

For next year (2015/16) the council will see its government grant reduced by £12.8m. In addition, it faces financial pressures of £12.5m as a result of an increasing demand for services and legal changes. This means we face an enormous challenge of finding savings of £25.3m to balance our books, while continuing to invest in the city to ensure Peterborough is a great place to live, work, visit and stay.

The first phase budget proposals, amounting to £16.6m, were consulted on during November and December and were approved by Council on 17 December. The proposals on council tax support linked to this also save a further £500,000 and will be discussed by Council on 28 January 2015.

Following feedback we received to the phase one proposals as part of the Budget Conversation, a number of changes were made.

Council agreed to defer a proposal relating to savings associated with shrub removal, parkway verge maintenance, grass cutting and the closure of a number of bowling greens and tennis courts, which attracted a lot of interest from the public. This was to allow the discussion to continue.

The proposal to introduce charges for blue badge holders to park in council car parks led to requests for more accessible spaces. Therefore the second phase proposals include a commitment to work with the Disability Forum to see if this can be achieved. A proposal to allow companion bus passengers (those, for example, who help blind or partially sighted people travel on buses) to travel for free is also included following feedback.

In addition, we asked people to tell us which council services, out of those we have some leeway in providing, they value the most. The top five areas that residents said they valued were the meals on wheels service for elderly and vulnerable residents who cannot cook for themselves; combatting flytipping, graffiti and anti-social behaviour; maintenance of parks and open spaces; street cleansing; and libraries. The phase two proposals have been developed with this feedback in mind. More details are available in the agenda for the Council meeting on 17 December which is available to view on the council's website.

The second phase of proposals, included in this document, look to save the remaining £8.2m.

Inevitably, less money means very significant changes, not just to the way services are delivered, but the removal of some services altogether.

### **Therefore we need your help.**

As part of our ongoing city-wide Budget Conversation we want to understand your views on the second phase of budget proposals published on Friday 9 January 2015.

It is important to add that with so many savings to find, our room for manoeuvre is very limited and it is unlikely that everyone will get the exact outcome they would like.

This stage of the Budget Conversation asks the following questions:

1. Do you have any comments to make about the phase 2 budget proposals?

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2. If you do not agree with any of the proposals, tell us what you think we could do instead to balance our books?

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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?

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4. Are there any other suggestions you would like to make?

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.....

**So that we can check this survey is representative of Peterborough overall, please complete the following questions.**

5. Are you?

- Male
- Female

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

- Resident
- Business person
- Member of council staff
- City councillor

- Work, but don't live in Peterborough
- Member of community or voluntary organisation
- Regular visitor
- Other (please state).....

7. Which of these age groups do you fall into?

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

8. What is your ethnic group?

**A White**

- 1. English/ Welsh/ Scottish/ Northern Irish/ British
- 2. Gypsy or Irish Traveller
- 3. Any other white background

**B Mixed/ multiple ethnic groups**

- 4. White and Black Caribbean
- 5. White and Black African
- 6. White and Asian
- 7. Any other mixed/ multiple ethnic background

**C Asian / Asian British**

- 8. Indian
- 9. Pakistani
- 10. Bangladeshi
- 11. Chinese
- 12. Any other Asian background, write in

**D Black/ African/ Caribbean/ Black British**

- 13. African
- 14. Caribbean
- 15. Any other Black/ African/ Caribbean background

**E Other ethnic group**

- 16. Any other ethnic group

9. **Do you consider yourself to have a disability?**

- Yes.....
- No .....

The Budget Conversation for phase two will be launched following the Cabinet meeting on Monday 19 January 2015. Further details will be announced at this time to inform people that the consultation has opened.

People will be able to take part by completing an online questionnaire, or by collecting a hard copy of the Budget Conversation document from the reception desks of the Town Hall and Bayard Place and

in all council libraries. These can be returned in person or by post to: Financial Services Manager, Peterborough City Council, Town Hall, Bridge Street, Peterborough, PE1 1HG.

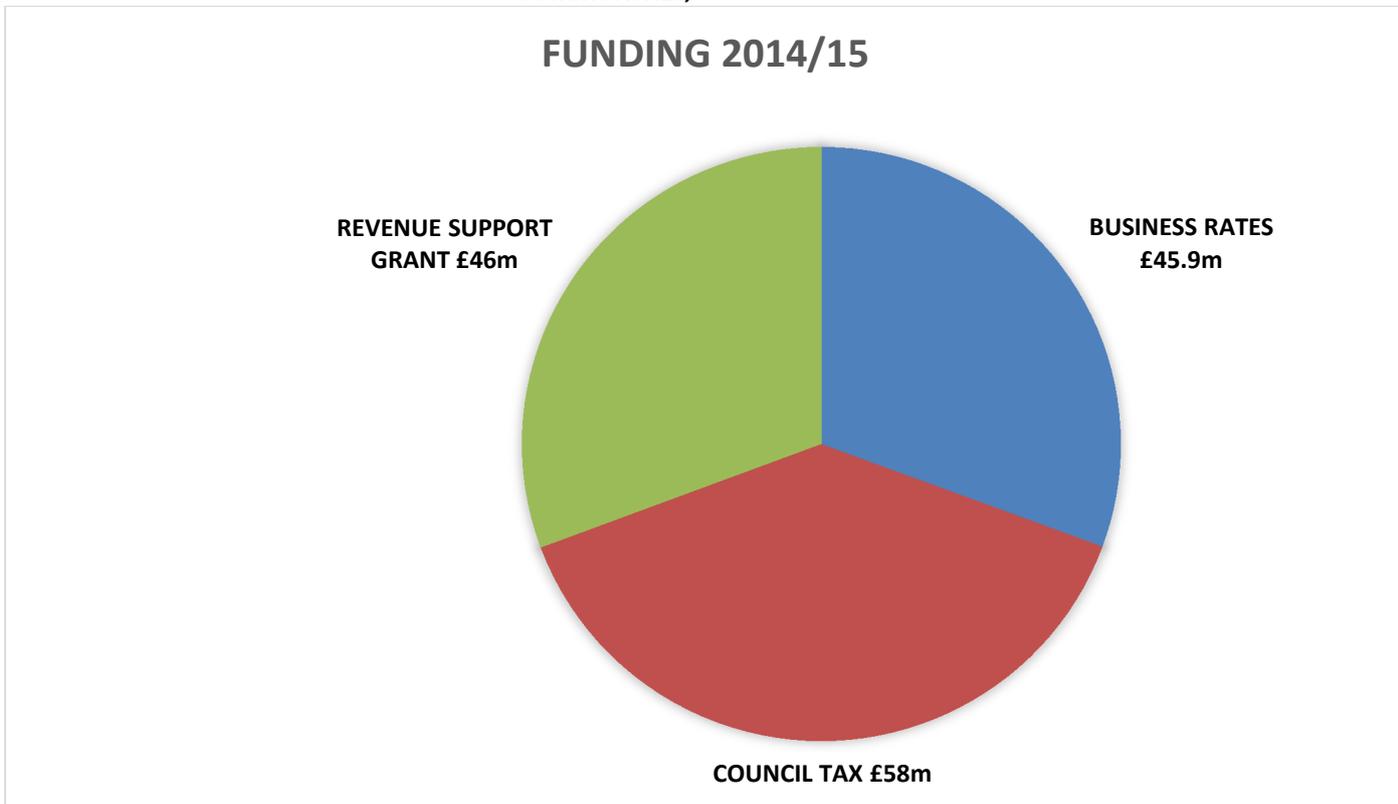
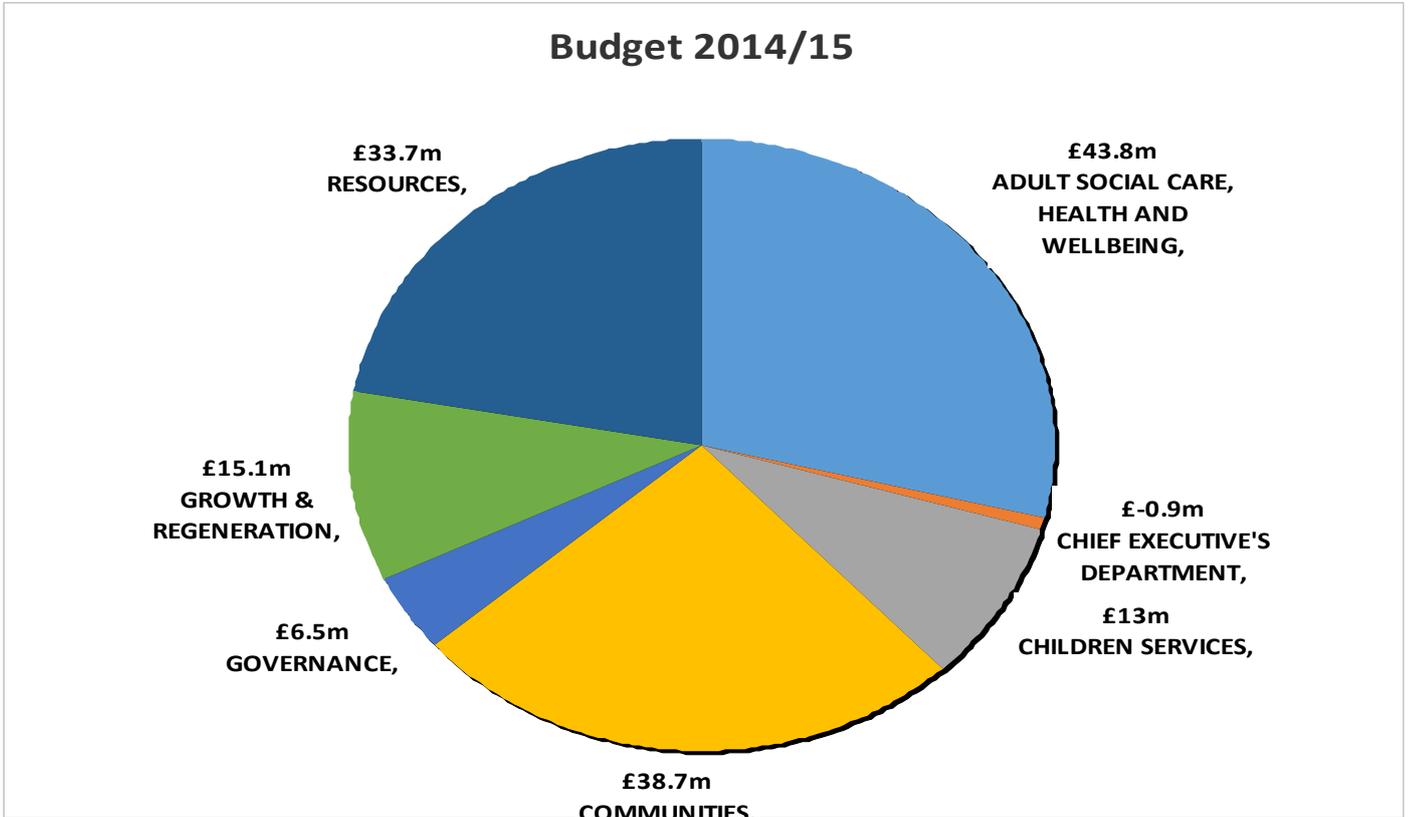
The consultation will be open until 5pm on Monday 1 March 2015. Cabinet will receive periodic updates on the consultation responses, including at its meeting on Monday 23 February 2015. Council will receive a report of all the feedback received when it considers the phase two proposals on Wednesday 4 March 2015.

Council will consider these phase two proposals, along with the level of council tax, at its meeting on 4 March 2015.

## APPENDIX 1 – Overall council budget and funding

The council's annual net budget in 2014/15 is £149.9m (this excludes school budgets and monies we receive from government to distribute for benefits).

The current department net spend on services, and how the budget is financed, is shown below:



## **APPENDIX 2**

### **ADULT SOCIAL CARE, HEALTH AND WELLBEING – SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

The Adult Social Care, Health and Wellbeing directorate oversees all those services responsible for helping people stay healthy and independent for as long as possible.

Adult Social Care is responsible for providing council-run services and buying in and overseeing services from a range of organisations for the people of Peterborough. Those services include assessing and reviewing people's needs and managing their care, safeguarding adults who could be at risk of abuse, and providing intensive support to help people get over a fall or an illness to reduce their need for long-term care, known as re-ablement. We provide ongoing long-term support for those with complex needs and enablement for people who can be supported to reach their potential for independence over a longer period.

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.

Our assessment and care delivery services for people with mental health needs are provided by Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

#### **Care Act 2014**

From April 2015 the statutory delivery of adult social care will be covered by the Care Act 2014. This act represents the greatest change to adult social care legislation since the National Assistance Act 1948 and brings with it a general duty for the council to promote and protect the wellbeing of residents.

From April 2015, Adult Social Care services will include:

**Provision of information and advice and universal services** - This includes providing accessible information, advice, guidance and advocacy services via community and voluntary sector organisations or the council itself, including online. There is also the requirement to ensure availability of universal services to prevent and reduce future care and support needs and to seek out local people with unidentified social care needs. This will include a much larger population than before.

**Assessment, eligibility and person-centred care and support planning** – The council is 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. Where people are receiving social care services we carry out regular reviews of their needs to ensure their plan continues to meet their needs. The Care Act 2014 introduces a national eligibility test for access to these services to replace the previous locally set threshold. There is a new duty to provide independent advocacy for anyone who might have substantial difficulty in being fully engaged in any aspect of adult social care, including understanding how adult social care operates and the assessment, care planning and review processes work.

**Support for carers** - The Care Act recognises the essential role which carers provide and strengthens the council's responsibilities in supporting carers, such as family members or friends, to continue in their caring role. This provision is a new and extended responsibility for the council.

**Assessing and making arrangements for support for self-funders** - The Care Act increases the council's responsibility to support self-funders, ensuring the same rights to information, advocacy and support services are available to all. This might include access to universal services, or the council commissioning services, to ensure the rights of self-funders are promoted and respected. From April 2016, a maximum threshold will be set, which, when reached, passes responsibility to funding care and support costs to the council.

**Safeguarding** - We take a statutory local lead on adult safeguarding including making enquires if an adult is at risk of abuse or neglect, and putting in place a protection plan. The role of the safeguarding adults board will be strengthened to co-ordinate the activity of partners and the changing duties and responsibilities under the act.

**Working with partners** - We do not deliver our Care Act duties working alone, we must also work in an integrated way with partner organisations. We have new duties to maintain a diverse, high-quality and sustainable market of providers of adult social care services. We have duties to assess the needs of prisoners and others in secure accommodation, and to provide services to meet care and support needs. We must also support young people with social care needs in transition to adulthood. The Care Act also brings enhanced duties, powers and expectations to co-operate with local agencies and to integrate with the NHS.

### **Who do we support?**

We support anyone with social care needs that can be seen to have a significant impact on their wellbeing. This support will range from information and advice, to a short period of focussed support to get someone back on their feet, to long-term support services such as direct payments, home care or residential care. People might require support because of a long-term condition such as frailty, dementia, physical disability or a learning disability or because of an episode of illness or mental illness.

### **Social care transformation**

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. In preparation for the Care Act we have been transforming our services during 2014/15 to invest more in enablement 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 statutory support. Our new front-door information and advice and see and solve services will be operational this winter. We are also working on integrated plans with health partners to prevent unnecessary hospital admissions and to support health and wellbeing in the community wherever possible.

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.

### **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 £9.3m for 2014/15 and will receive £9.3m for 2015/16. 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 the fastest growing city in the country by population and, after children, the fastest growing sector of the population are those aged 65 to 74 and those aged 85 plus. 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 27,300 older people living in Peterborough, 3,700 of whom are aged 85 and over.

As life expectancy increases older people are living with multiple long-term conditions associated with ageing. The table below shows the Department of Health forecast for Peterborough of increasing trends for a number of conditions associated with ageing.

Condition	2014	2020	% Growth
Dementia	1,935	2,226	15%
Heart Attack	1,335	1,512	13%
Stroke	629	714	14%
Bronchitis and Emphysema	460	521	13%
Falls	7251	8314	15%
Bladder Continence	4,461	5,097	14%
Diabetes	3,402	3,851	13%

There are approximately 3,400 people aged 18 to 85 living in the city with a learning disability, of these around 730 (21%) have a moderate or severe learning disability. Around 1,200 people aged 18 to 64 in the city have autistic spectrum disorders.

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 28,000 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. Responding to the Census in 2011, around 17,500 Peterborough residents declared that they provided some level of non-paid care to a family member, friend or neighbour. The council currently undertakes around 500 assessments of carers per year. With the Care Act we expect the number of carers contacting us for assessment and support to double in the first year.

### Summary position

The current budget for Adult Social Care, Health and Wellbeing is £43.8million. There have been pressures on the budget in the current year, arising primarily from increased demand for services. Phase one proposals will save £7million in 2015/16. The proposals presented on the next page would save £1.1m in 2015/16.

## SAVINGS – REVENUE

### Better Care Fund – transformation funding

The Better Care Fund, announced by the government in June 2013, includes transferring funding from health providers to local authorities to enable both sectors to jointly agree how money is spent. The funding is to encourage more joined-up health and social care services and to reduce admissions to hospital, which will benefit individuals and reduce costs to the council and health providers. An element of the funding has been provided to protect Adult Social Care services at a time when government funding is reducing and there are more pressures on services. This proposal is expected to deliver a saving of £1,039,000 in 2015/16 to set against government reductions, although an investment of £250,000 for seven day working, which is a key Better Care Fund priority, was included in the phase one budget proposals. The net saving, taking both elements into account, is therefore £789,000.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Better Care Fund – transformation funding	-1,039	0	0	0	0

### Shared Lives

Shared Lives is a national initiative which involves families providing a permanent home, temporary respite or day support for adults of all ages with additional needs. The scheme provides alternatives to more traditional forms of care such as residential respite stays, day centres or full residential care. The scheme currently operates in Peterborough for 16 people. This proposal looks to expand the service to increase the number of people using Shared Lives by 20 placements. This is expected to deliver a saving of £50,000 in 2015/16 and a full year savings from 2016/17 of £200,000, as the cost of providing more expensive forms of care such as residential respite stays or full residential care would be reduced. In addition, it supports the council's ambition for people to be able to continue living at home where possible, or in their community.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Shared Lives	-50	-200	-200	-200	-200

### Care Act Changes 2015/16

The Care Act 2014 introduces additional responsibilities on local authorities which come into force in April 2015. The responsibilities relate to additional duties in respect of self-funders and carers, people in prisons and other areas. Further responsibilities relating to a cap on residential care placement payments, care accounts and other changes come in from April 2016. In respect of the April 2015 changes, a government grant has been provided and there is additional funding through the Better Care Fund in respect of Care Act responsibilities. An assessment of the likely impact in 2015/16 has indicated that with a combination of efficient methods of implementation of Care Act requirements, tight control of costs and the likely phasing of demand for services there is potential for savings in 2015/16. The projected level of one-off savings in 2015/16 is £660,000.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Care Act	-660	0	0	0	0

## INVESTMENT – REVENUE

### Adult Social Care transformation programme

Adult Social Care will be implementing three major change programmes from 2015/16 onwards. These are the Better Care Fund, the Care Act implementation and the 2015/16 Savings Programme in its own right. To manage this, additional programme support, legal, HR and procurement resources will need to be put in place. The cost of these areas of support has already been factored into the budget for 2015/16 through utilising the capacity building fund, though this will require additional investment in 2016/17 of £479,000 and these costs will need to be met from the council's budget.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Adult Social Care transformation programme	0	479	0	0	0

**APPENDIX 3**  
**CHIEF EXECUTIVE**

**SAVINGS - REVENUE**

**Senior management review phase two**

The first senior management restructure was implemented on 1 November 2013 with a commitment to bring forward a second phase at an appropriate time. The purpose of the first restructure was to move the council towards becoming a commissioning organisation, recognising the considerable financial challenges ahead.

Since the implementation of the restructure progress has been made as follows:

- Commissioning for Adult Social Care, Communities, Public Health and Children’s Services has been brought together with a financial saving of £1m;
- A joint venture company has been set up to begin the regeneration of the South Bank;
- Ofsted has inspected the council’s school improvement services which were found to be effective;
- Child sexual exploitation is being tackled robustly and further improvements are in progress in children’s safeguarding.
- Significant progress is being made in transforming those Adult Social Care services which transferred back from the primary care trust.

The progress made allows the second phase of restructuring to commence which will reduce the number of senior managers further, thereby providing a saving. The total savings from the proposed restructure will exceed £500,000. Some of this benefit has already been included in savings proposals elsewhere in the budget, so the net additional benefit arising from this proposal is £350,000 per annum.

The proposals are subject to consultation and approval by Employment Committee.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Senior management review phase two	-350	-350	-350	-350	-350

## **APPENDIX 4**

### **COMMUNITIES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

Communities is responsible for assessing the needs of all the city's residents and deciding on the right services to meet those needs. It undertakes all the people services commissioning for the council to ensure the services we provide or buy-in are the right services, delivered at the right time, for the right people and in the right place and at the right price to ensure we are giving real value for money. It also delivers a wide range of community and targeted services including housing and health improvement and community and safety services.

Communities is split into three areas:

#### **Communities and targeted services**

This division delivers services that build confidence, capacity and resilience within our communities, by ensuring residents are involved in the development and delivery of both preventative and targeted support. This includes housing, community development and cohesion, healthy lives and improvement, 0 to 19 children services, short break services for children with disabilities and the work of the SaferPeterborough partnership; including community safety, youth work and youth offending services. The focus of the team is to identify difficulties early and provide services whilst ensuring they don't escalate.

#### **Strategic commissioning and prevention**

This division identifies the needs of residents and the best services to meet those needs. It ensures there is a sufficient quantity of good quality providers in the city and that services commissioned represent value for money. These include services for children on the edge of and in care, independent school placements, services for vulnerable adults including older people and adults with learning and mental health difficulties, sexual health services, school nursing and substance misuse services, as well as emotional health and well-being services and services addressing domestic abuse. This division also includes the integrated processes team which supports children and their families who, without effective multi-agency support, would be likely to develop increasingly complex difficulties. It also includes the access to resources team which commissions placements for children in care.

#### **Adult Social Care commissioning**

This division leads the transformation of commissioning in Adult Social Care to ensure that services provided correlate with the council's ambition to support people to live independently and to learn the skills they need to gain employment and to go about their daily lives. This includes an increased focus on prevention, information and advice, re-ablement and transitional support to maximize opportunities for people to remain active and independent. Essential to this is ensuring there is a good range of commissioned support available to offer choice and options tailored to individual need.

The current budget for the Communities department is £38.7million. Phase one proposals will save £0.9m in 2015/16. The proposals presented on the next page would save £238,000 in 2015/16.

The proposals as presented also include investments totalling £337,000 in 2015/16.

## **SAVINGS – REVENUE**

### **Connecting Mums sessions**

Peterborough and Fenland Mind provides sessions for mums which focus on post-natal depression at children and family centres across Peterborough. This proposal is for the Connecting Mums sessions to cease from October 2015. This is because support for mums will be provided by health visitors and the Family Nurse Partnership when these services transfer to the council from Public Health England in October 2015. If there was found to be a need for more support in the future then the situation would be reviewed at that time.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Connecting Mums sessions	-41	-55	-55	-55	-55

### Contract efficiencies

A review of contracts on current commissioning activity has identified some further savings opportunities based on efficiencies of the service. Efficiencies have been identified for independent birth counselling, advocacy service and the family information service.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Contract efficiencies	-11	-30	-30	-30	-30

### Increased income from Clare Lodge

Clare Lodge in Glinton is a secure children's home providing support and care for vulnerable young women aged ten to 17 years. The unit is able to look after 16 young women. To achieve more income the home will work hard to ensure occupancy is as high as possible at all times and that the home is run as efficiently as possible.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Increased income from Clare Lodge	-182	-182	-182	-182	-182

### Reparation scheme

The reparation scheme works with teenagers who have offended to support them to give something back to the community. This is currently provided by Froglife, a national wildlife charity committed to the conservation of amphibians and reptiles and saving the habitats they depend on. The way this scheme is delivered by Froglife will be changed to make the savings outlined below.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Reparation scheme	-4	-5	-5	-5	-5

## **INVESTMENTS - REVENUE**

### Change in foster care legislation

The government has introduced legislation enabling children in care to stay with their foster carers until they are 21 as opposed to 18. We therefore have to pay some of our foster carers for longer, which will require additional investment.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Change in foster care legislation	130	195	225	225	225

### Emergency out-of-hours contract

Emergency out-of-hours cover for Children's Services and Adult Social Care is provided by Cambridgeshire County Council. This involves the county council taking calls outside of office hours, including public holidays, and where possible dealing with the enquiry. If necessary, these calls are transferred to the on-call staff member at Peterborough City Council. Cambridgeshire County Council is increasing its charge for providing the service and therefore investment is needed.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Emergency out-of-hours contract	50	50	50	50	50

### Selective licensing

Discussions have been taking place in the past year on two initiatives to improve the quality and condition of private rented housing. These are as follows:

- Selective licensing – a formal licensing scheme, initially for the Operation CanDo area, that would require all private sector landlords to meet stringent criteria and license their rented property with the council for a fee.
- Energy performance certificates (EPC) – provision of an EPC service to landlords, again for a fee; having an EPC would be a requirement for successfully licensing a property in the selective licensing area.

Much discussion has taken place in the past year with residents, landlords and other interested parties. However, no agreement has yet been reached on new regulations that could protect tenants against criminal landlords that choose not to adhere to legislation, and support landlords dealing with anti-social tenants. As a result, revenue for both schemes which was previously factored into the 2015/16 budget will no longer be available. Consequently there is a need to include additional investment to meet this shortfall. For 2015/16 this will be met from the capacity fund, and in future years it needs to be built into the bottom line. Discussions will continue to agree a scheme that offers law abiding tenants and landlords better protection.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Selective licensing	0	50	50	0	0

### Youth Justice Liaison Diversion Service

The Youth Justice Liaison Diversion Service works with young people aged 10 to 17 who have an identified link to offending and who have some form of emotional or mental health need including a learning disability. Often the work of the team prevents concerns around young people escalating, which prevents additional pressures and costs on more acute and high intensity services.

For the past three years the service has been largely funded by the Department of Health which provides £57,000 annually towards the costs. However, this funding is due to cease from April.

This proposal seeks to invest £57,000 in providing the service past April. For 2015/16 this will be met from the capacity fund, and in future years it needs to be built into the bottom line.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Youth Justice Liaison Diversion Service	0	57	57	57	57

### **20mph speed limit pilot - proposal not funded**

At a meeting on 17 April 2013, Council asked the Sustainable Growth and Environment Capital Scrutiny Committee to investigate the benefits of extending 20mph signed speed limits throughout all residential areas in Peterborough and present proposals to Cabinet. A cross-party task and finish group investigated the impact of 20mph speed limits in residential areas and reported its findings and recommendations to the Sustainable Growth and Environment Capital Scrutiny Committee on 20 January 2014.

A pilot scheme in a rural is expected to cost £110,000. Cabinet considered the report and questioned whether there was currently sufficient evidence of the benefits of implementing such as scheme. It was also felt that any issues were more likely to occur in the urban areas of the city, so investing in a pilot in rural areas may not be the best use of funds.

In light of this and the financial pressures outlined in the budget consultation documents, Cabinet's view is that it could not support investment in this area. It will however keep experience in other areas under review. It could also work with any parishes who wanted to consider covering the cost of schemes in their areas.

However, Cabinet would be keen to hear people's views on this proposal as part of the budget consultation process.

## **APPENDIX 5**

### **GOVERNANCE - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

The Governance department consists of:

#### **Commercial operations**

This team works with local businesses and other organisations to build a stronger local economy by attracting visitors to Peterborough and helping to build its 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, cultural festivals and the Christmas light switch-on. It also oversees the City Market and a number of street markets.

#### **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. It also manages 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 how best to explain their services to residents. It promotes the council through the media, 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 £6.5million. Phase one proposals will save £0.8m in 2015/16. The proposals presented on the next page would save £147,000 in 2015/16.

The proposals as presented also include investments totalling £236,000 in 2015/16.

## **SAVINGS – REVENUE**

### **Members' allowances**

The council pays National Insurance contributions on its employees' earnings, including councillors. A review of the budget set aside for this has taken place so that it reflects the actual level of National Insurance contributions the council expects to pay for councillors in 2015/16. As a result it is expected £50,000 can be saved in this area in 2015/16.

In addition, it is proposed that the cost of members' car park permits is increased in line with the staff parking permits budget proposal outlined later in this document. This would see the income budget from members' car parking permits increase from £4,300 to £4,600. However, the saving quoted in the table below is zero, as all savings are rounded to the nearest thousand.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Members' allowances	-50	-50	-50	-50	-50
Members' car parking permits (outlined above)	0	0	0	0	0

### **Community Leadership Fund**

The Community Leadership Fund was set up to give councillors the opportunity to provide funding for local projects in their wards. In the current year £1,000 has been provided per councillor to spend on projects in their ward. This proposal is for the fund to be paid for using section 106 contributions or community infrastructure levy payments. A change is not proposed to the amount each councillor receives.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Community Leadership Fund	-57	-57	-57	-57	-57

### **HR review**

This proposal will review the HR team that also encompasses union costs to deliver further efficiencies following the HR reorganisation undertaken during 2014/15.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
HR review	-40	-40	-40	-40	-40

## **INVESTMENTS - REVENUE**

### **Additional legal support for Adult Social Care**

This investment is needed to ensure Adult Social Care can meet the Deprivation of Liberty Safeguarding (DOLS) requirements. DOLS is part of the Mental Capacity Act 2005 and aims to ensure that people in care homes, hospitals and supported living are looked after in a way that does not inappropriately restrict their freedom.

A recent legal case, known as the West Cheshire judgement, meant that all councils had to significantly increase the number of DOLS assessments undertaken. The assessments were previously undertaken in residential care settings, though have now been extended to other forms of care. This has increased the number of assessments which need to be undertaken, therefore increasing the legal costs associated with the assessment.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Additional legal support for Adult Social Care	84	84	84	84	84

## Single fraud investigation service

This proposal is both an investment and saving proposal. Currently fraud investigations, including blue badge and benefit fraud, are funded by the Department for Work and Pensions. This funding is being removed from the next financial year. The council believes there is still a need to investigate fraud to bring perpetrators to justice and to recover money owed to the public purse.

Therefore, investment is needed on an annual basis of £52,000 to be able to provide the fraud investigation service. However, the team will be tasked with covering its costs, so the investment is anticipated to be countered entirely by the investment that the team generates by ensuring people are not misusing blue badges and avoiding paying council tax and other costs.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Single fraud investigation service	52	52	52	52	52
Income target generated from successful fraud investigations	-52	-52	-52	-52	-52

## Increase in disabled parking bays

During phase one of the budget setting process consultation took place on the proposal to introduce a charge for blue badge holders to park in council car park. It was clear from the discussions, including with the Disability Forum, that the availability of accessible spaces is actually a bigger issue for many people with disabilities than charging itself. The council will work with the forum to see if it possible to increase the number of available spaces. It is intended that any costs associated with providing parking bays should be managed within existing budgets.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Increase in disabled parking bays	0	0	0	0	0

## Commercial Operations

The Commercial Operations department generates an income for the council through services such as parking, CCTV, events, markets and tourism.

In 2015/16 there is expected to be a shortfall in income for CCTV, markets and events because of previously agreed ambitious income targets, hence the proposal to invest £100,000 in these areas in the coming years. For 2015/16 this will be met from the capacity fund, and in future years it needs to be built into the bottom line. In each of these areas the income generated is increasing year on year and this trend is expected to continue. For example, it is anticipated that refurbishment of additional units at the City Market will in time generate an additional £48,000 income.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Commercial operations	0	100	100	100	100

## APPENDIX 6

### **GROWTH AND REGENERATION - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

The Growth and Regeneration directorate consists of the following:

#### **Peterborough highway services**

This partnership with Skanska, the council's highway contractor, is responsible for maintaining and improving our roads and street lights, gritting roads in the winter, planning the future of transport in Peterborough and its surrounding villages, and for public transport.

#### **Planning services**

This service includes surveyors, planners and other technical teams who work with residents and businesses to ensure new development fits with the city's growth plans. The service also works with schools and local communities to help make our city greener and is responsible for our environment capital aspiration, to reduce Peterborough's carbon footprint, improve recycling rates and encourage less car travel.

#### **Opportunity Peterborough**

The council's wholly-owned company Opportunity Peterborough supports our agenda to grow the city by 20,000 jobs and 25,500 houses by 2026, by attracting inward investment, marketing the city and supporting skills.

#### **Growth joint venture company**

This new partnership is supporting the regeneration of city centre sites in the council's ownership including Fletton Quays (also known as South Bank/Riverside Opportunity Area).

#### **Emergency planning and resilience**

This team is responsible for ensuring the council and the city have contingency plans in place for any major emergency.

The current budget for the Growth and Regeneration department is £15.1million. Phase one proposals will save £136,000 in 2015/16. The proposals presented on the next page would save £610,000 in 2015/16.

## **SAVINGS - REVENUE**

### **Roads and footpaths maintenance**

This proposal is for a short-term reduction in the money spent on improving residential roads and footpaths. Only those schemes which are necessary to ensure the safety of the public will be carried out. In addition, preventative work will be undertaken to ensure surfaces are maintained to last as long as possible. This is a short-term reduction until 2017/18 when the budget will be reintroduced. This saving would not affect main roads across the city.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Roads and footpaths maintenance	-450	-450	-210	0	0
Replaced in part by a capital budget	120	120	0	0	0

In addition to the above proposal, £120,000 of maintenance works that are currently funded from the revenue budget can instead be funded from capital between 2015/16 and 2016/17. This has reduced the above saving in each year by £120,000. The council incurs a cost to borrow this money and therefore the following investment is needed.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Roads and footpaths investment	3	10	14	14	15

### Growth joint venture company

The council has approved the creation of a new joint venture company to progress redevelopment schemes on council-owned land in the city centre including the South Bank site. It was initially thought that the council would need to contribute £3m capital funding towards the company. This would have been matched by the private sector partner to cover the cost of bringing projects forward. Under the terms of the proposal now being considered, the council no longer needs to invest £3m capital money resulting in a revenue saving on the cost of borrowing.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Growth joint venture company	-120	-120	-120	-120	-120

### Supporting growth – budget reduction

Previously a budget of £144,000 was set aside for growth projects. This proposal looks to reduce that budget by £40,000 in view of the fact the council has committed to setting up a new growth joint venture company. As a result the money needed by the council to support growth in the city can now be reduced.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Supporting growth - reduction of budget	-40	-40	-40	-40	-40

## INVESTMENTS - REVENUE

### Companion bus passes

At the budget scrutiny meeting held on 3 December 2014, councillor Judy Fox asked for companion passengers to be able to travel for free on buses. Companion bus passengers are those, for example, who help blind or partially sighted people travel on buses. Investigation into such a scheme is underway, and any potential costs will need to be factored into the budget at a later stage.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Companion bus passes	tbc	0	0	0	0

## **APPENDIX 7**

### **RESOURCES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

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, 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 Ltd

The current budget for the Resources department is £33.7m. Phase one proposals will save £6.7m in 2015/16. The proposals presented on the next page would save £5.3m in 2015/16.

The proposals as presented also include investments totalling £661,000 in 2015/16.

### **SAVINGS – REVENUE**

#### **Spend management**

A review has been undertaken of the supplies and services budget which includes money spent on conferences and events, furniture, hospitality, postage, print and advertising, room hire and stationery.

All requests for spending will be reviewed to ensure that only supplies and services deemed necessary are approved and that these are provided in the most cost effective way.

In addition, spending on training and development will be centralised within the Governance department so that all requests can be reviewed and co-ordinated to achieve best value for money.

In total, this proposal is expected to save £410,000 each year and is approximately a reduction of 30 per cent on the council's supplies and services budget.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Spend management	-410	-410	-410	-410	-410

### **Increase fees and charges**

A review will be undertaken of fees that the council charges for providing services. The council charges for a whole range of services including bereavement, registration, licensing and nationality checking. Whilst most will be increased by inflation, in some areas extra volume or price changes can bring in more income. This will enable the council to make a saving of £70,000 in its overall budget.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Increase fees and charges	-70	-70	-70	-70	-70

### **Customer experience programme – phase two**

The customer experience programme will redefine the way our customers interact with us, will contribute to us becoming a commissioning council, and will deliver direct and enabled savings across the council. The programme will use lower cost and digital means of customers interacting with the council, join up and optimise council processes (meaning lower costs), make greater use of social media and technology, and allow us to launch campaigns and new council services in more responsive ways.

We are confident that 25 per cent revenue savings can be achieved by reducing headcount. The financial model assumes that there will be redundancy costs. However, in line with existing council policy, these costs could reduce through removing vacant posts and redeployment opportunities.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Customer experience – phase two	-200	-2,000	-3,000	-3,000	-3,000

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

The Serco Strategic Partnership manages many of our back office functions including our business support staff, the council tax and benefits teams, strategic improvement and project support, customer services and finance systems. Part of the contract also covers services such as the central funding unit which researches what external funding is available to the council and supports in preparing bids, business intelligence and analysis, and project management. The use of these resources is planned on an annual basis. The council has evaluated the resources needed to complete important transformation projects and reduced the cost of the core contract accordingly. Additional savings arise from

renegotiation of contract terms by exercising the option now to remove the break clauses within the existing 20 year contract which are set at ten and 15 years. Finally, there will be further savings in ICT arising from greater use of cloud technology.

The council spends £3.5m each year with Serco on business support. The proposal approved in phase one was to reduce this spend by £1m in 2015/16, by council departments removing 30 per cent of business support work undertaken. In light of the departmental review and phase two budget proposals, it is recognised that there is a need to retain more business support staff. This saving proposal is therefore proposed to reduce from £1m to £500,000, a reduction of 15 per cent in business support work undertaken. However, this position will continue to be monitored to see if further savings can be identified in the future.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Serco Strategic Partnership	-1,980	-1,565	-1,504	-1,504	-1,504
Business support – reduction in phase one savings	500	500	500	500	500

### Amey contract inflation

There is an annual contractual review of inflation levels which is built into all council contracts. This proposal relates to the Amey contract. An estimate of the inflation level for this contract in 2015/16 has been reviewed and is lower than anticipated, therefore generating a saving.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Amey contract inflation	-150	-150	-150	-150	-150

### Parks, trees and open spaces – item deferred from phase one

The original saving proposals put forward during phase one for parks, trees and open spaces totalled £278,000. On 17 December, Council agreed to defer £167,500 of the original saving proposal to allow further work on these options. The proposal has been included within this document to allow the discussion to continue before Cabinet makes its final budget recommendations to Council on 23 February 2015.

The proposals being deferred include the following:

- Cutting of parkway verges will be reduced by around 20 per cent, however visibility for traffic will be maintained at all times. This proposal makes a saving of £10,000.
- City-wide grass cutting will be reduced from ten cuts a year to eight. This proposal makes a saving of £38,500. Further work is underway to see whether there are options to increase the potential for savings from varying our approach to grass-cutting across the city.
- Shrubs which are ageing or have reached the end of their life will be removed. This proposal makes a saving of £83,000. Further work is underway to explore and evaluate how this saving can be delivered to avoid, wherever possible, the need to remove existing, healthy shrubs.
- Savings from not maintaining/closing four of the city's seven bowling greens and the grass tennis courts at Central and Itter parks. There are bowling greens at Bushfield in Orton, Central Park (2), East Community Centre, Itter Park, Ringwood in Bretton, Stanground and Werrington and six grass tennis courts at Central Park and five at Itter Park. Clay tennis courts at both parks will remain open. This proposal makes a saving of £36,000. The council is actively exploring with a

number of interested parties, including bowls clubs, options for greater community involvement to see if it is possible to make savings without closure of the facilities.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Reduced cutting of parkway verges	-10	-10	-10	-10	-10
Reduction in frequency of grass cutting	-39	-39	-39	-39	-39
Reduction in cost of shrub removal	-83	-83	-83	-83	-83
Closure of four bowling greens	-25	-25	-25	-25	-25
Closure of all grass tennis courts	-11	-11	-11	-11	-11

### Cultural services – change to library service

In the summer of 2014 the council undertook an eight-week consultation which asked people which libraries and communities centres they use, when and how often they use them and what they use them for. In total, 5,110 people responded. This consultation formed part of a review of the services we currently provide with our partners Vivacity in order to provide more relevant, responsive services in the future to meet people’s needs within the financial constraints we face.

In the responses to the consultation, the question ‘what is most important to you about a library service?’ received three strikingly significant responses:

- The books on the shelves (87.2% said extremely important)
- The location (70.4% said extremely important) and
- Access to information (55.6% said extremely important)

In view of the consultation responses, we are:

- Determined to retain all of the existing libraries;
- Proposing to invest in technology to make libraries more accessible outside normal hours;
- Exploring whether other services can be delivered from libraries to further improve access to information.

Our preferred way forward is for all library buildings to remain open. There would be a reduced number of staff hours, but the libraries themselves would be available for increased hours (with no staff present). This will be made possible through investment in technology called Open+ which will enable visitors to access the libraries on a self-service basis. Libraries would be accessible for a further 126 hours per week. In total libraries would be open for 387 hours per week, compared to 261 at present.

We believe an annual saving of £350,000 will be achievable if we retain and staff all the existing libraries, but with reduced staffed hours. This saving is made up of reductions in staffing costs (£320,000) and the Book Fund (£30,000 - The Book Fund covers much more than books on shelves (which won’t be affected by this reduction) – it covers expenditure on a range of resources, including other materials and on-line subscriptions).

How this might look:

		<b>Our preferred option</b>		
<b>LIBRARY</b>	<b>Current opening hours</b>	<b>Staffed hours</b>	<b>Self-service hours</b>	<b>Total staffed and self-service hours</b>
<b>Central</b>	40	33	22.75	55.75
<b>Bretton</b>	29	16	21.25	37.25
<b>Dogsthorpe</b>	29	14	19	33
<b>Eye</b>	21	10	14.5	24.5
<b>Hampton</b>	21	14	61	75
<b>Orton</b>	29	16	22.25	38.25
<b>Stanground</b>	21	10	21.5	31.5
<b>Thorney</b>	21	10	15.25	25.25
<b>Werrington</b>	29	16	25	41
<b>Woodston</b>	21	10	15.25	25.25
<b>TOTAL</b>	<b>261</b>	<b>149</b>	<b>237.75</b>	<b>386.75</b>
<b>Available weekly hours</b>	<b>261</b>	<b>386.75</b>		

This approach would result in a reduction of staffed hours from 261 to 149, however the overall hours the buildings will be available will increased by 126 hours from the current available hours. The precise hours for each library building are subject to change as we refine the model with Vivacity.

The existing mobile library and the (volunteer-run) books at home services will not be affected.

It will take time to introduce these changes, which will reduce the total saving in 2015/16 by £30,000. We would aim to implement the new arrangements from May 2015. The one month shortfall in saving will be met from the council's capacity fund.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Change to library service	-350	-350	-350	-350	-350

### **Towards self-financing cultural and leisure services**

There are a number of services provide by Vivacity, the city's culture and leisure trust, which could be further developed by the trust to become self-financing. In the coming year it is proposed that Vivacity looks to develop this approach in six areas outlined below. This proposal looks to remove the council's obligation under the contract to provide funding for these six areas, with the intention that Vivacity will seek to continue to provide these services, with possible changes as set out in the table below. This proposal would save £400,000 in 2015/16 (albeit with continuing council investment in the facilities concerned of £126k covering areas such as utilities). The council continues to work with Vivacity to develop self-financing cultural and leisure services in the city.

Service area	Impact on service	Saving from Funding and Management Agreement £k	Ongoing cost to council £k
Peterborough Arts Festival	The reduction in the service fee will result in a greatly reduced arts festival with fewer performances and artists taking part, reducing the festival to one weekend only. There will be an arts festival in 2015, funded through a current European bid. This funding finishes in 2015. Vivacity will therefore provide a significantly reduced arts festival in 2015/16 and may not be able to deliver a festival in 2016/17 and beyond, if external funding cannot be found.	-40	0
Arts development	The reduction in the service fee will result in a staff restructure within the arts development team, as part of a potential merger of the development teams from arts, heritage and libraries. This will mean fewer exhibitions, programmed in for longer periods. Where the programme has not already been set, this will also mean staging more cost effective exhibitions.	-40	0
The Key Theatre	Vivacity anticipates no direct impact in 2015/16 on the service provided currently if trading performance is strong, through the redevelopment of the bar and new income streams. However, the reduction in funding will result in Vivacity reviewing its current fees and charges for tickets and bookings and reviewing the type of programme offered.	-180	72
Heritage exhibitions	The reduction in the service fee will result in a staff restructure within the heritage development team, as part of a potential merger of the development teams from arts, heritage and libraries. For heritage development specifically, this will mean fewer exhibitions, programmed in for longer periods. Where the programme has not already been set, this will also mean staging more cost effective exhibitions. Delivery of the Heritage Festival in the city centre in 2015/16 requires external funding to be secured by Vivacity.	-10	0
Sports development	The reduction in the service fee will be managed by Vivacity as part of a review of how it supports a range of sporting activity. Vivacity anticipates no direct impact in 2015/16 on the service provided currently by the sports development team if trading performance is strong. However, the reduction in funding could impact on Vivacity's ability to support the Perkins Great Eastern Run, and in particular its support for volunteers.	-70	0
The Lido	Vivacity anticipates revisiting admissions charges as a result of this change.	-60	54
<b>Total</b>		<b>-400</b>	<b>126</b>

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Development of self-financing cultural and leisure services (This includes a £250,000 target set for 2015/16 in last year's budget)	-400	-400	-400	-400	-400

### **Support to housing associations**

The council has a long history of supporting the development of new homes in the city. This has included provision and support for social housing. In addition, it has helped over 70 first-time buyers to purchase their own home through the Local Authority Mortgage Scheme.

The council has continued to investigate further ways it can support the development of housing, and this proposal is to provide finance of £10m to Axiom Housing Association to help support its activities in the city, potentially including additional affordable homes and supported accommodation in the city. This proposal would see the council become one of Axiom's lenders, so that it could invest in housing provision. This would enable the housing association to deliver more housing as it will enable it to secure lower cost finance through the council. The benefit for the council and its residents is that the loan would generate a financial return to support the council's budget and to protect other council services.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Support to housing associations	-40	-40	-40	-40	-40

### **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 £750,000 of spend in 2015/16, and £250,000 per year after that.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Schools capitalisation	-750	-250	-250	-250	-250

### **Transport contract review**

The council spends in the region of £4m every year on providing transport, including transport for school pupils. We are reviewing how we procure transport and we believe there is an opportunity to renegotiate with contractors to enable the council to obtain the best price for the service it requires. This is expected to generate a saving of £200,000 in 2015/16 and beyond.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Transport contract review	-200	-200	-200	-200	-200

## New financial system

Currently the council uses a financial system called Oracle which would require costly upgrades in the coming year to be able to continue to meet the council's needs. A review of other financial systems that are available has been carried out and it is considered more cost-effective to invest in a different system which would better meet the council's needs and would cost less to run. The introduction of this new system will generate a saving of £20,000 in 2015/16.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
New financial system	-20	-20	-20	-20	-20

## Business rate inflation

The council assumes an amount of inflation each year for its property stock. The actual level of inflation is lower than has previously been budgeted for and therefore this generates a saving.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Business rate inflation	-77	-85	-87	-89	-91

## Energy generation and efficiency

The council is developing a number of projects that will utilise existing council assets to generate energy and income for the council, and to make a significant contribution towards our Environment Capital aspirations. These include:

- The Energy from Waste plant is currently under construction and will become operational in 2015/16. As well as being used to dispose of waste, it will generate power that can be sold to reduce the cost of waste disposal. These savings are already incorporated into this Medium Term Financial Strategy (MTFS).
- Solar panels have been installed on the town hall, regional pool and a number of schools. Further roll-out on schools and buildings are underway
- Investment in energy efficiency measures through the council's partnership with Honeywell in council buildings is reducing energy bills

There are three further changes to the budget for 2015/16 and beyond:

## Empower solar panel scheme

The council has agreed to enter into a partnership with social enterprise Empower Community Management LLP to deliver solar panels on private properties in the city. Under the scheme, property owners benefit from in the region of £200 worth of free energy each year generated by the solar panels and a one-off payment of £100 every five years for their participation in the scheme.

Based on an assumed take-up of 1,500 properties, the council expects to generate in the region of £1m during the 20 year life of the scheme. The scheme is expected to begin generating an income from next year.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Empower solar panel scheme	-16	-66	-90	-30	-30

### Carbon Reduction Commitment (CRC)

The CRC energy efficiency scheme is designed to incentivise energy efficiency and cut emissions in large energy users in the public and private sectors across the UK. It involves organisations buying allowances for every tonne of carbon they emit. The investment that the council is undertaking in energy efficiency and generation measures is reducing its carbon footprint. We expect our level to be below the threshold for the next round of CRC, and as such the council will not have any payments to make.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Carbon Reduction Commitment	0	0	0	0	-300

### Wind and solar farms

Previous budget plans included income from the energy generated from the development of three wind and solar farms. It was flagged at that time that if the projects did not go ahead then the budget gaps we face would widen.

On 2 October 2014, the government announced that support for large scale solar projects would be scrapped from April 2015. This was on the back of changes to national planning guidance on wind and solar schemes, national funding uncertainties for onshore wind schemes and local opposition to the proposed solar farm schemes. Also taken into consideration was the report from the Solar and Wind Energy Review Group which was presented to the Cabinet meeting on 22 September 2014.

As a result, Cabinet announced on 7 October that it was to halt the renewable schemes at Newborough and Morris Fen. A motion was also put forward to Council on 8 October to halt these schemes.

Final evaluations are currently taking place to determine whether the third scheme at America Farm should progress. It is anticipated this will be reported to Cabinet in this municipal year together with the decision to cease the projects at Newborough and Morris Fen.

The financial impact on the council's budget has been based on the worst case scenario which is as follows:

1. That none of the schemes will receive approval and all project costs are charged to the capacity building reserve.
2. That all net costs and income are removed from the budget and medium term financial plan.

There is a one-off benefit in 2015/16, when project costs were expected to be higher than the income generated. There is however a significant budget pressure of £1,263,000 in 2016/17, rising to over £5m from 2018/19 onwards – this is because the net profit will no longer accrue from the schemes.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Removal of expected net profit from wind and solar farms	-419	1,263	4,810	5,295	5,769

## INVESTMENT - REVENUE

### City-wide funding unit

This proposal looks to establish a city-wide funding unit with Opportunity Peterborough and Cross Keys Homes to better enable the city to attract European funding.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
City-wide funding unit	40	40	40	40	40

### Capital financing investment costs

The capital programme has been reviewed to ensure that adequate investment is in place to achieve council 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. The costs of the updated capital programme are summarised below:

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Capital financing investment costs	121	251	457	496	509

## **APPENDX 8**

### **FUNDING IMPLICATIONS**

The overall local government funding implications for the council have been reviewed against the provisional settlement announcement and reflected in this document. The local government funding allocations are not expected to be finalised by government until February 2015. The tables below outline the funding updates impacting on the council's position and additional income that the council expects through revising the council tax base for council tax income.

#### **Increase in funding**

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
New Homes Bonus	-32	tbc	tbc	tbc	tbc
Business rate income - renewables	-40	-302	-308	-314	-321
Council tax income – growth in the city	-750	-750	-750	-750	-750
Contribution from reserves to balance the budget in 2015/16	-83	0	0	0	0

#### **Reduction in funding (pressure)**

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Reduction in funding compared to existing budget assumptions	541	342	342	342	342
Carbon reduction commitment – reduced funding	0	0	0	0	300

## **APPENDIX 9**

### **STAFF IMPLICATIONS**

#### **SAVINGS - REVENUE**

The council is proposing to consult with trade unions and staff on the three proposals set out below.

##### **Removal of key user scheme**

This proposal looks to remove the council's key user policy which allows staff who have a need to use a car as part of their role to park in council car parks for free. These staff will be required to pay for a staff parking permit, in line with the policy for all other staff.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Removal of key user scheme	-26	-66	-66	-66	-66

##### **Staff parking permits**

It is proposed that an increase of between five and ten per cent is applied to staff parking permits. The increase applied would be dependent upon the employee's salary, with lower earners paying an extra five per cent and higher earners paying an additional ten per cent. In addition, it is proposed that the premium rate paid by staff to park in the Car Haven car park is doubled to £150 per annum. These proposals also relate to staff who work for organisations to which the council has outsourced services. The cost of occasional permits which can be purchased by staff will be increased from £2.30 per day to £2.80.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Staff parking permits	-38	-38	-38	-38	-38

##### **Employee lease car scheme**

This proposal is to introduce a scheme to enable employees to lease cars via the council through a salary sacrifice scheme. Many authorities have used this scheme and it has proven to be popular. It provides savings to both the employee as it is tax deductible and to the employer through reduced National Insurance contributions. Other authorities that have introduced such a scheme include Cumbria County Council, North Yorkshire County Council and Leicester City Council.

The scheme allows employees to lease a car and payments are deducted from their gross pay. This means that employees are taxed and make National Insurance contributions on their pay after the lease car payment has been deducted. Employees who are in the LGPS, the NHSPS, or the TPS would have their pension contributions calculated on their salary paid after the salary sacrifice deductions. The council can place restrictions on the vehicles available, including restricting the list of available cars to those below a specified CO2 emissions limit. It may also be possible to specify that cars must be supplied by local car dealerships.

<b>Issue</b>	<b>2015/16 £k</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Lease car scheme	-50	-100	-100	-100	-100

## INVESTMENT - REVENUE

### Living wage

Currently 28 members of council staff earn below the living wage of £7.85 an hour. This proposal looks to raise the salary of these staff so that they earn the equivalent of the living wage.

Issue	2015/16 £k	2016/17	2017/18	2018/19	2019/20
Living wage	22	22	22	22	22

### Headcount implications

Of the phase two proposals outlined in this document, it is expected only the customer experience programme and the senior manager review will incur reductions in staffing. Our best estimate at this stage is that we anticipate there may be a reduction in staffing numbers of up to 26. For the Customer experience programme, the majority of staffing reductions will occur during 2016/17 but some will happen during 2015/16. Phase one changes approved by Council on 17 December proposed the restructure of a number of teams and departments which may result in a number of posts being affected.

The council's 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.

This information relates to council staff only. The budget proposals will also impact on the council's partners.