CABINET

MONDAY 29 FEBRUARY 2016

MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2016/17 - 2025/26

COUNCILLOR DAVID SEATON
CABINET MEMBER FOR RESOURCES

JOHN HARRISON
CORPORATE DIRECTOR RESOURCES

Growing the right way for a bigger, better Peterborough

PETERBOROUGH
CITY COUNCIL

CABINET	AGENDA ITEM No.7
29th February 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director – Financial Services	Tel. 452520 Tel. 384564

Medium Term Financial Strategy (MTFS) 2016/17 – 2025/26

RECOMMENDATIONS	
FROM : Cabinet Member for Resources	**Deadline date :** 19th February 2016

It is recommended that Cabinet notes:

1. The advice of the Chief Finance Officer per Schedule A, the continuing uncertainty of national public finances, and the risks surrounding forecasts and budget proposals.
2. The outcome of the Final Local Government Finance Settlement as outlined in this report and Schedule A.
3. The updates to the budget since 8th February 2016 as detailed in this report and Schedule A.
4. The feedback to date on the budget proposals from residents, staff and community groups as detailed in Schedule H.

It is recommended that Cabinet approves:

5. The Schools budgets as set out in Schedule A, part 10.
6. The Street Lighting Business Case as set out in Schedule E (i), including the works to be delivered by Skanska.

It is recommended that Cabinet approves and recommends to Council:

7. The draft Medium Term Financial Strategy 2016/17 – 2025/26 (including Phase 2 budget proposals and subsequent adjustments) as set out in the attached Schedules which comprise of:
    a. Report of the Chief Finance Officer
        i. Adult Social Care Precept Briefing
    b. Forecast Revenue Outturn 2015/16
    c. Budget Proposals, Key Figures & Cash Limits
    d. Treasury Strategy, Prudential Code & Minimum Revenue Provision
    e. Capital Strategy, Programme & Disposal 2016/17 – 2025/26
        i. Street Lighting Business Case
    f. Asset Management Plan
8. The Fees & Charges proposals as detailed in Schedule C, part 13.
9. A general Council Tax rise of 1.99% for 2016/17, with indicative increases of 1.99% for future years for planning purposes.
10. A Social Care precept of 2.00% for 2016/17.

1. ORIGIN OF REPORT

1.1. This report comes to Cabinet as part of the Council's formal budget process as set out within the constitution and as per legislative requirements to set a balanced budget for 2016/17.

2. PURPOSE AND REASON FOR REPORT

2.1. The purpose of the report is to consider budget for proposals for recommendation to Council on 9th March 2016.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	29th February 2016
Date for relevant Council Meeting	9th March 2016	Date for submission to Government department	16th March 2016 (DCLG)

4. EXECUTIVE SUMMARY

4.1. This report confirms the impact of the Final Local Government Finance Settlement and proposals for a balanced budget, including Phase 2 budget proposals and other subsequent amendments, to enable the council tax to be set for 2016/17 and to give an assessment of the financial outlook in future years.

4.2. The table in 4.12 indicates the changes that have been recommended to the summary budget proposals first presented to Cabinet on 8th February.

4.3. The budget for 16/17 is balanced, however, deficits for future years remain, with significant gaps to cover from 17/18.

4.4. 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 1 - savings proposals of £12.1m approved by Council on 17th December 2015;
- Phase 2 – savings proposals of £12.0m to be presented to Council on 9th March 2016.

4.5. Unlike in previous years, Council Tax freeze grant will no longer be available in 16/17. Freeze grants were in place to mitigate the impact of foregone Council tax, allowing Councils to freeze Council Tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.

4.6. Given the scale of the challenges that the Council faces going forward, the desire to keep Council Tax bills low must be offset against the need to protect vital services.

4.7. Therefore, having fully considered the level of pressures identified and savings required, the Cabinet is proposing that Council raise Council Tax by 1.99%, and levy a Social Care Precept of 2%, meaning that the Band D Council Tax will change from £1,128.03 to £1,173.04, a change of 87p per week.

4.8. The Council Tax charge can be broken down as follows. Regulations require the Council to show separately amounts for general Council Tax and the Adult Social Care Precept on the face of the Council Tax bill.

	Increase	Amount Raised (Tax Base: 54,100.4)	Cost Per Household
Basic Council Tax 15/16		£61,026,874	£1,128.03
General Council Tax Increase	1.99%	£ 1,214,554	£22.45
Adult Social Care Precept	2.00%	£ 1,220,505	£22.56
Total	**3.99%**	**£63,461,933**	**£1,173.04**

4.9. The budget for 2016/17 and the MTFS proposes a strategy whereby the Council will:

a) Seek to vigorously pursue efficiency savings.
b) Seek out new forms of service delivery to reduce cost and generate income.
c) Seek to be increasingly entrepreneurial in the way it is managed and run.
d) Act in a measured way when examining options to balance further budgets.
e) Look to deliver in future years an efficiency plan to secure maximum grant funding/
f) Ensure the significant risks that the Council is likely to face are proactively managed.

4.10. The proposed budget contains no reductions to services.

4.11. Following the publication of the Phase 2 budget proposals, some further amendments to the budget were required as follows:

4.12. ***Changes to Summary Budget Position since 8th February 2016***

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Budget gap reported to Cabinet 8th February 2016	**-**	**5,269**	**24,134**	**30,769**	**33,459**
Funding Adjustments					
1) Adjustments to Public Health Grant	76	149	226	302	302
2) Adjustments to New Homes Bonus	4	4	3	3	3
3) Former Independent Living Fund Pressure	7	12	15	19	19
4) Post NNDR1 Adjustment to Business Rates	-1,217	0	0	0	0
Other Adjustments					
5) Street Lighting Business Case	-70	-150	-50	50	-10
6) Council Tax Rounding	6	11	19	27	34
7) Additional contribution to/(from) grant equalisation reserve	1,194	-1,194			
Post-Settlement Position	**-**	**4,101**	**24,347**	**31,170**	**33,807**
Revised Incremental Savings Required	**-**	**4,101**	**20,246**	**6,823**	**2,637**

4.13. Reasons for the required adjustments are as follows:

1) Public Health Grant reductions have been revised due to funding for functions transferred to the Council in-year also being cut at the same level as the main Public Health Grant allocation.
2) A small adjustment is required to New Homes Bonus after the Final Settlement allocations were published.
3) Former Independent Living Fund Grants have now been published and are lower than the Council's required spend, therefore a pressure has been identified above.
4) The NNDR 1 declaration has now been submitted to Government and as a result the Council can declare a £1.2m one-off benefit.
5) Details of the street lighting business case are provided in full in Schedule E (i).
6) Following the issue of Council Tax referendum regulations on 12th February 2016, the Council has to ensure that its total Council Tax rise is no higher than 3.99%.
7) It is proposed that the net surplus resulting from these amendments is added to the proposed grant equalisation reserve to support a strategic and measured approach to savings in future years.

4.14. The Provisional Settlement announced the offer of a Four-Year Finance Settlement for Local Government. The Final Settlement confirmed that Local Authorities would have until 14th October 2016 to decide whether to accept a four-year deal and it is anticipated that those who do will be required to submit an efficiency plan.

4.15. However, the Council is still awaiting information on what a four-year deal will include and what form the efficiency plan must take. Officers continue to monitor this issue closely and will provide further details to Members as soon as they become available.

4.16. The Council has held some preliminary discussions with Peterborough Regional College regarding the possibility of the Council lending to them to invest in new facilities. These discussions are at a very early stage, but the Treasury Management Strategy has been updated so that PRC are added to the list of organisations the Council can make secured loans to. This does not commit the Council making such a loan, it simply means that the Council can consider this during the year. This could only proceed following an appropriate executive decision.

4.17. The MTFS document attached to 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:

- Report of the Chief Finance Officer
- Forecast Revenue Outturn 2015/16
- Budget Proposals, Key Figures & Cash Limits
- Capital & Treasury Management Plan 2016/17 – 2025/26
- Phase 2 Budget Conversation Document
- Phase 2 Budget Conversation Responses

4.18. The financial and technical aspects underpinning Cabinet's report takes into consideration the report of the Chief Financial Officer, which includes advice on the adequacy of reserves and provisions and the robustness of budget estimates as part of the annual budget process. The report is attached at Schedule A.

5. BUDGET CONVERSATION

5.1. Cabinet seeks feedback from all residents, service users, staff and other interested parties in relation to its proposed budget.

5.2. Phase 2 proposals are detailed in full in Schedule C of the Medium Term Financial Strategy document. The budget conversation will close on 5pm on March 7th 2016, with a decision on the Budget to be taken by Council on March 9th 2016, taking into consideration all of the consultation feedback received by that date.

5.3. The conversation document is available on the Council's website, and in hard copy format at Council offices and in libraries.

5.4. Officers have, and will, attend various meetings and discussion forums to gather feedback. The presentations made at these events will provide the context to the Council's financial position, phase 2 budget proposals and include specific issues that may impact on that groups attending the meetings or discussion forum, as well as providing an opportunity to ask more detailed questions.

5.5. The table below indicates the groups that will be asked for feedback on the phase two proposals

Forum	**Date**	**Location**
Borderline and Peterborough Executive Partnership Board	19/2/16	The Fleet
Disability Forum	Papers to be circulated for feedback as no meeting is scheduled within the consultation period.	
Schools Forum	Papers to be circulated for feedback as no meeting is scheduled within the consultation period.	
Peterborough Community Assistance Scheme	8/3/16	4.1 Bayard
Youth Council	23/2/16	Forli Room
Bondholder Breakfast	Papers to be circulated for feedback as no meeting is scheduled within the consultation period.	
Peterborough Housing Partnership	Papers to be circulated for feedback as no meeting is scheduled within the consultation period.	
Connect Group	12/2/16	Town Hall
Parish Council	9/2/16	Bourges/Viersen
Discussion with Trade Unions Joint Consultative Forum (JCF)	3/3/16	Forli Room

5.6. Feedback received to date is detailed in Schedule H.

5.7. As at February 17th 2016, 13 responses have been received as part of the public conversation. Issues arising include:

- Staff Terms & Conditions
- Mayor's Car
- Traffic Control
- Christmas Decorations

- Disability Housing
- Bus Services
- Car Parking

5.8. Of public responses received to date, 85% of respondents said they understood ‘a great deal’ or ‘a fair amount’ about the Council’s budget proposals.

5.9. In terms of the general view of respondents, 2 responses were positive, 1 was neutral and 10 were negative. Only 1 respondent commented regarding Council Tax increases.

5.10. 38 staff have responded via the Council intranet in relation to Terms and Conditions proposals.

5.11. Feedback from Joint Scrutiny, community organisations and other stakeholders is given in Schedule H.

6. ANTICIPATED OUTCOMES

6.1. Taking into consideration the results of the consultation feedback received to date (to be circulated as an addendum), Cabinet is required to approve and recommend to Council the Phase 2 budget proposals and other budget adjustments.

6.2. The approval of Phase 2 budget proposals will enable the Council to implement savings at the earliest opportunity, either under Director Delegation, Cabinet Member Decision Notice or a further report to Cabinet.

7. IMPLICATIONS

Elected Members

7.1. Members must have regard to the advice of the Chief Finance (s151) Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

7.2. 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

7.3. 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.

7.4. 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.

7.5. When it comes to make its decision on 9th March 2016, 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.

7.6. By law, the budget must be agreed by 11th March at the latest.

7.7. 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:

i. consultation must be at a time when proposals are still at a formative stage;
ii. the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
iii. adequate time must be given for consideration and response; and
iv. the product of consultation must be conscientiously taken into account in finalising any statutory proposals.
v. Added to which are two further principles that allow for variation in the form of consultation, which are
vi. 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
vii. 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.

Human Resource Implications

7.8. The Phase 2 budget proposals do not recommend any redundancies. Details of proposals relating to changes in staff terms and conditions are detailed in the Phase 2 budget conversation document.

7.9. The impact of Phase 1 proposals was reported to Council on 17th December 2015 as follows:

Staff implications	**Total**
Total number of affected posts	12
Less vacant posts to be deleted	(4)
Posts be to affected through redundancies	**8**

Equality Impact Assessments

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

8. BACKGROUND DOCUMENTS

The documents comprising the attached Medium Term Financial Strategy are as follows:

Contents
Schedule A – Report of the Chief Officer
Schedule A (i) – Adult Social Care Briefing

Schedule B – Revenue Outturn Forecast
Schedule C – Budget Proposals, Key Figures & Cash Limits
Schedule D - Treasury Strategy, Prudential Code & Minimum Revenue Provision
Schedule E - Capital Strategy, Programme & Disposal 2016/17 – 2025/26
Schedule E (i) – Street Lighting Business Case
Schedule F – Asset Management Plan
Schedule G - Phase 2 Budget Conversation Document
Schedule H – Phase 2 Budget Conversation Responses

MEDIUM TERM FINANCIAL STRATEGY

2016/17 – 2025/26

Cabinet

29th February 2016

PETERBOROUGH CITY COUNCIL

CONTENTS

Schedule A - Report of the Chief Finance Officer

Schedule B – 2015/16 Forecast Revenue Outturn

Schedule C - Budget Proposals, Key Figures & Cash Limits

PETERBOROUGH CITY COUNCIL

PETERBOROUGH CITY COUNCIL

Schedule A – 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 Council in two areas:

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

1.2. The Council must have regard to this report when making budget decisions.

1.3. This report deals with these key issues and summarises the key financial and technical information that supports the setting of the 2016/17 budget and Medium Term Financial Strategy to 2025/26.

1.4. This schedule comprises of the following sections:

- The national & local context
- The Final Local Government Finance Settlement
- Current year financial position
- 2016/17 Budget & schedule of key figures
- Future financial outlook
- Business Rates
- Spending power assumptions
- Council Tax
- Education funding
- Reserves, balances and robustness of estimates
- Fees and charges
- The capital programme 2016/17 to 2025/26 including the capital strategy, asset management plan and treasury strategy
- Budget virement limits & capital programme changes
- Budget risks

2. NATIONAL & LOCAL CONTEXT

2.1. The budget is set in the context of the most incredibly challenging financial times local government has ever faced.

2.2. The Local Government sector is facing increasing demands for services, whilst at the same time facing severe reductions to its funding. Over the course of this Parliament, Councils are expected to face additional funding cuts of 40% nationally (Source: LGA), meaning an extra £20bn of savings must be found nationally to meet this gap. When taken together with cuts experienced since 2010, the total reduction to Local Government funding by 2020 will hit 64%.

2.3. This is a huge challenge, and we must find new and innovative ways to deliver our services to ensure a sustainable financial future for the Council.

2.4. Furthermore, the Final Local Government Finance Settlement confirmed significant changes to the way Local Authorities will be funded going forward. This is likely to cause major shifts of funding across regions and an imbalance between upper tier, lower tier, county and unitary authorities. This is explained in further detail in section 3.

2.5. Locally, Peterborough City Council's priorities continue to be to:
- Drive growth, regeneration and economic development
- Improve educational attainment and skills
- Safeguard vulnerable children and adults
- Implement the Environment Capital agenda
- Support Peterborough's culture and leisure trust Vivacity
- Keep all our communities safe, cohesive and healthy
- Achieve the best health and wellbeing for the city

2.6. The budget is set within the context of these priorities, according to the Council's constitution.

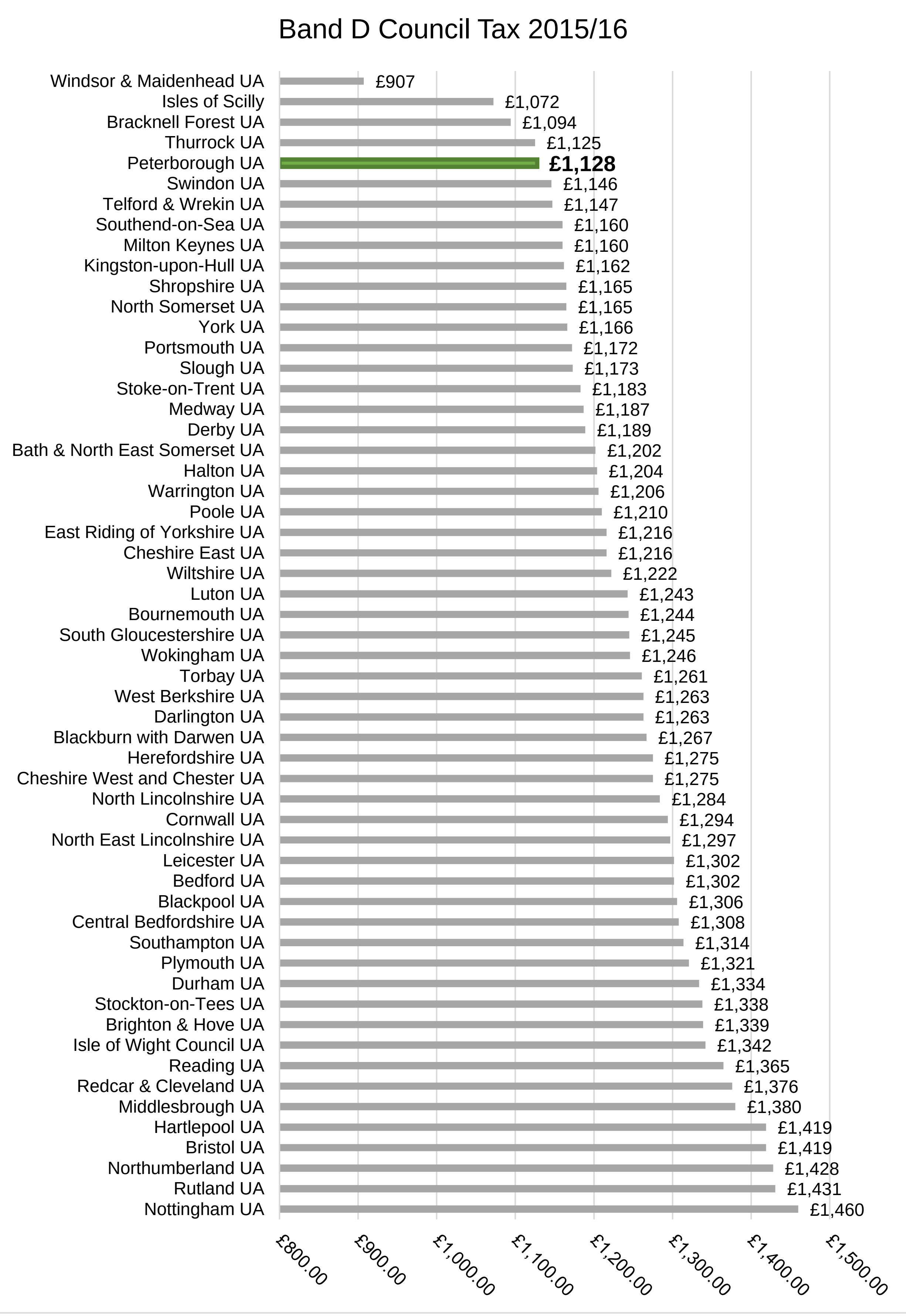
2.7. The budget for 2016/17 and the indicative MTFS proposes a strategy whereby the Council will:

- Seek to vigorously pursue efficiency savings.
- Seek out new forms of service delivery to reduce cost and generate income.
- Seek to be increasingly entrepreneurial in the way it is managed and run.
- Act in a measured way when examining options to balance further budgets.
- Look to deliver in future years an efficiency plan to secure maximum grant funding/
- Ensure the significant risks that the Council is likely to face are proactively managed.

2.8. Peterborough City Council continues to have one of the lowest Council Tax levels in the country. The following graph shows how Peterborough's level of Band D Council Tax compared to its Unitary Authority peers in 2015/16. It shows that Peterborough residents paid the 5th lowest level of Council tax of 56 Unitary Authorities.

2.9. **2015/16 Band D Council Tax by Unitary Authority**

Source: https://www.gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2015-to-2016



2.10. As funding reductions continue to affect the Local Government sector as a whole, Peterborough is experiencing significant financial pressures of £24.1m for 2016/17. This pressure is mainly as a result of increasing demand for services and changes in demographics within the city, in conjunction with severe reductions in Government funding.

2.11. The Council has a range of statutory services that it 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's priorities.

2.12. The impact of reduced funding and increased pressures in social care and other areas means that liveability services such as street scene, culture and libraries will face a significant squeeze.

2.13. The Council will be significantly affected by the changes to Local Government Finance, as highlighted in section 3.

3. FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1. The Provisional Local Government Finance Settlement for 2016/17 was announced on 17th December 2015. This indicated that the level of funding available to the Council is highly likely to be significantly reduced in future years. The final position was confirmed on 8th February when the Final Settlement was published.

3.2. Several grants have been 'rolled in' to revenue support grant (RSG), which means that they will no longer be allocated to the Council separately from the RSG. These grants are:
   3.2.1. Care Act Grant (£0.848m)
   3.2.2. Lead Local Authority Flood Grant s.31 (£0.020m)

3.3. The Final Settlement made no changes to the level of Revenue Support Grant allocated to the Council as part of the Provisional Settlement.

3.4. Following the Final Settlement, future year allocations for the transferred Former Independent Living Fund were announced. Spend against this grant is expected to be slightly in excess of the allocations given, therefore the additional pressure has been identified in section 3.35. Peterborough's allocations are as follows:

	2016/17	2017/18	2018/19	2019/20
Former Independent Living Fund Grant Allocation	£128,716	£124,478	£120,547	£116,885

3.5. Further reductions have also been made to Public Health Grant, due to funding for functions transferred to the Council in-year in 2015/16 being reduced at the same level as the general grant.

3.6. A full list of other grants is included in Schedule C.

3.7. In addition to significant reductions to Revenue Support Grant and other key grants, the Government announced fundamental changes to the way Local Authorities are financed.

Four-Year Settlements

3.8. The Government has offered Councils the opportunity to accept a Four-year funding settlement, which would allow Councils some certainty in the level of grants that they will receive in future years. This could aid financial planning and alignment of resources to the Council's vision and priorities. It is particularly useful in enabling the planning of transformational projects where cultural change is required.

3.9. The Final Settlement confirmed that Councils will have until 14th October 2016 to accept this offer, and it is likely that an efficiency plan will need to be submitted. However, it is still unclear what will be included in this offer and the Council awaits further clarity on this issue.

New Homes Bonus

3.10. As part of the Provisional Settlement, the Government has announced significant reductions to the New Homes Bonus.

3.11. The Council has actively supported the Government's drive for new homes, so this change is concerning. The Council has growth as a key to its vision and associated policies, and it has been inherent in developing services and designing itself to be fit for the future under the new funding regime. For growth to no longer be rewarded in this way is disappointing.

3.12. It is not clear whether New Homes Bonus would be protected as part of a four-year finance settlement, and officers have sought clarity from Government on this issue. It is possible that there will be a notable shift in funding from the South to the North of the country.

3.13. The Council will respond to the consultation on changes to New Homes Bonus in due course.

Adult Social Care Precept

3.14. The Provisional Settlement introduced a new flexibility for Local Government to raise additional funds to meet its Adult Social Care costs.

3.15. Councils who can demonstrate pressures to their Adult Social Care budgets may raise Council tax by up to 2% in excess of the existing statutory referendum threshold of 2%. This must be certified by the s151 officer.

3.16. As the Council will experience revenue pressures of £4.811m on its Adult Social Care budgets in 2016/17, this MTFS assumes that this flexibility will be exercised in order to protect services, however, we remain concerned that this mechanism for raising funds penalises Authorities such as Peterborough who have worked hard to keep Council tax consistently low. This type of mechanism also acts as a disincentive to work in more efficient ways, which Peterborough is committed to doing in order to ensure the best possible customer experience.

3.17. When calculating a Council's assumed level of spending power, the Government has assumed that each Council will exercise this power, and therefore, there is an implication that Authorities that do not raise the Social Care precept will be worse off.

3.18. Based on information from the Local Government Association (LGA) and from other Authorities, it is anticipated that the vast majority of Councils will exercise this flexibility.

3.19. The future impact of the Adult Social Care precept is unknown. The Council has not yet received confirmation as to whether the flexibility will be available in future years and the extent to which additional funds will be available.

3.20. Spending power is not reflected in the calculation of Adult Social Care spend to enable access to any future precepts.

3.21. A detailed explanation of the Council's financial position with regards to Adult Social Care and the impact of the Adult Social Care Precept can be found in Schedule A (i).

Improved Better Care Fund

3.22. In addition to the Adult Social Care precept, an Improved Better Care Fund was announced to support Social Care. This grant would be available from 17/18, through to the end of the Parliament.

3.23. Indicative allocations are given below:

	2017/18	**2018/19**	**2019/20**
Improved Better Care Fund Allocations	£0.354m	£2.986m	£5.345m

3.24. This funding will be passported directly to the Council.

3.25. Whilst additional funding for social care is welcomed, there is a real concern that the Council could be left significantly worse off than before if this change to funding goes forward. This is because the government has taken cash for the Improved Better Care Fund allocation directly from the New Homes Bonus. Due to different methodologies for distributing New Homes Bonus and social care monies, the Council is likely to receive much less than if New Homes Bonus continued in its current form. Peterborough has been committed to building new homes for families in the City and would be penalised overall by this change.

Other Items of Note

3.26. Previously, Councils have been offered the opportunity to accept a grant in return for freezing Council Tax. This allowed Councils to freeze tax for residents but still see an uplift in income. The government has not offered Councils freeze grants for 2016/17 and therefore alternative options have had to be fully considered. Further details on Council tax are given in section 9.

3.27. The Government is planning to implement a system of 100% business rates retention before the end of this Parliament. However, no details were given as part of the Provisional or Final Settlements so the impact on Peterborough's finances cannot be assessed at this point. This is being monitored by officers and an update will be brought to Members when further information is available.

3.28. As part of the Provisional Finance Settlement, it was announced that 'The government will reduce the Local Authority role in running schools and remove a number of statutory duties. The government will consult on policy and funding proposals in 2016'. This could lead to fundamental changes to the way education services are provided, with service responsibility being transferred away from Councils, and there being corresponding reductions to Education Services Grant. The Council awaits further announcements from the government to clarify the position. Further information on education funding and Dedicated School Grant allocations in given in section 10.

3.29. The Council has received confirmation from the Environment Agency that the Local Levy Contribution for flood defences is £161,416 for 2016/17, the same level as in 2015/16.

3.30. A cap of 2% will remain in place on general Council tax, unless a local referendum is held.

3.31. A consultation on the Provisional Local Government Finance Settlement was launched on 17th December 2015, to which Peterborough responded as per the points made above.

3.32. As part of the Final Settlement, Rural Services Delivery Grant was substantially increased, however, this does not have an effect on Peterborough.

3.33. It was also confirmed that Councils who were allocated a negative amount of RSG would not have to make payments to fund other Councils – again, this does not have a direct impact on Peterborough. Those Councils experiencing the largest cuts to its RSG will now receive transitional relief.

3.34. The source of these additional funds has not been made clear, however, the Local Government Chronicle understands that funds have been made available from within the Department for Communities and Local Government.

3.35. The final settlement was published on 8th February. As a result of this, there were further adjustments required to grant income. Also, following publication of the Phase 2 Budget Conversation, there are a small number of further budget proposals that have been added for consideration. Changes to the position put to 8th February Cabinet are as follows:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Budget gap reported to Cabinet 8th February 2016	**-**	**5,269**	**24,134**	**30,769**	**33,459**
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Revised Incremental Savings Required	**-**	**4,101**	**20,246**	**6,823**	**2,637**

3.36. Reasons for these changes are as follows:

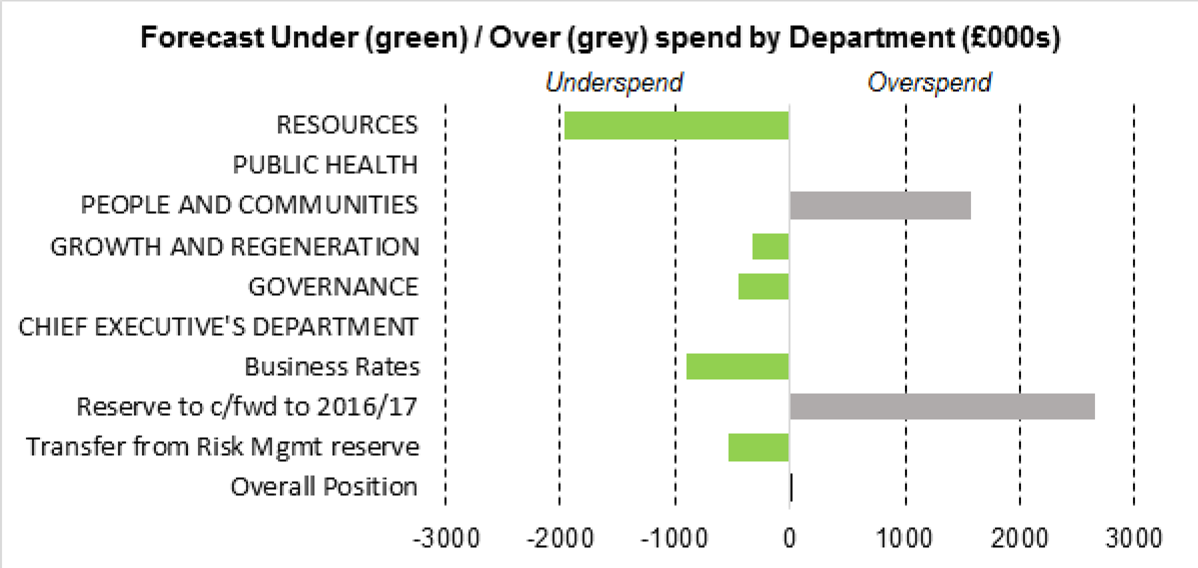
1) Public Health Grant reductions have been revised due to funding for functions transferred to the Council in-year also being cut at the same level as the main Public Health Grant allocation.
2) A small adjustment is required to New Homes Bonus after the Final Settlement allocations were published.
3) Former Independent Living Fund Grants have now been published and are lower than the Council's required spend, therefore a pressure has been identified above.
4) The NNDR 1 declaration has now been submitted to Government and as a result the Council can declare a £1.2m one-off benefit.
5) Details of the street lighting business case are provided in full in Schedule E (i).
6) Following the issue of Council Tax referendum regulations on 12th February 2016, the Council has to ensure that its total Council Tax rise is no higher than 3.99%.
7) It is proposed that the net surplus resulting from these amendments is added to the proposed grant equalisation reserve to support a strategic and measured approach to savings in future years

4. Current Year Financial Position

Revenue

4.1. The Corporate Management Team regularly review the Council's spend against budget.

4.2. Based on information as at the end of November, the Council's expenditure is expected to match income available. This includes a contribution from the Risk Management reserve of £544k. The position by department is shown below.



4.3. Directors will take any necessary actions before the year end to address any budget issues arising. Monthly updates are brought to Corporate Management Team Meetings, where the forecast outturn position is scrutinised.

4.4. A full revenue outturn forecast is given in Schedule B.

Capital

4.5. The revised Capital Programme's budget as at November 2015 is £156.5m, which includes £61.9m for invest to save schemes (I2S). The agreed investment as per the Medium Term Financial Plan (MTFS) was £141.4m. The movement between the MTFS position and the £203.8m as at April 15 was as a result of slippages mainly due to delays completing projects from 2014/15.

4.6. The actual capital expenditure as at November 2015 is £40.1m. Therefore based on the information that is being reported by project managers the Council is expecting to spend a further £116.4m before Mar 2016.

4.7. Full details of the Capital programme can be found in Schedule E - Capital Strategy, Programme & Disposal 2016/17 – 2025/26.

5. 2016/17 Budget

5.1. Financial advice has been provided by the Corporate Management Team to Cabinet who have met regularly since June 2015 to identify in excess of £24.1m of saving proposals to balance the budget for the forthcoming financial year.

5.2. Financial advice and guidance has also been provided to the Cross-Party Budget Working Group.

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

5.4. The scale of the financial challenge and preference of 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 1 - savings proposals of £12.1m approved by Council on 17th December 2015;
- Phase 2 – savings proposals of £12.0m to be approved by Council on 9th March 2016.

5.5. Cabinet's approach is to protect, as far as possible, the services residents care about the most.

5.6. The Council, at its meeting on the 27th January, agreed the local Council Tax Support Scheme for Peterborough for 2016/17 with the level of reduction in benefit for working age claimants kept at 30%.

5.7. Following the two-phase budget process, a balanced budget for 2016/17 can be presented and is shown in the following table.

5.8. ***Summary Budget Position***

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening Budget Gap	**7,390**	**11,330**	**14,710**	**17,760**	**19,510**
Total Grant Reductions	9,797	16,305	21,124	23,214	23,214
Total Budget Pressures	6,316	6,311	6,219	6,957	8,484
Total Investments	640	660	650	640	640
Overall budget gap	**24,143**	**34,606**	**42,703**	**48,571**	**51,848**
Overall Savings Proposed	-23,194	-19,317	-18,356	-17,401	-18,041
Savings Delivered in 2015/16	-12,137	-	-	-	-
Contribution To/(From) Grant Equalisation	11,188	-11,188			
Final budget position	**-**	**4,101**	**24,347**	**31,170**	**33,807**

5.9. However, the Council continues to be in deficit from 2017/18, with substantial gaps from 2018/19. A grant equalisation reserve will be created as part of the 2016/17 budget process to allow the Council to adopt a strategic approach to tackling the 2018/19 budget gap over a two-year period. This will mean that the impact on services and customers can be mitigated as far as possible.

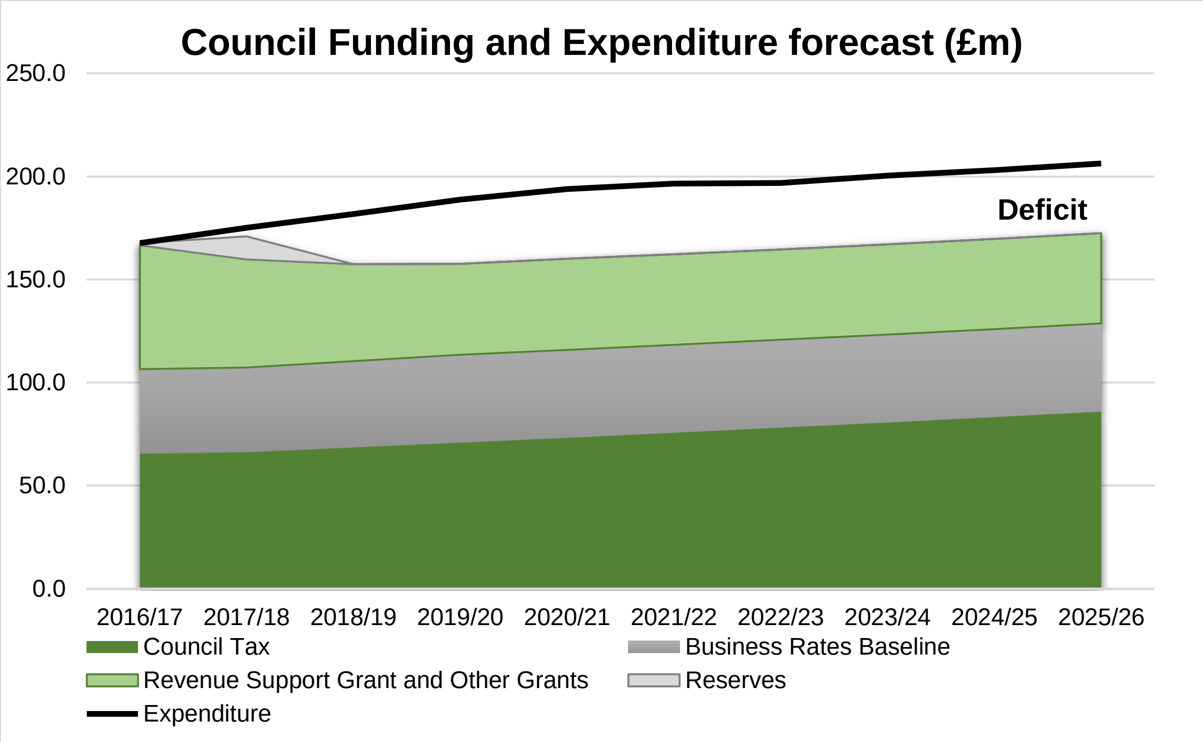
5.10. Officers will continue to work towards setting balanced budgets for future years and will take a strategic approach to savings, with a view to minimising the impact on residents and service users whilst aligning resources to key priorities.

5.11. The Phase 2 budget proposals are being consulted upon as part of the formal budget consultation and feedback will be provided for Council on 9th March 2016.

5.12. A schedule of all key income & expenditure figures, as well as a full list of all investments, pressures and savings proposals, is given in Schedule C.

6. Future Financial Outlook

6.1. 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.



6.2. It should be noted that the profile of funding the Council receives is likely to change significantly from 2020 onwards, after which time the new '100%' business rates retention scheme has been implemented. However, as details of what this will look like are yet to be released, the graph above forecasts income based on no change to the business rates regime.

6.3. A tabular presentation of this graph has been included in the Key Figures section (Schedule C) of the MTFS document. The Key Figures section also includes the allocation of cash limits to directorates for 2016/17 and an analysis of changes from 2015/16.

6.4. The following issues remain key when looking to address financial challenges going forward:

6.4.1. The level of funding available to Councils in future, with levels of Revenue Support Grant and New Homes Bonus being key risks.
6.4.2. The impact of the new Business Rates retention scheme, how it will work in practice, and the impact of a general Business Rates revaluation exercise due to be completed before the end of this Parliament.
6.4.3. The impact of Business Rate appeals.
6.4.4. Changing demographics and increasing demand for Council services.

7. Business Rates

7.1. 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.

7.2. 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.

7.3. This means that the Council will effectively 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 funding would be provided.

7.4. The council is also part of a pilot scheme announced by Government during the March 2015 Chancellor's Budget whereby Council's achieving growth over and above a target set by Government would be able to keep Government's share of business rates. The Government will be issuing Regulations on how this pilot scheme will work prior to the year end. The scheme is in addition to the current Business Rates Retention Scheme which will continue to operate in its current form.

7.5. Following the completion of the statutory NNDR 1 return in January, the Council can declare an additional one-off benefit of £1.217m in 2016/17 which can be utilised to support the Medium Term Financial Strategy.

7.6. As at December 2015, there was £77million of rateable value with an appeal outstanding on the Rateable Value (RV) 2010 listing of £231million and an additional £60k of rateable value appeals against the RV 2005 listing. The Council now shares liability for successful appeals including backdating of appeals with the Government and Fire Authority in proportion to the share of business rates. Some appeals on the RV 2010 listing can be backdated to 1 April 2010.

7.7. The council has no influence on the outcome of appeals, but is required to make a provision to cover for any losses of business rate income. At this stage the council has estimated that a total provision of £11.5m will be required in the accounts as at 31st March 2016 of which £2.6m is in respect of 2015/16 liabilities.

7.8. In last year's report a key issue raised was in respect of the Peterborough power station which has an appeal outstanding against the 2010 RV listing of £3.1m, a significant provision was set aside in the 2014/15 accounts and this remains in place as the appeal has not yet been heard.

7.9. Following the resolution of an appeal just prior to the commencement of the current financial year regarding purpose built doctors surgeries elsewhere in the country many authorities have seen large losses on these properties. In Peterborough's case the estimated cost in lost rate income, of which Peterborough bears 49%, up to and including 2015/16 will be £3.8m with an ongoing impact of £640k pa from 2016/17. This has been provided for within the current forecast.

7.10. Potentially there could be further challenges from NHS trusts for mandatory relief against their properties. The Council has not received any claims to date, however, will closely monitor the situation, and take action as necessary and keep Members informed.

8. Spending Power Assumptions

8.1. When assessing the financial position of the Council for this strategy, the government's analysis of Council core spending power has been considered.

8.2. In order to provide Local Authorities with their indicative Settlement Funding Assessments for the remainder of the Parliament, the government has made a number of assumptions regarding Council income and expenditure and what they expect Councils to do. These include:

- 8.2.1. Council tax rises in line with CPI inflation throughout the Parliament (just below the 2% threshold based on current OBR forecasts).
- 8.2.2. All eligible Councils will use Adult Social Care precept flexibilities in full for each year to the end of Parliament (although currently only 2016/17 rules have been confirmed).

8.3. True spending power in Adult Social Care is not properly reflected in the government's calculations in order to be properly able to access future precepts. Officers have highlighted this issue in their response to the Provisional Local Government Finance Settlement.

9. Council Tax

9.1. Peterborough has one of the lowest Council tax levels in the country, as detailed in section 2.9.

9.2. As the Council has frozen Council Tax for 4 out of the last 5 years, Council tax is £116 lower than it otherwise would have been.

9.3. Unlike in previous years, Council Tax freeze grant will no longer be available in 2016/17. Freeze grants were in place to mitigate the impact of foregone Council tax, allowing Councils to freeze Council Tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.

9.4. Given the scale of the challenges that the Council faces going forward, the desire to keep Council Tax bills low must be offset against the need to protect vital services and ensure that the Council remains financially viable.

9.5. Therefore, having fully considered the level of pressures identified and savings required, the Cabinet is proposing that Council raise Council Tax by 1.99%, and levy a Social Care Precept of 2%, meaning that the average Band D Council Tax will change from £1,128.03 to £1,173.04, a change of 87p per week.

9.6. The Government has not yet published details of whether a Council Tax referendum threshold will be in place in future years – for 2016/17, the threshold is 4% (comprising 2% for general Council Tax and 2% for the Adult Social Care precept).

9.7. The total rise of 3.99% is therefore within the statutory threshold for Council Tax increases and therefore no referendum is required.

9.8. A breakdown of the Council Tax charge for 2016/17 is as follows:

	Increase	Amount Raised (Tax Base: 54,100.4)	Cost Per Household
Basic Council Tax 15/16		£61,026,874	£1,128.03
General Council Tax Increase	1.99%	£ 1,214,554	£22.45
Adult Social Care Precept	2.00%	£ 1,220,505	£22.56
Total	**3.99%**	**£63,461,933**	**£1,173.04**

9.9. Statute requires Councils to show the Adult Social Care Precept separately to any rises in general Council Tax on the face of the Council Tax bill.

9.10. When calculating the level of spending power that Councils have, government has factored in rises to Council Tax and has assumed that all Authorities will exercise the Social Care precept.

9.11. For planning purposes, the MTFS assumes a 1.99% rise in Council Tax going forward, however no additional increase for the Social Care precept has been factored in as eligibility criteria for this for future years have not yet been published.

9.12. 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
- Parish Councils

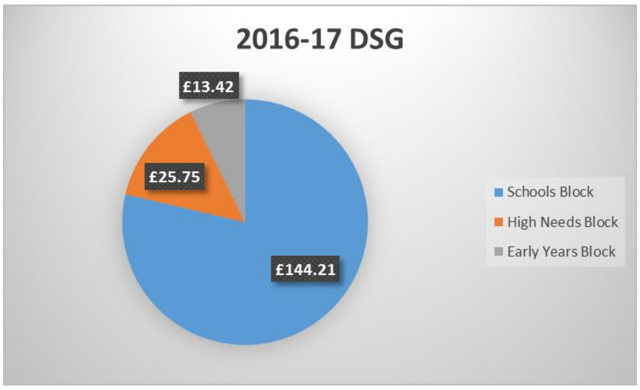
9.13. The respective tax decisions of these bodies are:

- Police – The Cambridgeshire Police and Crime Panel met on 3rd February 2016, agreeing a rise in their Council Tax of 0.99%.
- Fire – The Cambridgeshire Fire Authority met on 11th February 2016 agreeing a rise in their Council Tax of 1.96%.
- Parish Councils – the precepts will be included in the Council report.

10. Education Funding

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

10.2. The estimated Dedicated Schools Grant (DSG) for 2016/17 is £183.4 million which is made up of three blocks: Schools block, high needs block and early years block. The pie chart and table below details the 2016/17 DSG allocation.



DSG Blocks	Amount £M
Schools Block	£144.21
High Needs Block	£25.75
Early Years Block	£13.42
Total	**£183.38**

10.3. A national funding formula, which is adjusted for local circumstances, is used to allocate funding to schools from the schools block. Each year Peterborough Schools Forum (consisting of head teachers, early year's providers and the Local Authority) are consulted on how this funding is allocated. As part of the consultation with Peterborough Schools Forum the funding formula is benchmarked against our statistical neighbours for comparison purposes prior to the funding formula being set.

10.4. 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.

10.5. The distribution of funding to mainstream schools will be on the same basis as the 2015/16 local formula other than the following changes:

- Data for individual schools to be updated to reflect changes in overall pupil numbers to be funded based the October 2015 schools census.
- Changes in qualifying pupils for deprivation, prior-attainment, English as an Additional Language (EAL), Looked After Children (LAC) to be applied based on revised datasets from the DfE.
- Business Rates and Public Finance Initiative (PFI) funding amounts to be adjusted to reflect latest estimates.
- The final Basic Entitlement per pupil values will be adjusted based on the total available funding remaining after all other factors have been calculated.

10.6. The factors used in funding formula are prescribed nationally by the DfE and each local authority must decide, in consultation with its Schools Forum, whether to include or exclude the factors from its funding formula with the exception of the basic entitlement and deprivation factors which are mandatory. The table below provides a summary of the proposed schools funding formula for 2016-17.

10.7. **Cabinet are requested to agree the formula as outlined below.**

Factor	Description	Banding	Funding Rates
Basic Entitlement	This is a mandatory factor. An allocation must be made for each pupil recorded on the school's October census. There are three separate rates: primary school pupils, key stage 3 pupils and key stage 4 pupils.	Primary	£2,840
		KS3	£3,944
		KS4	£4,628
Deprivation	This is a mandatory factor. Deprivation is funded in two ways: Free Schools Meals (FSM) and Income Deprivation Affecting Children Index (IDACI). **FSM:** The school will receive an allocation for each pupil recorded on the October census who is entitled to a FSM. **IDACI:** IDACI is an index calculated by the Office of the Deputy Prime Minister and measures in a local area the proportion of children under the age of 16 that live in low income households. The local areas for which the index is calculated are known as super output areas. Each child's postcode, from the October census, is mapped to a super output area which generates a deprivation indices. The indices are grouped into 7 bands with band 0 representing the least deprived and band 6 representing the most deprived. The school receives an allocation of funding dependant on the number of pupils in each banding.	Pri FSM	£382
		Sec FSM	£650
		Pri IDACI B1	£0
		Pri IDACI B1	£142
		Pri IDACI B2	£235
		Pri IDACI B3	£335
		Pri IDACI B4	£435
		Pri IDACI B5	£534
		Pri IDACI B6	£634
		Sec IDACI B1	£0
		Sec IDACI B1	£388
		Sec IDACI B2	£492
		Sec IDACI B3	£596
		Sec IDACI B4	£700
		Sec IDACI B5	£804
		Sec IDACI B6	£907
Looked After Children (LAC)	An allocation is provided for each LAC recorded in the October data set provided by the EFA.	Pri LAC Sec LAC	£590 £590
English as an Additional Language (EAL)	Pupils attract EAL funding if they have English as an Additional Language and have been in the education system for less than three years. The school will receive funding for each pupil on the October census which meet this criteria.	Pri EAL	£553
		Sec EAL	£1,384

Factor	Description	Banding	Funding Rates
Low Prior Attainment (LPA)	This allocation is driven by prior attainment. For primary schools an allocation is made for the number of pupils in national curriculum years 4 to 5 who achieved fewer than 73 points and pupils in year 1 to 3 who did not achieve a good level of development in the Early Years Foundation Stage Profile. For secondary schools, funding is targeted at all pupils who achieved a Level 3 or below in either English or Mathematics at Key Stage 2.	Pri LPA	£733
		Sec LPA	£1,187
Lump Sum	The lump sum allocation is a fixed amount for each school and is a contribution towards the schools fixed costs. The allocation per school is £150,000.		
Split Sites	The split site is allocated to those schools who: • Operate more than one phase (Primary / Secondary). • The second phase is run from a separate building. • Dedicated management structure for additional phase. Purpose of this factor: • Meet the fixed costs associated with operation of an additional building/site. • Meet the management costs of operating a second phase (primary/secondary) from the additional building/site. The allocation to each school with a split site is £100,000.		
Business Rates	Funding is provided to primary and secondary schools to cover the actual costs incurred for business rates. The funding is estimated at the beginning of the year and adjusted during the year based on the actual cost.		
Private Finance Initiative	The secondary schools which are part of the 2007-08 PFI project receive funding based on the schools pupil numbers multiplied by a unit value of £287. This allocation is to meet the affordability gap on the original PFI project and is paid back to the LA		
Minimum Funding Guarantee (MFG)	This is a national calculation to ensure that schools budgets (qualifying factors only) do not decrease by more than -1.5% per pupil in comparison to their previous years allocations. If the schools budget fall below -1.5% per pupil they receive a top-up through this factor to uplift their new year budget allocation to the required level.		

10.8. There was two significant changes made to the funding formula for 2016-17:

- Part of the deprivation factor uses income deprivation affecting children index (IDACI) data to measure how deprived the schools cohort is and allocate funding accordingly. The IDACI data is driven by children's post codes and the English Deprivation Indices produced by the Department for Communities and Local Government. The English Deprivation Indices are updated every five years with the most recent update being published in September 2015. The recent changes to the English Deprivation Indices have resulted in some significant of movement of pupils between bands at an individual school level.

- Four schools across the city receive an additional allocation for operating a split site based on the criteria detailed in 2.5. Following the benchmarking of this allocation and a review of the costs associated with operating a split site it was proposed and supported by Schools Forum to reduce the split site lump sum from £150k to £100k with a further review to take place during 2016/17.

10.9. On the 20th January 2016 Peterborough Schools Forum were consulted on the final allocation of the schools block and fully supported the proposals. Final proposals were submitted to the Education Funding Agency on the 21st January for approval.

10.10. In addition to the DSG there is funding for Education via ring-fenced grants for pupil premium (£7.7m) and 6th form funding (£3.5m). This funding is determined nationally using a prescribed formula and the council is responsible for pass-porting this funding to local authority maintained schools.

10.11. 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 2016/17 is provisionally announced at £2.2m.

11. Reserves

11.1. 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 Council, the internal control framework in operation, and the probability and financial impact of service risks, including specific budget risks identified within the budget process.

11.2. 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.

11.3. 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's reserves are in the lowest third for unitary councils, therefore being one of the smallest level of reserves when compared to other councils.

11.4. Estimated levels of reserves for the next five years are outlined in section 11.6. This includes sums that we hold on behalf of others and sums that we are independently advised to hold e.g. insurance reserve.

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

11.6. ***Reserves Position***

	Estimated balance at 31.03.16 £k	Estimated balance at 31.03.17 £k	Estimated balance at 31.03.18 £k	Estimated balance at 31.03.19 £k	Estimated balance at 31.03.20 £k
Departmental Reserve	581	581	581	581	581
Schools Capital Expenditure Reserve	1,151	1,151	1,151	1,151	1,151
Insurance and other minor reserves	4,465	4,467	4,124	4,109	4,059
Total - earmarked reserves for specific purposes	**6,197**	**6,199**	**5,856**	**5,841**	**5,791**
Risk Management Contingency	613	613	613	613	613
Capacity Building Reserve	3,861	1,861	1,861	1,861	1,861
Grant Equalisation	12,137	11,188	0	0	0
Total – non-earmarked	**16,611**	**13,662**	**2,474**	**2,474**	**2,474**
Total Reserves (excl. general fund)	**22,808**	**19,861**	**8,330**	**8,315**	**8,265**
General Fund Balance	6,000	6,000	6,000	6,000	6,000
Totals Reserves (incl. general fund)	**28,808**	**25,861**	**14,330**	**14,315**	**14,265**

11.7. The capacity fund will be used for transformational projects and change, and the anticipated use in 2016/17 is to support projects generating efficiencies in future years.

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

11.8.1. The forecast grant levels for the next four years show that the Council will face a significant financial cliff-edge that can only be addressed with strategic and transformational changes. Therefore the creation of a grant equalisation reserve is proposed. This will provide the resource and the time for the Council to implement the required changes whilst minimising the impact on service users and residents and creating a sustainable financial future for Peterborough.

11.8.2. Risks remain round the imminent and unprecedented changes to the system of business rates retention. This subject is closely monitored by officers, and further reports will be brought to Members as and when information becomes available.

11.8.3. Risks also remain around the impact of business rate appeals on Council finances. The current level of provisions for appeals is £11.5m.

11.9. The savings proposals put forward in 2016/17 total £23.2m. If these savings proposals are updated during the budget consultation any shortfall will need to be covered from either finding other saving proposals or reducing bids.

11.10. It is proposed that general fund working balances are maintained at £6.0million. The Council is currently 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 continue to maintain a risk management contingency.

11.11. It is proposed that £0.500m is allocated to the risk management reserve to partially offset the contribution utilised in 2015/16. This means that a net amount of £0.044m from the risk management contingency will have been utilised in 2015/16, leaving a remaining balance of £0.613m to manage future risks.

11.12. The Chief Finance Officer has reviewed the financial risks identified and the expected level of reserves at 1 April 2016. On this basis the Director is satisfied with the reserves proposals in the MTFS.

Robustness of estimates

11.13. In setting a budget for 2016/17, including a Medium-Term Financial Plan to 2025/26, it is important that Members consider the risks inherent in the 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 paragraph 15.

12. Fees & Charges

12.1. Fees and charges have been fully reviewed with a detailed position shown in Schedule C of the MTFS. Where fees and charges are statutorily set by government, the schedule is based upon the latest known charges.

13. The capital programme 2016/17 to 2025/26 including the Capital Strategy, Asset Management Plan and Treasury Strategy

13.1. A summary of the 10-year Capital Strategy is given below. A full version can be found in Schedule E of this document.

Capital Expenditure by Service:	**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**	**2025/26 £000**
People & Communities	37,096	16,428	26,011	16,611	7,836	3,494	3,494	3,494	3,494	3,494
Resources	25,433	4,150	4,890	4,918	3,955	4,734	4,838	4,838	4,838	4,838
Growth & Regeneration	37,642	33,536	19,227	8,678	6,428	6,428	6,428	6,428	6,428	7,298
Invest To Save	26,524	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	**126,695**	**54,114**	**50,128**	**30,207**	**18,219**	**14,656**	**14,760**	**14,760**	**14,760**	**15,630**
Financed by:										
Grants & 3rd Party Contributions	33,768	20,018	10,528	8,528	7,528	5,403	5,580	5,580	5,580	5,580
Capital Receipts	1,000	-	1,000	-	-	-	-	-	-	-
Capital Financing Requirement (Borrowing)	91,927	34,096	38,600	21,679	10,691	9,253	9,180	9,180	9,180	10,050
Total Capital Financing	**126,695**	**54,114**	**50,128**	**30,207**	**18,219**	**14,656**	**14,760**	**14,760**	**14,760**	**15,630**

14. Budget Virement Limits & Capital Programme Changes

14.1. 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 the Council to move spend approved in the budget to another budget in accordance with Financial Regulations.

14.2. 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.

14.3. The virement limits for 2016/17 are as follows:

- 14.3.1. Directors, within their own area, can approve virements up to £500k.
- 14.3.2. 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.
- 14.3.3. All budget virements in excess of £500k will require Cabinet approval.
- 14.3.4. All budget virements in excess of £1m will require Council approval

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

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

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

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

Capital Programme

14.6. The following section originally appears in Section 6 of the constitution (Budget and Policy Framework Procedure Rules). With the updates to the constitution it is considered more appropriate to include these requirements within the MTFS alongside the virement limits. They have been reviewed and updated as necessary.

14.7. No changes to the approved capital programme may be made by the Executive except the following:

(a) if additional external funding is obtained for a specific purpose with no "match funding" requirement additional capital projects will be agreed by the relevant Cabinet Member and the Cabinet Member for Resources in consultation with the Corporate Director: Resources.

(b) Some major parts of the programme are set by reference to specific Government allocations. These include:

Transport (LTP)
Education funding – new school places

There are also generic provisions in the Programme, such as those for Disabled Access, Infrastructure, the cost of Disposals and Council building spend. The individual schemes within these areas of the programme will be set by the Director, in conjunction with the Cabinet Member, based on the criteria in the relevant Council plans.

(c) The Cabinet will agree additions to the Capital Programme during the year if additional non-borrowing resources become available. This could arise for example if additional capital receipts were achieved, or a source of external funding was identified which required a level of “match funding”. The maximum total of such additions in a year are limited to 2% of the estimated Capital Expenditure for the year. Additions above this level or which result in higher borrowing must be approved by Council.

(d) The Cabinet will agree additional expenditure relating to schemes which are already in the Capital Programme in cases whereit is of a temporary nature, e.g. acquisition of a building or land which will be resold in the near future after a boundary adjustment or changed right of way.

(e) Deletions from the Capital Programme will continue to be subject to approval by Council

15. Budget Risks

15.1. The following table details the budget risks that Members should consider when reviewing the Medium Term Financial Strategy.

Area	Risk	Action to Mitigate Risk
Overall Budget	1) The Final Local Government Finance Settlement. 2) The details of the four-year funding settlement are not yet known, therefore funding may reduce beyond current forecasts.	Prudent approach to forecasting as outlined in this report. Ensure the Council actively reviews new proposals to assess impact for future planning including review of the government announcements and policy reviews. Review Government websites for the most up to date information.
Adult Social Care Funding	3) Social care funding, namely: a) Costs of Care Act exceed budgets b) 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. Use of the Social Care precept flexibility to mitigate financial pressures on social care.

Area	Risk	Action to Mitigate Risk
New Homes Bonus	4) Significant changes to the New Homes Bonus a) Significant changes to the New Homes Bonus have been announced, but the full extent of the impact on the Council is not yet known b) It is expected that New Homes Bonus will be severely cut back, with funds expected to flow from southern to northern authorities.	Officers will monitor any further announcement and will clarify the position with Members at the earliest opportunity. Officers will respond to the consultation when issued and will ensure that the Council's views are represented. Any financial impact will be reported to CMT and Members as soon as possible.
Education Services Grant	5) Potential reduction/removal of Education Services Grant a) As part of the Provisional Finance Settlement, Government announced that it expects that the role of the LEA in providing education services will diminish b) This could result in large reductions or the complete removal of Education Services Grant. c) No further details are available.	
Business Rates	6) Business rate forecasts. a) 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.	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. On a monthly basis reports will be available to monitor business rates income.

Area	Risk	Action to Mitigate Risk
	b) Furthermore the safety net payment scheme to top up councils for loss in business rates income would require a decrease in business rates of 7.5%. c) Achieving growth in business rate income through supporting infrastructure in the acknowledgment of a revaluation in 2017 and impact on business rate income forecasts. d) The council has 33% 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. e) The provision set aside by the council may not be sufficient.	
Economic Risk	7) Inflation increases above forecasts assumed in the budget setting process. 8) Interest rates may change	Monitor inflation position and forecasts, and review impact on budget through budget monitoring process. Active procurement approach in partnership with Serco to secure improved rates and avoid inflationary increases. Retain an inflation risk contingency Capital financing estimates developed using latest forecasts of interest rates for MTFS (which allow for a level of increase).

Area	Risk	Action to Mitigate Risk
		Review capital programme and debt portfolio if rates increase beyond forecast levels.
Financing Risk	9) 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.
Commissioning	10) The council has moved towards a commissioning function.	Implement a transformation programme and review of future service delivery options.
Service Delivery	11) Future delivery of services will need to be within cash limits and align with all resources available to the council	Regular review of progress by CMT including risks and issues.
Service Delivery	12) Demand-led service pressures. 13) 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. 14) This includes reform on implementing the Social Care Bill	Reviewed through monitoring of budget and management information on a monthly basis. Specific provision has been included in the budget plans for estimates of increased demand for social care. Demand for Children's Services is monitored through the Placement Model. Savings plans are also based intervention and reducing need and service demand
Service Delivery	15) The achievement of a balanced budget is reliant on a challenging savings	Progress will be monitored via the monthly budget monitoring process.

Area	Risk	Action to Mitigate Risk
	programme and organisational capacity to deal with speed of change. There is a risk that both savings already extracted from budgets and the new savings programme will not be achieved.	Specific provision has been made in the budget to support the costs of change needed to provide capacity to deliver these savings. The business transformation programme will be delivered in partnership with Serco.
Reserves	16) 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	17) Non-collection rates increase beyond the budget assumptions and / or localisation of council tax benefit scheme if eligible claimants increase beyond forecasts 18) Implementation of the Universal Credit by the Department for Work and Pensions is being introduced in stages and has rolled out to single claimants from December 2015. Although numbers of people affected will be small initially, over the coming years numbers will increase to include all in and out of work benefits. The financial impact is not yet fully known	Monthly updates will monitor the collection rates The council will revise future year forecasts on council tax income accordingly The council is undertaking a pilot between December 2015 and March 2016 as a delivery partner for the Department of Work and Pensions. An assessment of this pilot will help determine and financial consequences in future financial years but is expected to be minimal in 2016/17.
Capital Expenditure	19) 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	20) The proposed Capital Programme is reliant on developer contributions being achieved.	As above

Schedule A (i) – Adult Social Care Precept

1. Background

1.1. On 17th December 2015, the Provisional Local Government Finance Settlement introduced a new power to enable Local Authorities providing Adult Social Care to raise additional funds. From April 2016, Councils will have the option of levying a 2% 'precept' – effectively an additional 2% increase to Council tax in addition to the 2% general Council tax increase power.

2. Key Issues

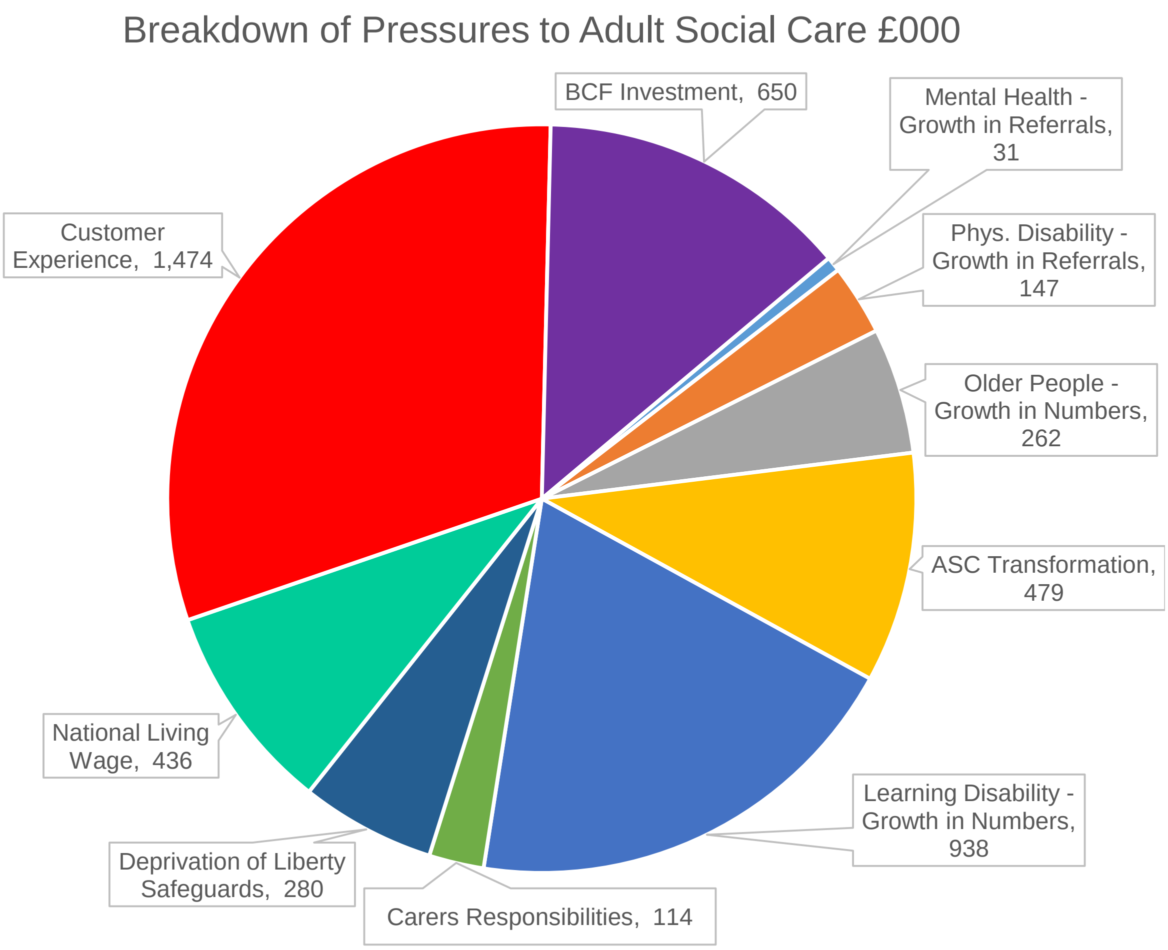
2.1. There are strict rules relating to the Adult Social Care Precept. The funding raised must be spent, and continue to be spent, purely on supporting Adult Social Care.
2.2. Regulations stipulate that the Council Tax bill must show the precept separately on the face of the statement so that the taxpayer is aware of how much of the tax is ringfenced for Adult Social Care. There are two options for presenting the statement according to regulations.
2.3. It is also a requirement that the Council publish specific text in the Council Tax leaflet to explain the purpose of the precept to the taxpayer. Whilst additional text may be added, the prescribed wording must be shown.
2.4. At authorities wishing to use the precept power, the section 151 officer will be required to certify that monies will be spent only for the benefit of Adult Social Care. In subsequent years, s151 officers will be required to confirm that this money *continues* to be spent on Adult Social Care.
2.5. When calculating a Council's spending power, the Government has indicated that it anticipates that all who are eligible to levy the precept will do so.
2.6. The Government's calculations factor in four-year's worth of Adult Social Care precept, however, regulations relate to the 2016/17 year only.

3. Peterborough & the Adult Social Care Precept

3.1. Between 2010 and 2021 it is predicted that the number of people in Peterborough aged 85 and over is set to increase by 52 per cent. As life expectancy increases, older people are living with multiple long-term conditions associated with ageing. For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK.
3.2. Like many other Councils, Peterborough has experienced pressure on its Adult Social Care budgets due to a combination of increasing demand for services, including those with more complex needs and also has had its grant funding cut.
3.3. Therefore, Cabinet are recommending that Peterborough levy the Adult Social Care Precept in addition to a 2% general increase.

4. Key Figures

4.1. There is significant media interest in the Adult Social Care precept, and the Council has received a number of enquiries from the press and public. The following paragraphs indicate the level of pressures PCC is facing for 16/17.
4.2. Pressures to the adult social care budget for 2016/17 are as follows:

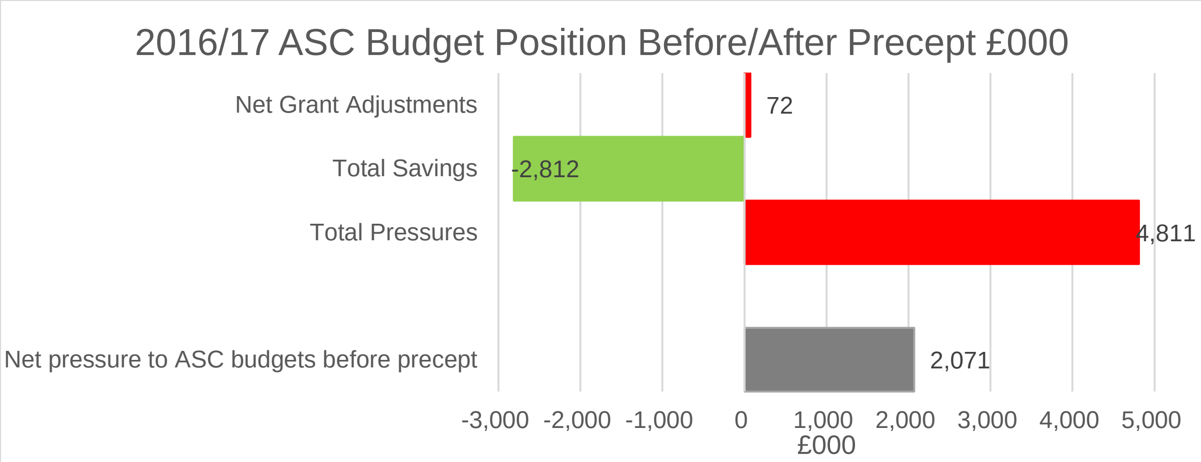


4.3. The graph below indicates the overall impact on the Adult Social Care Budget of all pressures, savings and grant adjustments. It demonstrates that the Council comfortably meets the requirement of having pressures in excess of the amount raised by the precept.

4.4. The summary budget impact is as follows:

Pressures to Adult Social Care:	£4.811m
Savings planned:	(£2.812m)
Changes to grant:	£0.072m
Net change to Cash Limits for ASC:	**£2.071m**[1]

[1] £848k Care Act funding is now no longer a separate grant and has been subsumed within Revenue Support Grant. Therefore, in some statistical returns, the net change in cash limits may show as £1.2m.



4.5. In terms of income and expenditure, these amounts can be expressed as follows:

			16/17 Budget £000
Income			
	Base funding	-36,640	
	BCF/Care Act/s256	-8,565	
			-45,205
Expenditure			
	Care Placements	28,007	
	Staffing	8,141	
	Contracts	6,559	
	Other	3,122	
			45,828
Pressures			
	Demographic	936	
	National Living Wage	436	
	Inflation	0	
			1,372
Subtotal			**1,995**
Additional Phase 2 Adjustments			-206
Other required adjustments*			282
Net Change to Budgets			**2,071**

*Amounts that need to be split between ASC and Children's

4.6. A full breakdown of pressures and savings in Adult Social Care can be found in Appendix A.

Capital Financing

4.7. In addition to the amounts listed in Appendix A, the Council incurs additional revenue expenditure in order to fund capital projects that support Adult Social Care.

4.8. Such capital expenditure includes investment in aids and adaptations, the dementia resources centre, mental health preventative housing and more.

4.9. The revenue cost of funding these programmes is expected to be around £150k for 2016/17, a rise of £112k from 2015/16.

4.10. In 2016/17, the Council's Revenue Support Grant will have reduced by £7.336m. If this reduction was applied proportionately to the Adult Social Care Budget for 2015/16, this would have equated to an RSG pressure of £1.886m.

4.11. The amount raised by the Adult Social Care precept has been calculated as follows:

Council Tax Base 16/17 -	54,100.4
Council Tax Band D Charge 15/16 -	£1,128.03
15/16 Band D Charge x 2% =	£22.56
£22.56 x tax base of 54,100.4 =	**£1,220,505.02**

5. Next Steps

5.1. Council will vote on Council Tax proposals on 9th March 2016.

5.2. The Council Tax bill and leaflet will be amended to reflect statutory requirements.

5.3. Adult Social Care budgets will continue to be closely monitored.

APPENDIX A – Breakdown of pressures to Adult Social Care

Ref	Policy Line	Detailed Plans	Outline Plans				
		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Type
1	**2015/16 Budget**	**36,376**	38,447	38,657	36,363	35,361	
	REVISED OPENING GROSS EXPENDITURE	**36,376**	**38,447**	**38,657**	**36,363**	**35,361**	
	Gross Investment Pressures						
Peo.1.003	Mental Health – growth in referrals in statutory work. All growth has been contained in budgets for the last three / four years	31	25	28	28	28	Existing
Peo.1.004	Physical Disability – growth in numbers (includes no residential increases)	147	123	135	135	135	Existing
Peo.1.005	Older People (including older people's mental health services) – growth in numbers	262	215	238	238	238	Existing
Peo.1.007	Learning Disability – growth in numbers (non transitional)	938	1,015	978	977	977	Existing
Peo.1.009	Carers Responsibilities	114	114	0	0	0	Existing
Peo.1.014	Adult Social Care, Health and Wellbeing – Transformation costs	479	-479	0	0	0	Existing
Peo.3.001	Deprivation of Liberty Safeguards (DoLs)	180	0	0	0	0	New - Phase 1
Peo.3.005	National Living Wage (NLW)	436	561	565	564	1,566	New - Phase 1
Peo.3.009	Deprivation of Liberty Safeguards (DoLS) (2)	100	0	0	0	0	New - Phase 2
Peo.3.010	Customer Experience Programme - Resourcing	1,474	-507	-967	0	0	New - Phase 2
Peo.3.011	Better Care Fund Investment	650	0	0	0	0	New - Phase 2
	Total Investment	**4,811**	**1,067**	**977**	**1,942**	**2,944**	
	Savings						
Peo.1.018	Assistive Technology	-250	0	0	0	0	Existing
Peo.1.019	Shared Lives	-150	0	0	0	0	Existing
Peo.1.021	Adult social care demography changes	-442	-519	-528	-458	-600	Existing
Peo.1.025	Care Act reduced cost in 2015/16	660	0	0	0	0	Existing
Peo.4.001	Improve quality of information & advice given to customers (Part of Front Door Project?)	-161	0	0	0	0	New - Phase 1
Peo.4.002	Managing Demand - The Front Door Project	-1,300	-2,700	0	0	0	New - Phase 1
Peo.4.004	Creation of Health & Social Care system teams - Adult Social Care	-345	0	0	0	0	New - Phase 1

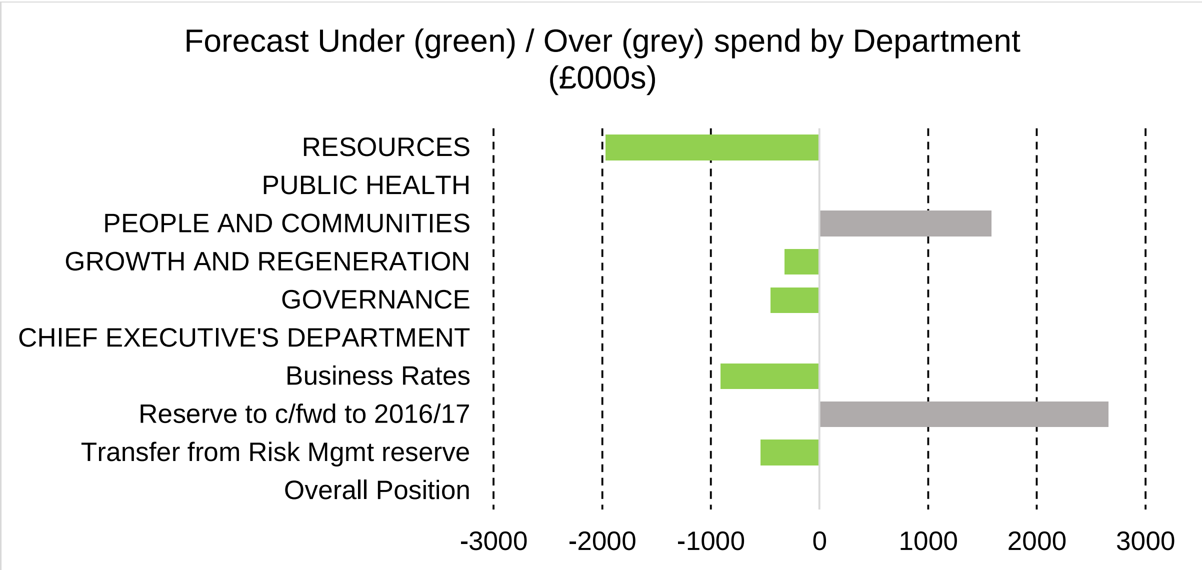
		Detailed Plans	Outline Plans				
Ref	**Policy Line**	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**Type**
Peo.4.007	New Ways of Working	-125	-125	0	0	0	New - Phase 1
Peo.4.008	Care Act and healthy visiting / Schools - savings to compensate for loss of Public Health Grant	-439	0	0	0	0	New - Phase 1
Peo.4.010	Change in care charging policy	-260	0	0	0	0	New - Phase 2
	Total Savings	**-2,812**	**-3,344**	**-528**	**-458**	**-600**	
	Grants						
Peo.1.010	Social Care Funding changes	3	69	0	0	0	Existing
Peo.5.002	Better Care fund contribution - transformation funding	1,039	0	0	0	0	Existing
Peo.5.003	Better Care fund - protecting social care	1,207	0	0	0	0	Existing
Peo.5.010	Better Care Fund - Protecting ASC	-1,207	1,207	0	0	0	New - Phase 2
Peo.5.009	Better Care Fund - Transformation	-1,689	1,689	0	0	0	New - Phase 2
Peo.5.007	Improved Better Care Fund	0	-354	-2,632	-2,359	0	New - Phase 2
Peo.5.012	Adjustment for Care Act grant rolled into RSG	848	0	0	0	0	New - Phase 2
	Adjustment for Former ILF Grant	-129	-124	-111	-127		
	Total Grants	**72**	**2,487**	**-2,743**	**-2,486**	**0**	
	TOTAL BUDGET	**38,447**	**38,657**	**36,363**	**35,361**	**37,705**	

Schedule B – Forecast Revenue Outturn 2015/16

1. Summary of forecast revenue outturn

1.1 The approved revenue budget for 2015/16 is £142.2m. The year-end outturn, based on reported departmental information as at end of November 2015, is forecast to be a balanced position. At present a transfer from the Risk Management reserve is included to offset the current overspend, however departments are expected to develop proposals so that this will not be required.

1.2 The graph below illustrates by department the outturn position with further breakdown provided in appendix i.



1.3 Since the budget was set by Council on 5th March 2015 for 2015/16, 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 i, 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.

1.4 Since setting the budget for 2015/16, CMT have received regular updates on the in-year budget position including monitoring the delivery of savings approved as part of the BCR process. 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.

1.5 The Council is forecasting a balanced budget at the end of 2015/16.

Appendix i - Revenue Monitoring Outturn Forecast November 2015

Previous Variance £k	Department	Budget 2015/16 £k	Forecast Spend 2015/16 £k	Variance 2015/16 £k
	CHIEF EXECUTIVE'S DEPARTMENT			
-50	Chief Execs Office	328	278	-50
0	Chief Execs Departmental Support	82	82	-0
-50	**TOTAL CHIEF EXECUTIVE'S DEPARTMENT**	**410**	**360**	**-50**
	GOVERNANCE			
15	Director of Governance	328	343	15
-206	Legal & Democratic Servs	3,229	3,006	-223
-69	Human Resources	1,534	1,465	-69
-52	Performance & Information	1,306	1,185	-121
-14	City Servs & Comms - HoS	442	428	-14
-257	City Servs & Comms- Regulatory Servs	338	38	-300
-56	City Servs & Comms- Parking Servs	-2,428	-2,484	-56
1	City Servs & Comms- Communications	270	271	1
92	City Servs & Comms- CCTV, Resilience & Health + Safety	509	601	92
219	City Servs & Comms- Markets, Tourism & Events	140	366	226
-327	**TOTAL GOVERNANCE**	**5,668**	**5,219**	**-449**
	GROWTH AND REGENERATION			
18	Director, OP & JV	665	683	18
-119	Development & Construction	214	68	-146
-79	Sustainable Growth Strategy	1,302	1,225	-77
-99	Peterborough Highway Services	10,235	10,119	-116
-279	**TOTAL GROWTH AND REGENERATION**	**12,416**	**12,095**	**-321**
	PEOPLE AND COMMUNITIES			
-126	Director of People and Communties	528	673	145
-371	Adult Services	36,706	36,774	68
231	Communities	4,844	4,982	138
-84	Children's Services and Safeguarding	24,877	24,694	-183
1,201	Education	3,947	5,119	1,172
374	Business Management & Commercial Ops	549	790	241
1,225	**TOTAL PEOPLE AND COMMUNITIES**	**71,451**	**73,032**	**1,581**
	PUBLIC HEALTH			
0	Public Health	-455	-455	0
0	**TOTAL PUBLIC HEALTH**	**-455**	**-455**	**0**

Previous Variance £k	Department	Budget 2015/16 £k	Forecast Spend 2015/16 £k	Variance 2015/16 £k
	RESOURCES			
2	Director's Office	231	233	2
-10	Financial Services	3,480	3,468	-12
-2,977	Capital Finance	23,645	20,668	-2,977
-146	Corporate Items	-4,620	-4,766	-146
0	Peterborough Serco Strategic Partnership	7,638	8,253	615
0	ICT	4,087	4,087	0
-0	Commercial Group	4,954	4,958	4
150	Amey Peterborough & Waste Management	11,342	11,558	216
50	Westcombe Engineering	-24	51	75
-500	Energy	462	231	-231
0	Vivacity / Cultural Services	2,839	2,839	0
-31	Cemeteries, Cremation & Registrars	-1,022	-1,053	-32
515	Corporate Property	-314	202	515
0	Education and People Resources	0	0	0
-2,948	**TOTAL RESOURCES**	**52,698**	**50,728**	**-1,970**
-908	Business Rates Income		-908	-908
3,458	Reserve (underspends) to c/fwd to 2016/17*		2,661	2,661
	Transfer from Risk Management reserve		-544	-544
171	**TOTAL GENERAL FUND**	**142,187**	**142,187**	**0**

** If approved as part of the phase two budget proposals, the 2015/16 savings carried forward to 2016/17 will be greater. This will be reflected accordingly in future BCR reports.*

Appendix ii – Explanation of Key Variances

Department - Service	Variance over £100k	Explanation for Variance
GOV - Legal & Democratic Servs	-223	£124k expected favourable variance on local election costs, Members Allowances are £50k favourable, Additional income from Empower £51k - fees for use of database
GOV - Performance & Information	-121	The budget for the coroner was increased in 2014/15 to take account of Medical examiner responsibilities under MoJ reforms. The changes have not impacted as initially envisaged, although there have been increased responsibilities for the Coroner service. Following a review of current expenditure levels and the implementation of a shared service with CCC, a saving of £100k from this additional investment has been projected for 2015/16.
GOV - City Servs & Comms- Regulatory Servs	-300	Land charges income is forecast to exceed the budgeted target by £139k. Additional income from New Burdens funding £96k. Across regulatory services, spend management work undertaken to review supplies and services budgets and extract savings from these where possible has continued to deliver additional savings.
GOV - City Servs & Comms- Markets, Tourism & Events	226	Income budgets at the City Market and the Visitor Destination Centre and Travel Centre are higher than the amounts generated. Rental income from the City Market is £405k, which is £60k lower than budgeted. Income from the Visitor Destination Centre and Travel Centre totals £189k compared with a budgeted income of £347k
GRO -Development & Construction	-146	Favourable variance on employee costs £98k, additional income £35k.
GRO -Peterborough Highway Services	-116	Concessionary Fares £116k favourable, employee costs £85k favourable offset by various small pressures.
PEOPLE - Director of People and Communities	145	£333k of additional Business Support requirement has been identified. A savings target of £219k has been set for the People and Communities Directorate to offset this.
PEOPLE - Communities	138	Pressures relating to income from selective licensing scheme £95k, staffing costs £80k, offset by small favourable variances
PEOPLE – Children's Services and Safeguarding	-183	£366k favourable variance on placement costs offset by £190k staffing costs from the restructure.
PEOPLE – Education	1,172	Of the £1172k adverse variance, £910k relates to Home to School Transport budgets - £400k non achievement of MTFS savings, £510k demographic pressure based on the 2015-16 academic year cohort of pupils. £185k relates to a reduction in the Education Services grant.
PEOPLE – Business Management & Commercial Ops	241	Of the £241k adverse reported £130k relates to legal and professional fees and is based on 2014-15 outturn and projected costs to date for 15-16. The budget for interpretation costs has recently been transferred from Children's Social Care to Commissioning and it is anticipated that the forecast variance will reduce. The prior year saving target applied to this budget has not been achieved. £50k relates to High Level Family Support, Commissioned services for Children. This expenditure is part of the preventative strategy to stop Children coming into care. £50K relates to a shortfall on the Early Years team traded income.

Department - Service	Variance over £100k	Explanation for Variance
RESOURCES – Capital Financing	-2,977	Savings anticipated on interest payments for new debt and that taken last year, and savings on the amounts put aside in order to repay debt as part of the minimum revenue provision (MRP). £2m savings from changing the methodology of calculating MRP to link to the average useful life of the assets.
RESOURCES - Corporate items	-146	Reduction in pay award budget required in 2015/16, due to lower salary budgets/staffing numbers.
RESOURCES - Peterborough Serco Strategic Partnership	615	Procurement – analysis of savings already included in current MTFS against pipeline and procurement plan.
RESOURCES – Amey Peterborough & Waste Management	216	The sale of electricity generated by the Energy from Waste facility will no longer be exempt from the Climate Change Levy, following the removal of this exemption for renewably sourced energy announced in the Chancellor's budget. This adversely affects the value of the electricity that can be sold. £66k reduced income due to lower electricity prices.
RESOURCES - Energy	-231	Increased interest income arising from the partnership arrangements with Empower, from installing solar pv on private and social houses (forecast revised).
RESOURCES – Corporate Property	515	A rent review at the largest site on the Council's property portfolio has resulted in a reduction in income of £258k. However a potential further pressure of £1.6m had it not been possible to negotiate a lease has been averted. £58k rates bill for Aqua House, prior to demolition. Rent, Rate and Service charges at Midgate £199k.
Business Rates Income	-908	Latest projection of net additional Business Rate income to General Fund based on August data and including the estimated impact of the "100% retention scheme" announced in the Chancellors budget.
Reserve to carry forward into 2016/17	2,661	Planned underspends occurring in 2015/16 identified during the budget setting exercise to be carried forward to fund the 2016/17 budget gap.
Transfer from Risk Management Reserve	-544	To offset the forecast deficit in 2015/16

Schedule C – Budget Proposals

1. Overview

1.1. This schedule details the key financial information underpinning the MTFS. It includes:

- Investments
- Pressures
- Savings
- Grant Adjustments
- Post-Phase 2 Adjustments
- Detailed 5-Year Budget Position
- Key figures 2016/17 – 2025/26
- Other Grants
- Departmental Cash Limits
- Summary Budget by Department 2016/17 – 2020/21
- Council Tax Position
- Schedule of Fees & Charges

1.2. Investments, savings & pressures are categorised by department, and the phase in which they were introduced in the budget process. Items are listed in phase order, and then alphabetically by proposal.

2. Investments

2.1. Items contained within this section refer to Cabinet recommendations for investment in new areas/services.

Ref.	Phase	Department	Proposal	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Inv.a	2	Growth & Regen	City Centre response cleansing	60	60	60	60	60
Inv.b	2	Growth & Regen	Enhanced Bus Services	100	100	100	100	100
Inv.c	2	Growth & Regen	Green Flag/Pocket Parks	20	10	10	10	10
Inv.d	2	Growth & Regen	Metal Culture Peterborough	50	50	0	0	0
Inv.e	2	Growth & Regen	Multi-Storey Care Parks - Suicide Prevention	10	10	10	10	10
Inv.f	2	Growth & Regen	Opportunity Peterborough	100	0	0	0	0
Inv.g	2	Growth & Regen	Spring Clean	100	100	100	100	100
Inv.h	2	Growth & Regen	Wild flowers	10	10	10	10	10
Inv.i	2	People & Communities	St George's Community Hydrotherapy Pool	20	10	10	0	0
Inv.j	2	Resources	ICT Investment	170	310	350	350	350
			Total Investments	**640**	**660**	**650**	**640**	**640**

3. Pressures

3.1. Items contained within this section refer to budget pressures within existing Council services, or are unavoidable pressures created by the introduction of new legislation.

Phase 1 Pressures

Ref.	Phase	Department	Proposal	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Pr.1a	1	Governance	National Living Wage (NLW)	440	1,000	1,560	2,130	3,690
Pr.1b	1	Growth & Regen	Taxi Licensing Income	20	20	20	20	20
Pr.1c	1	People & Communities	Children in care until the age of 25	150	150	150	150	150
Pr.1d	1	People & Communities	Deprivation of Liberty Safeguards (DoLs)	180	180	180	180	180
Pr.1e	1	People & Communities	Education Transport	540	540	540	540	540
Pr.1f	1	People & Communities	Legal & professional fees regarding increasing numbers in a growing city	130	130	130	130	130
Pr.1g	1	People & Communities	Unaccompanied Asylum Seeking Children	100	100	100	100	100
Pr.1h	1	Resources	Climate Change Levy	280	280	280	280	280
Pr.1i	1	Resources	Mausoleum Income	-	-	120	120	120
Pr.1j	1	Resources	Procurement	440	470	460	450	440
Pr.1k	1	Resources	Property Portfolio	260	260	260	260	260
			Total Phase 1 Pressures	**2,540**	**3,130**	**3,800**	**4,360**	**5,910**

Phase 2 Pressures

Ref.	Phase	Department	Proposal	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Pr.2a	2	Governance	Alternative Governance Arrangements	50	50	50	50	50
Pr.2b	2	Growth & Regen	Car Parking	80	110	150	190	230
Pr.2c	2	Growth & Regen	Empty Commercial Properties - Rental Foregone	80	80	80	80	80
Pr.2d	2	Growth & Regen	Housing Joint Venture	-	280	490	620	550
Pr.2e	2	Growth & Regen	Statutory Testing	300	250	200	200	200
Pr.2f	2	People & Communities	Better Care Fund Investment	650	650	650	650	650
Pr.2g	2	People & Communities	Business Support Savings - Children's Social Services	250	250	250	250	250
Pr.2h	2	People & Communities	Customer Experience - Resourcing	1,470	970	-	-	-

Ref.	Phase	Department	Proposal	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Pr.2i	2	People & Communities	Deprivation of Liberty Safeguarding (DoLS) - additional pressure	100	100	100	100	100
Pr.2j	2	People & Communities	Jack Hunt School	30	120	120	120	120
Pr.2k	2	Resources	Apprenticeship Levy	220	220	220	220	220
Pr.2l	2	Resources	Empower	410	-	-	-	-
Pr.2m	2	Resources	Insurance Premium Tax	30	30	30	30	30
Pr.2n	2	Resources	Waste Management	100	60	60	60	60
			Total Phase 2 Pressures	**3,770**	**3,170**	**2,400**	**2,570**	**2,540**

Pressures Summary

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Phase 1 Pressures	2,540	3,130	3,800	4,360	5,910
Phase 2 Pressures	3,770	3,170	2,400	2,570	2,540
Post-Phase 2 Pressures (sched C s.6.)	6	11	19	27	34
Total Pressures	**6,316**	**6,311**	**6,219**	**6,957**	**8,484**

4. Savings

4.1. Items detailed below represent the savings and income-generation proposals in the MTFS.

Phase 1 Savings

Ref.	Phase	Department	Proposal	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Sa.1a	1	Governance	Abolition of contracting out of S2P	-260	-260	-260	-260	-260
Sa.1b	1	Governance	Coroner Service	-40	-40	-40	-40	-40
Sa.1c	1	Governance	Shared Chief Executive with CCC	-60	0	0	0	0
Sa.1d	1	Governance	Training, Development & Occupational Health	-70	-70	-70	-70	-70
Sa.1e	1	Governance	Update to pay award forecast	-770	-1580	-2410	-2900	-3410
Sa.1f	1	Growth & Regeneration	Highways services capitalisation	-180	-180	-180	-180	-180
Sa.1g	1	People & Communities	Care Act and healthy visiting / Schools - savings to compensate for loss of Public Health Grant	-550	-550	-550	-550	-550

Ref.	Phase	Department	Proposal	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Sa.1h	1	People & Communities	People & Comm. Customer Experience Savings Proposals	-680	-3,230	-3,450	-3,450	-3,450
Sa.1i	1	Resources	Collection Fund	-1000	0	0	0	0
Sa.1j	1	Resources	Council Tax base growth	-690	-950	-1220	-1480	-1760
Sa.1k	1	Resources	Impact of current capital programme on MTFS assumptions	-270	-210	-160	-160	-160
Sa.1l	1	Resources	Increased income from Business Rates	-580	-500	-500	-500	-500
Sa.1m	1	Resources	New Homes Bonus	-620	-960	-1330	-1,690	-2,040
Sa.1n	1	Resources	Norse - Future delivery of Property Services	-100	-100	-150	-150	-150
Sa.1o	1	Resources	Rescheduling of the provision for debt repayment (MRP part 1)	-2,000	-2,000	-2,000	-2,000	-2,000
Sa,1p	1	Resources	Revenue implications of Schools Capital requirement	-920	-630	-330	620	1190
Sa.1q	1	Resources	Solar PV Schemes	-640	0	0	0	0
			Total Phase 1 Savings	**-9,430**	**-11,260**	**-12,650**	**-12,810**	**-13,380**

Savings Phase 2

Ref.	Phase	Department	Proposal	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Sa.2a	2	Governance	Review of pay award saving	310	630	950	950	960
Sa.2b	2	Governance	Workforce Modernisation	-440	-800	-800	-800	-800
Sa.2c	2	Growth & Regeneration	Christmas Decorations	-20	-20	-20	-20	-20
Sa.2d	2	Growth & Regeneration	Empty Commercial Properties - Rental Income	-80	-80	-80	-80	-80
Sa.2e	2	People & Communities	Adult Social Care - 2% Precept	-1,220	-1,260	-1,310	-1,350	-1,400
Sa.2f	2	People & Communities	Better Care Fund - Adult Social Care	-1210	0	0	0	0
Sa.2g	2	People & Communities	Better Care Fund - Transformation	-1690	0	0	0	0
Sa.2h	2	People & Communities	Change in care charging policy	-260	-260	-260	-260	-260
Sa.2i	2	People & Communities	Clare Lodge	0	-250	-250	-250	-250
Sa.2j	2	Resources	Additional Collection Fund Surplus	-490				
Sa.2k	2	Resources	Council Tax - Empty Properties	-250	-250	-250	-250	-250
Sa.2l	2	Resources	Cross Keys Homes VAT Shelter	-560	0	0	0	0
Sa.2m	2	Resources	Inflation/Fees & Charges One-Off	-500	-500	-500	-500	-500
Sa.2n	2	Resources	Minimum Revenue Provision Phase 2	-3,292	-2,839	-2,380	-1,971	-1,681

Ref.	Phase	Department	Proposal	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Sa.2o	2	Resources	Minimum Revenue Provision - Capital Receipts	-2,475	-1,908	-386	260	0
Sa.2p	2	Resources	Reduced Pressure on CTSS (Tax Credits)	-270	-270	-270	-270	-270
Sa.2q	2	Resources	School Capitalisations (Borrowing costs)	20	20	20	20	20
Sa.2r	2	Resources	Vivacity - Premier Fitness	-50	-120	-120	-120	-120
			Total	**-12,477**	**-7,907**	**-5,656**	**-4,641**	**-4,651**

Savings Summary

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Phase 1 Savings	-9,430	-11,260	-12,650	-12,810	-13,380
Phase 2 Savings	-12,477	-7,907	-5,656	-4,641	-4,651
Post-Phase 2 Savings (sched C s.6.)	-1287	-150	-50	50	-10
Total Savings	**-23,194**	**-19,317**	**-18,356**	**-17,401**	**-18,041**

5. Grant Adjustments

5.1. Following the Provisional Local Government Finance Settlement in December, the Council has had to make revisions to the forecast amounts of grant it will receive. As the Final Settlement will not be known until February, this position is likely to change.
5.2. Further changes to future year grant levels should be expected, as the Government is radically changing the way that Local Authorities are financed.
5.3. Members will be updated when further details of changes to funding arrangements have been released.

Phase 1

Ref	Department	Grant Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
G.a	All	General grant reductions	8,780	15,850	18,150	14,000	14,000
G.b	People & Communities	Education Services Grant	50	50	50	50	50
G.c	People & Communities	SEND Reform Grant	100	100	100	100	100
G.d	People & Communities	Youth Justice Grant Reduction	80	80	80	80	80
G.e	Public Health	Public Health Grant	670	670	670	670	670
G.f	**Grant Reductions Reported Phase 1**		**9,680**	**16,750**	**19,050**	**14,900**	**14,900**

Phase 2

G.g	All	RSG	-1,070	-1,750	-60	7,800	7,800
G.h	n/a	Lead local authority flood (Grant rolled in)	20	20	20	20	20
G.i	People & Communities	Care Act (Grant rolled-in)	850	850	850	850	850
G.j	**All**	***(Improving)/Worsening of RSG Phase 2***	***-200***	***-880***	***810***	***8,670***	***8,670***
G.k	All	New Homes Bonus	0	90	3,270	3,720	3,720
G.l	All	New Homes Bonus s31 grant	-90	-	-	-	-
G.m	People & Communities	Education Services Grant	110	110	110	110	110
G.n	People & Communities	Improved Better Care Fund allocation	0	-350	-2,990	-5,350	-5,350
G.o	People & Communities	SEND Reform Grant	-100	-100	-100	-100	-100
G.p	Public Health	Public Health Grant	190	400	610	820	820
G.q	Resources	Housing Benefit Admin Grant	120	120	120	120	120
(Improving)/Worsening of Other Grants Phase 2			***230***	***270***	***1,020***	***-680***	***-680***
Grant Reductions Reported Phase 2			**30**	**-610**	**1,830**	**7,990**	**7,990**

Grant Changes Summary

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Phase 1 Grant Reductions	9,680	16,750	19,050	14,900	14,900
Phase 2 Grant Reductions	30	-610	1,830	7,990	7,990
Post-Phase 2 Grant Reduction (sched C s.6.)	87	165	244	324	324
Total Savings	**9,797**	**16,305**	**21,124**	**23,214**	**23,214**

6. Post-Phase 2 Adjustments

6.1. Following the Phase 2 Budget proposals, some further amendments are required to the budget position.
6.2. These adjustments are largely as a result of the Final Local Government Finance Settlement and subsequent announcements.
6.3. There is one adjustment relating to an additional savings proposal for street lighting. Full details of this proposal can be found in Schedule E (i).
6.4. A summary of required changes is given below:

Ref	Department	Type	Required Adjustment	2016/17 £0	2017/18 £0	2018/19 £0	2019/20 £0	2020/21 £0
A.a.	Resources	Grant Adjustment	Adjustments to New Homes Bonus	4	4	3	3	3
A.b.	Public Health	Grant Adjustment	Adjustments to Public Health Grant	76	149	226	302	302
A.c.	Resources	Pressure	Council Tax Rounding	6	11	19	27	34
A.d.	People & Communities	Grant Adjustment	Former Independent Living Fund Pressure	7	12	15	19	19
A.e.	Resources	Saving	Post NNDR1 Adjustment to Business Rates	-1,217	-	-	-	-
A.f.	Growth & Regeneration	Saving	Street Lighting Business Case	-70	-150	-50	50	-10
A.g.	All	Contribution to Reserve	Additional contribution to/(from) grant equalisation reserve	1,194	-1,194			
			Total Post-Phase 2 Adjustments	**-**	**-1,168**	**213**	**401**	**348**

7. Detailed 5-Year Budget Position

7.1. The table below indicates the Council's 5-year budget position based on the most up-to-date information.

7.2. The budget position for the 2016/17 financial year is balanced, however, significant challenges remain in future years, with a gap of £4.1m to close in 2017/18 followed by a substantial gap of £24.3m and rising from 2018/19 onwards.

7.3. To help tackle this challenge, the Cabinet is asked to recommend to Council that a Grant Equalisation Reserve be created. This will enable officers to take a strategic and measured approach to making necessary efficiencies, whilst minimising the impact as far as possible on customers and services.

7.4. These figures reflect the outcome of the Final Local Government Finance Settlement and the Council's NNDR 1 declaration.

Detailed 5-Year Budget Position

Phase 1

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening Budget Gap at Phase 1	7,390	11,330	14,710	17,760	19,510
Phase 1 Forecast Grant Reductions	9,680	16,750	19,050	14,900	14,900
Phase 1 Pressures	2,540	3,130	3,800	4,360	5,910
Updated Budget Gap Phase 1	**19,610**	**31,210**	**37,560**	**37,020**	**40,320**
Savings - Phase 1	-9,430	-11,260	-12,650	-12,810	-13,380
Carry-Forward of 2015/16 savings	-2,660	-	-	-	-
Budget Gap at end of Phase 1	**7,520**	**19,950**	**24,910**	**24,210**	**26,940**

Phase 2

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening Budget Gap at Phase 2	7,520	19,950	24,910	24,210	26,940
Phase 2 Grant Adjustments	30	-610	1,830	7,990	7,990
Phase 2 Pressures	3,770	3,170	2,400	2,570	2,540
Phase 2 Investments	640	660	650	640	640
Updated Budget Gap Phase 2	**11,960**	**23,170**	**29,790**	**35,410**	**38,110**
Phase 2 Savings	-12,477	-7,907	-5,656	-4,641	-4,651
Carry-Forward of 2015/16 Savings	-9,477	-	-	-	-
Contributions To/(From) Reserves	9,994	-9,994	-	-	-
Budget Gap at end of Phase 2	**-**	**5,269**	**24,134**	**30,769**	**33,459**

Post-Phase 2 Adjustments

Net Post-Phase 2 Adjustments	-	-1,168	213	401	348
Final Budget Position	**-**	**4,101**	**24,347**	**31,170**	**33,807**

Incremental Savings Required	**-**	**4,101**	**20,246**	**6,823**	**2,637**

8. Key figures 2016/17 – 2025/26

	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	2025/26 £000
Business Rates	-49,112	-48,042	-48,971	-49,921	-50,071	-50,226	-50,384	-50,545	-50,709	-50,923
Revenue Support Grant	-26,983	-19,821	-15,056	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246	-10,246
Other Grants	-33,076	-32,656	-32,007	-33,874	-33,956	-33,744	-33,567	-33,567	-33,567	-33,567
Housing Benefit Grant	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600	-72,600
Parish Precept	-575	-575	-575	-575	-575	-575	-575	-575	-575	-575
Council Tax Base	-59,002	-62,241	-64,394	-66,609	-68,884	-71,226	-73,634	-76,109	-78,654	-81,270
Council Tax Growth Estimate	-2,025	-896	-915	-931	-952	-971	-991	-1,011	-1,030	-1,052
Council Tax Increase	-1,215	-1,256	-1,300	-1,344	-1,390	-1,437	-1,485	-1,535	-1,586	-1,638
Council Tax - Adult Social Care precept	-1,221	-1,263	-1,306	-1,351	-1,397	-1,397	-1,397	-1,397	-1,397	-1,397
Collection Fund - Council Tax Deficit/Surplus (-)	-1,494	0	0	0	0	0	0	0	0	0
Collection Fund - NDR Deficit/Surplus (-)	842	0	0	0	0	0	0	0	0	0
Contribution to Reserves	-950	-11,188	0	0	0	0	0	0	0	0
Subtotal	**-247,411**	**-250,539**	**-237,124**	**-237,450**	**-240,070**	**-242,421**	**-244,877**	**-247,585**	**-250,365**	**-253,268**
Schools Grant	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414	-129,414
Total Funding	**-376,825**	**-379,953**	**-366,538**	**-366,864**	**-369,484**	**-371,835**	**-374,291**	**-376,999**	**-379,779**	**-382,682**
Control Totals	**386,541**	**392,040**	**397,348**	**402,149**	**405,859**	**408,733**	**409,259**	**412,943**	**415,809**	**419,268**
Investment 2016/17[2]	6,948	7,059	7,211	8,132	9,573	9,528	9,468	9,408	9,348	9,308
Savings 2016/17	-16,664	-15,045	-13,675	-12,246	-12,141	-12,141	-12,141	-12,141	-12,141	-12,141
Total Expenditure	**376,825**	**384,055**	**390,884**	**398,036**	**403,292**	**406,121**	**406,586**	**410,210**	**413,017**	**416,436**
Budget Deficit/Surplus (-)	**0**	**4,101**	**24,347**	**31,170**	**33,807**	**34,285**	**32,296**	**33,212**	**33,238**	**33,754**

[2] Note – some savings and pressures declared in Phase 1 & 2 are funding related, and are therefore included in the top half of this table.

9. Breakdown of Other Grants

	2016/2017 £k	2017/2018 £k	2018/2019 £k	2019/2020 £k	2020/2021 £k	2021/2022 £k	2022/2023 £k	2023/2024 £k	2024/2025 £k	2025/2026 £k	Comments
Adult Social Care New Burdens	0	0	0	0	0	0	0	0	0	0	£848k rolled into RSG
Council Tax Support New Burdens Funding	-46	-46	-46	-46	-46	-46	-46	-46	-46	-46	
Council tax freeze grant	0	0	0	0	0	0	0	0	0	0	No longer available
Dept of Health revenue grant	-249	-249	-249	-249	-249	-249	-249	-249	-249	-249	
Education Services Grant	-2,242	-2,242	-2,242	-2,242	-2,242	-2,242	-2,242	-2,242	-2,242	-2,242	
Independent Living Fund grant	-129	-124	-121	-117	-117	-117	-117	-117	-117	-117	
Housing Benefit Admin Grant	-1,148	-1,148	-1,148	-1,148	-1,148	-1,148	-1,148	-1,148	-1,148	-1,148	
Lead Local Flood funding	0	0	0	0	0	0	0	0	0	0	Rolled into RSG
Improved Better Care Fund	0	-354	-2,986	-5,345	-5,345	-5,345	-5,345	-5,345	-5,345	-5,345	
New Homes Bonus	-7,902	-8,033	-5,047	-4,842	-4,924	-4,712	-4,535	-4,535	-4,535	-4,535	
NHS Funding	-2,976	-2,976	-2,976	-2,976	-2,976	-2,976	-2,976	-2,976	-2,976	-2,976	
NHS Funding - Better Care Fund	-661	-661	-661	-661	-661	-661	-661	-661	-661	-661	
PFI	-4,731	-4,731	-4,731	-4,731	-4,731	-4,731	-4,731	-4,731	-4,731	-4,731	
Public Health grant	-11,479	-11,196	-10,905	-10,621	-10,621	-10,621	-10,621	-10,621	-10,621	-10,621	
S31 Business rate capping grant	-616	-556	-556	-556	-556	-556	-556	-556	-556	-556	
S31 Business rate doubling SBRR grant	-797	-340	-340	-340	-340	-340	-340	-340	-340	-340	
S31 NHB grant	-88	0	0	0	0	0	0	0	0	0	
S31 Long term empty reoccupation	-12	0	0	0	0	0	0	0	0	0	
Total Other Grants	**-33,076**	**-32,656**	**-32,007**	**-33,874**	**-33,956**	**-33,744**	**-33,567**	**-33,567**	**-33,567**	**-33,567**	

10. Departmental Cash Limits 2016/17 – Summarised

Department	MTFS 2015 Budget 2016/17 £000	2016/17 Savings £000	2016/17 Investment £000	2016/17 Changes to Grants £000	Net Budget 2016/17 £000
Chief Executives	410	(60)	-	-	350
Governance	5,914	(113)	143	-	5,944
Growth & Regeneration	12,610	(270)	200	20	12,560
People and Communities	74,216	(6,259)	3,774	1,094	72,825
Public Health	(455)	(111)	3,126	(2,188)	372
Resources	30,185	(918)	2,610	120	31,997
COST OF SERVICES	**122,880**	**(7,731)**	**9,853**	**(954)**	**124,048**
Drainage & Flood Levy	609	-	-	-	609
Capital Financing Costs	27,327	(8,933)	221	-	18,615
BUDGET REQUIREMENT	**150,816**	**(16,664)**	**10,074**	**(954)**	**143,272**
Parish Precepts	616	-	87	-	703
TOTAL EXPENDITURE	**151,432**	**(16,664)**	**10,161**	**(954)**	**143,975**
Council Tax	(60,840)	(1,401)	-	-	(62,241)
Council Tax - Adult Social Care precept	-	(1,221)	-	-	(1,221)
NDR Income	(48,390)	(2,516)	-	1,794	(49,112)
NDR Levy	0	484	-	-	484
NDR Tarriff	6,815	(79)	-	-	6,736
Revenue Support Grant	(30,135)	-	-	3,152	(26,983)
Parish Precept	(514)	(62)	-	-	(576)
Council Tax Freeze Grant	-	-	-	-	-
New Homes Bonus	(7,277)	(621)	-	(4)	(7,902)
Section 31 Grant	(941)	(529)	-	(88)	(1,558)
Contribution to Grant Equalisation Reserve	-	11,188	-	-	11,188
Contribution from/to Reserves	-	(12,138)	-	-	(12,138)
Collection Fund - Council Tax	-	(1,494)	-	-	(1,494)
Collection Fund - NDR	-	842	-	-	842
TOTAL FUNDING	**(141,282)**	**(7,546)**	**-**	**4,854**	**(143,975)**
(SURPLUS)/DEFICIT	**10,149**	**(24,210)**	**10,161**	**3,900**	**-**

11. Summary Budget Position by Department 2016/17-2020/21

Department	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Chief Executives	350	410	410	410	410
Governance	5,944	5,729	5,769	5,810	5,853
Growth & Regeneration	12,560	12,945	12,785	13,145	13,170
People and Communities	72,825	72,204	69,837	68,954	71,382
Public Health	372	655	946	1,230	1,230
Resources	31,997	35,763	38,279	40,050	42,110
Drainage & Flood Levy	609	609	609	609	609
Capital Financing Costs	18,615	22,388	26,423	29,787	30,344
Parish Precepts	703	703	703	703	703
TOTAL EXPENDITURE	**143,975**	**151,406**	**155,761**	**160,698**	**165,811**
Council Tax	(62,241)	(64,393)	(66,608)	(68,883)	(71,225)
Council Tax - Adult Social Care precept	(1,221)	(1,263)	(1,306)	(1,351)	(1,397)
NDR Income	(49,112)	(48,042)	(48,971)	(49,921)	(50,072)
NDR Levy	484	0	0	0	0
NDR Tarriff	6,736	6,951	7,090	7,232	7,376
Revenue Support Grant	(26,983)	(19,821)	(15,056)	(10,246)	(10,246)
Parish Precept	(576)	(576)	(576)	(576)	(576)
Council Tax Freeze Grant	-	-	-	-	-
New Homes Bonus	(7,902)	(8,033)	(5,047)	(4,842)	(4,924)
Section 31 Grant	(1,558)	(941)	(941)	(941)	(941)
Contribution to Grant Equalisation Reserve	11,188	(11,188)	-	-	-
Contribution from/to Reserves	(12,138)	-	-	-	-
Collection Fund - Council Tax	(1,494)	-	-	-	-
Collection Fund - NDR	842	-	-	-	-
	-	**-**	**-**	**-**	**-**
TOTAL FUNDING	**143,975**	**147,305**	**131,414**	**129,528**	**132,004**
(SURPLUS)/DEFICIT	**0**	**4,101**	**24,347**	**31,170**	**33,807**

12. Council Tax Position

12.1. The below table indicates the forecast levels of Council Tax raised over the period to 2020/21, including the forecast tax base and rises implicit within the Medium Term Financial Strategy.

12.2. It does not include funds raised from the 2% Adult Social Care Precept, which will raise £1.211m in 2016/17.

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Council Tax increase	1.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Band D £	£ 1,150.48	£ 1,173.37	£ 1,196.72	£ 1,220.53	£ 1,244.82
Council Tax Base - Band Ds	54,100.4	54,879.1	55,659.3	56,437.5	57,217.7
Council Tax Base	-59,002	-62,241	-64,394	-66,609	-68,884
Council Tax Growth Estimate	-2,025	-896	-915	-931	-952
Council Tax Increase	-1,215	-1,256	-1,300	-1,344	-1,390
	-62,241	**-64,394**	**-66,609**	**-68,884**	**-71,226**

13. Schedule of Fees & Charges

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Governance	Parking Services	Off Street Parking	Various	Council Lead
Governance	Parking Services	Off Street Parking Season tickets	0.0%	Council Lead
Governance	Parking Services	PCN's - All Off Street Parking	0.0%	Statutory
Governance	Parking Services	Staff Parking	0.0%	Council Lead
Governance	Parking Services	On Street Parking	0.0%	Council Lead/Statutory
Governance	Parking Services	Residential Parking	0.0%	Council Lead
Governance	City Centre Services	City Services Street Trading	1.6%	Council Lead
Governance	Tourism	Tickets sold on behalf of event organisers	0.0%	Council Lead
Governance	Licensing	Gambling Act Licensing	0.0%	Statutory
Governance	Licensing	Hackney Carriage Licensing	4.1%	Council Lead
Governance	Licensing	Animal Welfare Licensing	5.8%	Council Lead
Governance	Business Regulations	Other Environmental Health Licensing	3.9%	Council Lead
Governance	Business Regulations	Construction, Design and Management Fees	0.0%	Statutory
Governance	Business Regulations	Trading Standards	0.0%	LACORS (Local Authority Coordination of Regulated Services
Governance	Business Regulations	Street Trading Consents (Non Pedestrian Area)	3.8%	Council Lead
Governance	Licensing	Lottery Licensing	0.0%	Statutory
Governance	Community Protection	Environmental Protection Act	0.0%	Statutory
Governance	Business Regulations	Other charges	1.1%	Council Lead/Statutory
Governance	Community Protection	Environmental Enforcement	0.0%	Statutory
Governance	Mayoralty/Civic	Civic Room Lettings	3.0%	Council Lead

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Governance	Land charges	Search fees	0.0%	Council Lead/Statutory
Growth and Regeneration	Passenger Transport	Queensgate Bus Station	0.0%	Council Lead
Growth and Regeneration	Street Works	Licenses and permits	4.1%	Council Lead
Growth and Regeneration	Asset Management	Street naming & numbering information	0.0%	Council Lead
Growth and Regeneration	Trans and Development	Highways Development	3.6%	Council Lead
Growth and Regeneration	Planning	Planning Fees and Charges	0.0%	Council Lead/Statutory
Growth and Regeneration	Archaeology Service	Archaeology Services	0.0%	Council Lead
People and Communities	St. Georges Hydrotherapy Pool	St. Georges Hydrotherapy Pool	0.0%	Council Lead
People and Communities	Housing & Healthy Living - Communities	Gladstone Park	0.0%	Council Lead
People and Communities	Childrens Social Care	Unauthorised absence penalty notice	0.0%	Statutory
People and Communities	Learning & Skills	Parental contribution to Bus Passes issued	2.8%	Council Lead
People and Communities	Enforcement	Houses of Multiple Occupation License	0.0%	Statutory
People and Communities	Children & Families	Accommodation charges	0.0%	Council Lead
People and Communities	Children & Families	Inter agency adoption fee	0.0%	Statutory
People and Communities	Independent Sector Placements	Homecare - hourly rate	0.0%	Council Lead

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
People and Communities	Independent Sector Placements	Extra Care Schemes	3.2%	Council Lead
People and Communities	Independent Sector Placements	Day services	4.8%	Council Lead
People and Communities	Independent Sector Placements	Direct payment rates	0.0%	Council Lead
People and Communities	Independent Sector Placements	Respite	0.0%	Council Lead
People and Communities	Independent Sector Placements	Meals on wheels	0.0%	Council Lead
Resources	Bereavement Services	Crematorium fees	3.3%	Council Lead
Resources	Bereavement Services	Memorial Sales	2.3%	Council Lead
Resources	Bereavement Services	Cemetery fees	3.7%	Council Lead
Resources	Registration Services	Private Citizenship Ceremonies	2.7%	Council Lead
Resources	Registration Services	Approved Premises/Registration Office	2.7%	Council Lead
Resources	Registration Services	Nationality Checking	9.1%	Council Lead
Resources	Registration Services	Baby Naming/Renewal of Vows	3.8%	Council Lead
Resources	Registration Services	Registration Services – Statutory fees	0.0%	Statutory

Directorate	Service Area	Charge	Average % increase in Fees & Charges	Council Lead/Statutory
Resources	Strategic Property	Property Rents	Various - increases in rent are dictated by the terms of the leases	Council Lead

Treasury Management Strategy 2016/17 to 2025/26

Including:

Revised Minimum Revenue Provision Policy 2015/16

Minimum Revenue Provision Policy 2016/17

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 Treasury Management 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 2016/17

1.3.1 The strategy for 2016/17 will cover

- Policy on use of external advisors
- Capital programme and the Prudential Indicators
- MRP strategy and policy
- 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 2016/17 to 2025/26

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	**2014/15 Actuals £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**	**2024/25 Est. £m**	**2025/26 Est. £m**
Governance	*0.1*	0.4	-	-	-	-	-	-	-	-	-	-
People & Communities	*56.4*	32.2	37.1	16.4	26.0	16.6	7.8	3.5	3.5	3.5	3.5	3.5
Resources	*21.8*	39.8	25.4	4.2	4.9	4.9	4.0	4.7	4.8	4.8	4.8	4.8
Growth & Regeneration	*26.2*	20.8	37.6	33.5	19.2	8.7	6.4	6.4	6.4	6.4	6.4	7.3
Invest to Save	*4.3*	61.9	26.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	***108.8***	**155.1**	**126.6**	**54.1**	**50.1**	**30.2**	**18.2**	**14.6**	**14.7**	**14.7**	**14.7**	**15.6**
Financed by:												
Capital receipts	*2.9*	-	1.0	-	1.0	-	-	-	-	-	-	-
Capital grants & contributions	*35.6*	25.4	33.8	20.0	10.5	8.5	7.5	5.4	5.6	5.6	5.6	5.6
Net financing requirement	***70.3***	**129.7**	**91.8**	**34.1**	**38.6**	**21.7**	**10.7**	**9.3**	**9.1**	**9.1**	**9.1**	**10.0**
Total	***108.8***	**155.1**	**126.6**	**54.1**	**50.1**	**30.2**	**18.2**	**14.7**	**14.7**	**14.7**	**14.7**	**15.6**

2.2 The previous table summarises the capital expenditure which is shown in more detail in the Capital Strategy Annex One including 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. The capital receipts shown in the tables for future years relate to the return of the LAMS capital loan.

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, generate savings, or avoid additional costs e.g. landfill tax. Therefore the borrowing costs associated with these projects will have a minimal 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	**2014/15 Actuals £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**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**
CFR B/fwd	*365.6*	422.5	546.0	628.3	614.6	642.3	652.7	651.7	649.1	646.2	642.7	638.7
Borrowing	*53.3*	61.6	52.3	(13.8)	27.9	10.4	(1.0)	(2.6)	(2.9)	(3.4)	(4.0)	(3.8)
Invest to Save*	*3.6*	61.9	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CFR C/fwd	*422.5*	546.0	628.3	614.5	642.5	652.7	651.7	649.1	646.2	642.8	638.7	634.9
Movement in CFR	***56.7***	**123.5**	**82.3**	**(13.8)**	**27.8**	**10.4**	**(1.0)**	**(2.6)**	**(2.9)**	**(3.5)**	**(4.0)**	**(3.8)**
Net financing requirement	*70.3*	129.7	91.9	34.1	38.7	21.8	10.7	9.3	9.2	9.2	9.2	10.1
Less MRP & other financing	*(13.6)*	(6.2)	(9.6)	(47.9)#	(10.9)	(11.4)	(11.7)	(11.9)	(12.1)	(12.7)	(13.2)	(13.9)
Movement in CFR	***56.7***	**123.5**	**82.3**	**(13.8)**	**27.8**	**10.4**	**(1.0)**	**(2.6)**	**(2.9)**	**(3.5)**	**(4.0)**	**(3.8)**

** 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 2.3)*
 # This includes the ECS Peterborough 1 LLP loan repayment of £37m which is the level that has been approved but not yet utilised

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	**2014/15 Actuals £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**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**
Total ratio	*5.9%*	4.3%	6.1%	7.0%	7.8%	8.5%	8.6%	8.4%	8.4%	8.3%	8.3%	8.1%

2.8 **Indicator 4** – Actual and estimates of the incremental impact of capital investment decisions on council tax. The calculation of this indicator is based upon the estimated amount of the capital programme that is to be financed from borrowing.

2.9 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.

2.10 This indicator is showing the incremental impact of capital investment decisions along with the amendments to the MRP policy as contained in the following section, see point 3.

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

(4) Incremental impact of capital investment decisions on Council Tax	**2014/15 Actuals £**	**2015/16 Est. £**	**2016/17 Est. £**	**2017/18 Est. £**	**2018/19 Est. £**	**2019/20 Est. £**	**2020/21 Est. £**	**2021/22 Est. £**	**2022/23 Est. £**	**2023/24 Est. £**	**2024/25 Est. £**	**2025/26 Est. £**
Incremental change in capital financing budget between MTFS's on Band D Council Tax (£)	*(82.17)*	(307.41)	(197.89)	(145.96)	(90.59)	(37.81)	(30.43)	1.96	(10.61)	(13.05)	(15.37)	(20.89)

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. A comprehensive review of the Council's method for calculating its MRP has been undertaken in order to ensure that the amount of revenue put aside to repayment debt represents a fair charge compared to the life of the asset that is being financed via borrowing. Further details of the amendments to the Council's MRP policy are contained in the table in Appendix 3.

3.4. The Council is recommended to approve the amendments to the 2015/16 MRP policy and to approve MRP policy for 2016/17 as summarised in the following table. These policies ensure that the Council satisfies the requirement to set aside a prudent level of MRP.

3.5. Councils are allowed by statute to use capital receipts for the repayment of any borrowing previously incurred. The application of capital receipts to repay debt would reduce the level of MRP chargeable to revenue, but statutory guidance does not address how such a reduction should be calculated. The Council proposes that in years when it uses capital receipts to redeem borrowing, the value of the MRP which would otherwise have been set aside for that year will be reduced by the amounts which have instead been repaid from capital receipts. This will still result in a prudent level of MRP, as there will be no reduction in the overall level of funding set aside to redeem debt.

3.6. 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 Service Director Financial Services. 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 the secured loans to two third parties which are Axiom Housing Association (Council - 8 October 2014) and ECS Peterborough 1 LLP (Council - 17 December 2014).

3.7. The Council has held some preliminary discussions with Peterborough Regional College regarding the possibility of the Council lending to them to invest in new facilities. These discussions are at a very early stage, but it is recommended that PRC are added to the list of organisations the Council can make secured loans to. This does not commit the Council making such a loan, it simply means that the Council can consider this during the year. This could only proceed following an appropriate executive decision.

3.8. 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. Such deposits are treated as capital expenditure, as a loan to a third party. The CFR increased by the total of these indemnities. Operation of the Scheme sees these deposits returned in full at maturity, a 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.

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

Capital Expenditure Incurred	MRP Policy 2015/16	Revised MRP Policy 2015/16 & MRP Policy for 2016/17
Pre 2007/08 debt (ie debt up to 31.03.2007)	Charged 4% reducing balance (Option 1)	Use the annuity method of calculation over an average weighted asset life
Supported Borrowing post 2007/08		
Unsupported borrowing 2007/08 & 2008/09	Charged in relation to asset life on equal instalment method	Use the annuity method of calculation over the remaining asset life
Unsupported borrowing Post 2008/09	Charged in relation to asset life on annuity method	Charged in relation to asset life on annuity method
Private Finance Initiative (PFI) - Finance Lease	Charged derived from using the PFI model	Use the annuity method of calculation over the remaining asset life
Other Finance Leases	Charged in relation to asset life on annuity method	Charged in relation to asset life on annuity method
Expenditure funded by unsupported borrowing reflected within the debt liability after the 31 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.	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. If capital receipts have been used to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Corporate Director Resources, taking into account forecasts for future expenditure and the generation of further receipts.
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	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

For more detailed guidance on MRP see the CLG website 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 4.8.12) 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.

- **Current Treasury Position**

- **Indicator 5** - The Council's treasury position at 31 March 2015, 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	**2014/15 Actuals £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**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**
External Borrowing												
Market Borrowing	*306.0*	311.8	431.5	515.5	483.9	513.0	524.7	529.6	534.3	538.9	543.6	548.3
Repayment of borrowing	-	(17.0)	(22.0)	(56.0)	(9.0)	(8.0)	(15.0)	(8.0)	(7.1)	-	(8.0)	-
Expected change in borrowing	-	142.5	106.0	24.5	38.1	19.6	19.9	12.8	106.0	24.5	38.1	19.6
Other long-term liabilities	*40.4*	39.5	38.6	37.8	37.0	36.2	35.4	34.9	34.3	33.7	33.0	32.3
Gross Debt at 31 March	***346.4***	**470.9**	**554.1**	**521.7**	**550.1**	**560.9**	**565.0**	**569.2**	**573.2**	**577.3**	**581.3**	**585.2**
CFR	422.5	546.0	628.4	614.6	642.3	652.7	651.7	649.1	646.2	642.7	638.7	634.9
% of Gross Debt to CFR	***82.0%***	**86.2%**	**88.2%**	**84.9%**	**85.6%**	**85.9%**	**86.7%**	**87.7%**	**88.7%**	**89.8%**	**91.0%**	**92.2%**

- 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 year plus the estimates of any additional CFR for 2016/17 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.
- The Corporate Director Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in this medium term financial strategy (MTFS).
- **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.

(6) Operational Boundary	**2014/15 Actuals £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**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**
Borrowing	*306.0*	588.6	630.9	594.7	592.7	581.3	575.0	574.2	573.2	577.3	581.3	581.3
Other long term liabilities	*40.4*	39.5	38.6	37.8	37.0	36.2	35.4	34.9	34.3	33.7	33.0	32.3
Total	***346.4***	**628.1**	**669.5**	**632.5**	**629.7**	**617.5**	**610.4**	**609.1**	**607.5**	**611.0**	**614.3**	**613.6**

- **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:

(7) Authorised Limit	**2014/15 Actuals £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**	**2023/2 4Est. £m**	**2024/25 Est. £m**	**2025/26 Est. £m**
Borrowing	*306.0*	665.6	682.9	670.5	625.1	606.6	603.0	606.6	609.4	612.2	616.0	616.6
Other long term liabilities	*40.4*	39.5	38.6	37.8	37.0	36.2	35.4	34.9	34.3	33.7	33.0	32.3
Total	***346.4***	**705.1**	**721.5**	**708.3**	**662.2**	**642.9**	**638.5**	**641.5**	**643.7**	**645.9**	**649.0**	**648.9**

Prospects for interest rates

- 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 (as at January 2016) and PWLB new borrowing (as at November 2015) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

Interest Rate (All rates shown as %)	**Now**	**Mar 16**	**Jun 16**	**Sep 16**	**Dec 16**	**Mar 17**	**Jun 17**	**Sep 17**	**Dec 17**	**Mar 18**	**Jun 18**	**Sep 18**	**Dec 18**	**Mar 19**
Bank Rate View	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
5yr PWLB Rate	2.30	2.40	2.60	2.70	2.80	2.80	2.90	3.00	3.20	3.30	3.40	3.50	3.50	3.60
10yr PWLB Rate	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.10	4.10
25yr PWLB Rate	3.60	3.70	3.80	3.90	4.00	4.10	4.10	4.20	4.30	4.30	4.40	4.40	4.40	4.50
50yr PWLB Rate	3.50	3.60	3.70	3.80	3.90	4.40	4.00	4.00	4.10	4.20	4.30	4.30	4.30	4.40
Budget Assumption	3.43		3.85				4.08				4.33			

- The Council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, during the period 1 November 2015 to 31 October 2016. 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.

- 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.

- 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:

- Economic forecasting remains difficult with so many external influences weighting on the UK. Capita Asset Services Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how the economic data and developments in financial markets transpire over the next year. Forecast for average earnings beyond the three year horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets or the safe haven of bonds.

- The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013.

- However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel and commodity prices will delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% by the end of 2016 and not get to near 2% until the second half of 2017, though the forecasts in the Report itself were for an even slower rate of increase.
- However, more falls in the price of oil and imports from emerging countries in early 2016 will further delay the pick up in inflation. There is therefore considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.
- The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 4 of 2016. There is downside risk to this forecast i.e. it could be pushed further back.
- The UK are experiencing exceptional levels of volatility which are highly correlated to emerging market, geo-political and sovereign debt crisis developments.
- The downside risks to current forecasts for UK gilts yields and PWLB rates currently include:
    - Emerging country economies, currencies and corporates destabilised by falling commodity prices and or Fed. rate increases, causing a flight to safe havens (bonds).
    - Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
    - UK economic growth and increases in inflation are weaker than are currently anticipated.
    - Weak growth or recession in the UK’s main trading partners – the EU and US.
    - A resurgence of the Eurozone sovereign debt crisis
    - Recapitalisation of European banks requiring move government financial support.
    - Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially in the Eurozone and Japan.
- The potential for upside risks to current forecasts for UK gilts yields and PWLB rates especially for longer term PWLB rates include:
    - Uncertainty around the risk of a UK exit from the EU.
    - The pace and timing of increases in the Fed. Funds rate causing a fundamental reassessment by investors of the

relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.

- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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 o. This is in line with the agreed strategy that the Council's cash balances be used to fund capital expenditure before additional borrowing is undertaken.

4.4.2 The MTFS is based on the following borrowing assumptions for the next ten years. However, the borrowing strategy is under constant review throughout the year as a result to changes in interest rates and borrowing opportunities. The proposed strategy for 2016/17 financial year is:

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

b) If there was a significant risk of a sharp fall in long and short term rates e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

c) If there was a significant risk of a much sharper rise in long and short term rates than currently forecast, perhaps rising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

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

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

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

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

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

Interest Rate Exposure (Upper Limits)	2014/15 Actuals £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	2023/2 Est. £m	2024/25 Est. £m	2025/26 Est. £m
(8) Limits on fixed interest rates based on net debt	*306.0*	665.6	682.9	670.5	625.1	606.6	603.0	606.6	609.4	612.2	616.0	616.6
% of fixed interest rate exposure	*100%*	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(9) Limits on variable interest rates based on net debt	*0.0*	166.4	170.7	167.6	156.3	151.7	150.8	151.7	152.4	153.1	154.0	154.2
% of variable interest rate exposure	*25%*	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.

(10) Maturity Structure of borrowing	Upper Limit
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. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

4.7.2 In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements of the process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

4.7.3 The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. The new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

4.7.4 It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

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 Corporate 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 Councils 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 Councils 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.

4.8.13 Barclays Bank, the Council's own banker. If Barclays fall below the criterion in 4.8.124.8.15 then the following strategy will be followed:

- With regard to the three credit rating agencies, if one reduces its rating but the other two remain the same or improve, no action will be taken with regards to funds held with Barclays, ie maximum of £5m in the call account
- If two or more credit rating agencies reduce their ratings, as the Council will still require to use the Barclays accounts for transactional purposes, a maximum balance of £500k will be left overnight to prevent the account becoming overdrawn and incurring overdraft fees
- Seek advice from Capita Asset Services
- The above action applies to Barclays only due to its status as the Council's banking provider. Use of other bank accounts would be subject to criteria set out in the point above.

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. 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 2 for explanation of the credit ratings).

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

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

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

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

4.8.16 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval. During this time of significant economic uncertainty due regard will be taken of the selection criteria outlined in 4.8.12, when using the options outlined in Appendix 1.

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

Financial Year	Bank Base Rate	Forecast
2015/16	0.50%	There is an upside risk to these forecasts (i.e. if increases in Bank Rate occurs sooner than forecast) if economic growth remains strong and unemployment falls faster than expected. However there is also a downside risk if the pace of growth falls back particularly if the Bank of England inflation forecasts for the rate of unemployment prove to be too optimistic.
2016/17	0.63%	
2017/18	1.13%	
2018/19	1.63%	

4.8.18 **Indicator 11** - Upper limit for total principal sums invested for over 364 days. This limit is set with regard to the Council's liquidity requirements and to reduce the need for an early sale of an investment, and is based on the availability of funds after each year-end and up-dates are reported to the Audit Committee at midyear. These upper limits are to provide approved flexibility for future LAMS contributions.

(11) Interest Rate Exposure (Upper Limits)	2014/15 Actuals £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	2024/25 Est. £m	2025/26 Est. £m
Principal sums invested > 364 days	*0.0*	0.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

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

4.8.20 The Corporate 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 Corporate 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 February 2014 http://democracy.peterborough.gov.uk/documents/s19284/5.%20Funding%20Peterboroughs%20Future%20Growth.Pdf and the Executive Decision on the 9 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 are working 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

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

Audit Committee / S151 Officer (Corporate Director: Resources)

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

Section 151 Officer (Executive Director Resources) / Service Director Financial Services / Head of Corporate Finance

- Reviewing the Treasury Management Policy and procedures and making recommendations to the responsible body.
- Recommending clauses, treasury management policy/practices and making recommendations to the responsible body.

- Submitting regular treasury management reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service advisors.

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 4.8.8)

APPROVED "SPECIFIED" INVESTMENTS				
Investment Type	**Maximum Maturity period**	**Minimum Credit Criteria**	**Collective Limit £m**	**Individual Limit £m**
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

APPROVED "SPECIFIED" INVESTMENTS				
Investment Type	**Maximum Maturity period**	**Minimum Credit Criteria**	**Collective Limit £m**	**Individual Limit £m**
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.

APPROVED "NON - SPECIFIED" INVESTMENTS				
Investment Type	**Repayable / Maturity Period**	**Minimum Credit Criteria**	**Collective Limit £m**	**Individual Limit £m**
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 Corporate 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

APPROVED "NON - SPECIFIED" INVESTMENTS				
Investment Type	**Repayable / Maturity Period**	**Minimum Credit Criteria**	**Collective Limit £m**	**Individual Limit £m**
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 Corporate 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

Explanation Of Credit Ratings **APPENDIX 2**

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

APPENDIX 3

Minimum Revenue Provision (MRP) – Consideration of Four Further Amendments to the MRP Calculation

Context

1. A comprehensive review of the Council's method for calculating its Minimum Revenue Provision (MRP) has been undertaken in order to ensure that the amount of revenue represents a fair charge, compared to the life of the asset that is being financed via borrowing.

2. A paper considering an amendment to 'historic and supported borrowing MRP calculation' was considered as part of the Phase 1 budget proposals. This option looked at changing the length of the repayment of this element of borrowing from the budgeted 25 years to 42 years, on an equal instalment method. The basis for this change is to match the repayment of borrowing to the economic usefulness of the asset, see point 6 to 8 below.

3. This paper presents further review of the MRP charge from those agreed in the Phase 1 proposals, with consideration given to additional amendments to the calculation with regards to:

    a. Historic and Supported Borrowing – using the annuity method. The Phase 1 proposal is based on the equal instalment method. The annuity method factors in the time value of money – ie a £ is worth more now than in the future, see point 9.

    b. Current MRP profile for the 2007/08 & 2008/09 capital expenditure – from equal instalments to annuity method of calculation. Following on from a review of MRP undertaken in 2009/10, there are two years of capital expenditure where equal instalments is applied, as this amendment was applied to new capital expenditure only at the time, see points 16 to 19.

    c. The timing of MRP for the Private Finance Initiative (PFI) related assets – matching the MRP charge to the asset life using the annuity method, rather than the current derived calculated approach, see points 21 to 23.

    d. The use of Capital Receipts – amendment to the Council's MRP policy so that capital receipts are used as part of a contribution to the MRP charge, rather than netting down the total amount of borrowing required, see points 26 to 29.

4. The above amendments would result in the Council having one consistent method for calculating its MRP for all borrowing which has been undertaken to support capital investment in the city. This is the annuity method based on asset lives rather than the myriad of methods used presently, see Appendix Four for a summary. The Council has been using the annuity method as the basis for its MRP charge since 1 April 2010.

What is Minimum Revenue Provision (MRP)

5. The Council can borrow to fund its capital programme. The cost of borrowing impacts on the annual revenue budget, in two ways, through:

    - Interest payments on the loan
    - Amounts set aside for the repayment of the loan – known as Minimum Revenue Provision (MRP) i.e. the principal element of the loan

    Statute allows the Council to choose the calculation methodology of its MRP as long as it is prudent. It is recommended that aligning this charge to the life of assets, on an annuity method basis, represents the best value approach for tax payers, now and in the future.

Amendment to the Historic Borrowing and Supported Borrowing

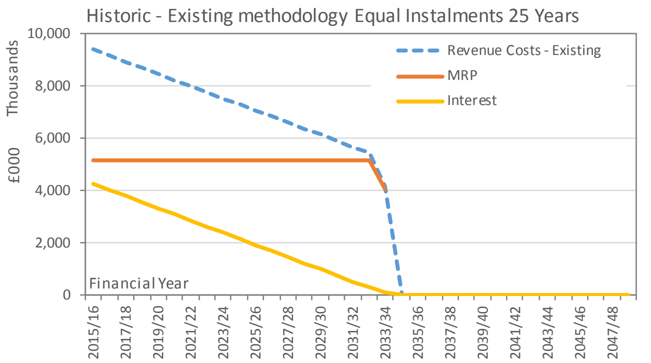
6. Like many authorities the Council has continued to apply the previous regulatory approach, calculating MRP at 4% for the capital expenditure incurred prior to 1 April 2007 which was funded by borrowing, and for supported borrowing undertaken from 2007/08 to 2010/11. However, there is increasing acceptance that the MRP charged for this historic and supported debt should more correctly be linked to the average useful life of the assets involved. The current regulatory approach (a percentage basis) does not reflect this view. Currently, 4% of the balance of historic debt at 1 April 2007 is provided for out of the revenue budget as MRP which the Council has budgeted to be repaid over 25 years.

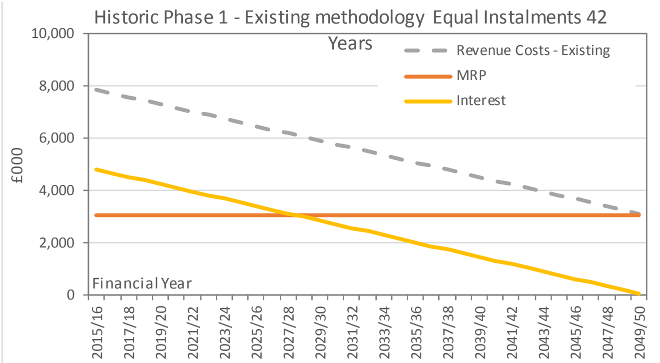
7. Linking MRP to the average useful life of an asset is in keeping with the general principle of achieving a prudent approach set out in the DCLG guidance that the profile of MRP charges should reflect the economic benefit the Council gets from using the asset to deliver services over its useful life. This ensures that Council Tax payers are being charged each year in line with asset usage and prevents current taxpayers meeting the cost of future usage or future tax payers being burdened with "debt" relating to assets that are no longer in use.

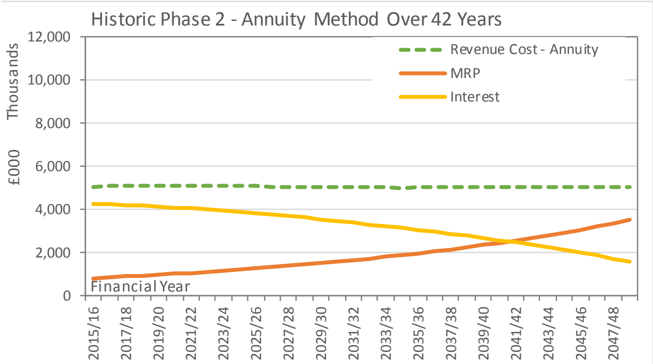
8. A fairer way of matching the MRP charge to Council Tax payers with the use of the assets is to revise the repayment period to 42 years, which is the weighted average life of the Council's assets. This is based on the fact the Council's asset base has not materially changed during the time since 1 April 2007. This equates to a rate of 2.38% compared to the historic 4%. Any saving on annual MRP charge however, is partially offset by an increased interest cost due to paying the debt off over a longer period.

9. It would also be fairer if the MRP charge were to factor in the time value of money in the future. This adjustment would ensure that Council Tax payers of the future pay an amount for the use of the assets, which would be comparable in real terms to that being paid by current Council Tax payers. This can be achieved by adopting an annuity basis for calculating the annual MRP charge. The Council has been using the annuity method as the basis for its MRP charge since 1 April 2010.

10. The following charts illustrate the proposed changes discussed in points 6 to 9 above.





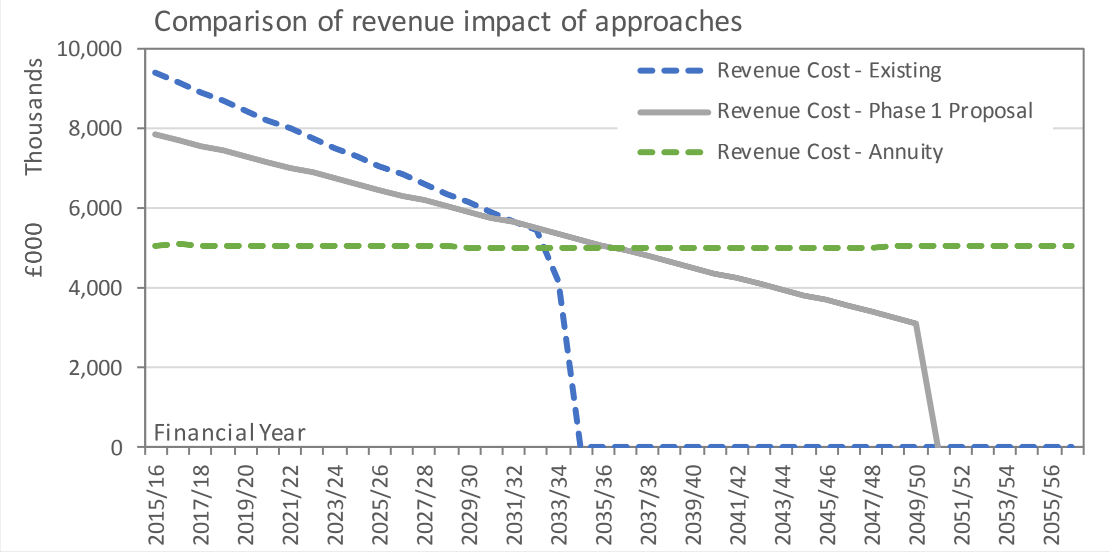


11. To assess the options over the different time periods, of 25 and 42 years, the impact of time is factored into the analysis of the revenue impact via the 'net present value' (NPV) calculation at 3% - this is the rate recommended by the Treasury's 'Green Book'. Taking into account interest payments, the NPV of this borrowing shown in the following table:

	MRP £000	**Interest £000**	**Total Revenue £000**	**NPV £000**
Currently budgeted	96,683	41,083	137,766	110,200
Proposed amendment	96,683	115,057	211,740	123,159
Difference	**0**	**73,974**	**73,974**	**12,959**

12. The differences are a result of the change in the split of interest and principal elements of the debt payments. Compared to the 4% method, the revised method results in the principal being paid over a longer time period, which results in greater interest payments overall.

13. A comparison of the revenue impact of the current method, moving to 42 years equal instalment, and then the final proposed method of 42 years using the annuity rate is provided below.



14. It is important to stress that the change in methodology eliminates the inequality created by the accelerated charging basis of the Regulatory Method. The proposed basis is fairer giving a more proportionate profile charge based on asset usage over the whole asset lives.

15. Expected benefit from this amendment is shown the following table:

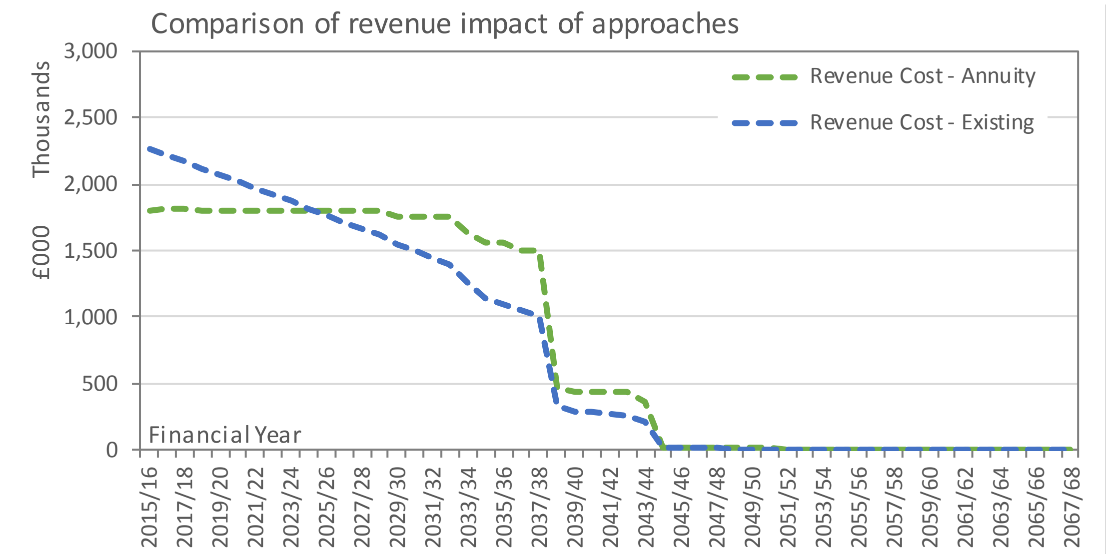
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
MRP	(4,343)	(4,306)	(4,268)	(4,228)	(4,186)	(4,143)
Interest	0	232	408	594	789	982
Net Benefit	**(4,343)**	**(4,074)**	**(3,860)**	**(3,634)**	**(3,397)**	**(3,161)**

Amendment to the Current MRP Profile for 2007/08 & 2008/09 Capital Expenditure

16. In 2009/10 the Council undertook a MRP review which led to the change in MRP calculation methodology, from equal instalments to the annuity method. This was applied prospectively, which has meant that there are two years, 2007/08 and 2008/09, where the equal instalment methodology is still applied.

17. In line with the arguments set out above work has been undertaken to review the impact of changing these two years of borrowing from a repayment based on equal instalments to the annuity method.

18. The following chart shows how the overall revenue impact changes for this second element.



19. Expected benefit from this amendment is shown the following table:

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
MRP	(464)	(435)	(404)	(372)	(339)	(304)
Interest	0	26	41	59	75	90
Net Benefit	**(464)**	**(409)**	**(363)**	**(313)**	**(264)**	**(214)**

20. To assess the options over the different time periods, the impact of time is factored into the analysis of the revenue impact via the 'net present value' (NPV) calculation at 3% - this is the rate recommended by the Treasury's 'Green Book'. Taking into account interest payments, the NPV of this borrowing shown in the following table:

	MRP £000	Interest £000	Total Revenue £000	NPV £000
Currently budgeted	26,169	14,236	40,404	30,535
Proposed amendment	26,169	16,640	42,809	31,038
Difference	**0**	**2,405**	**2,405**	**503**

Amendment to the timing of MRP for the PFI related assets

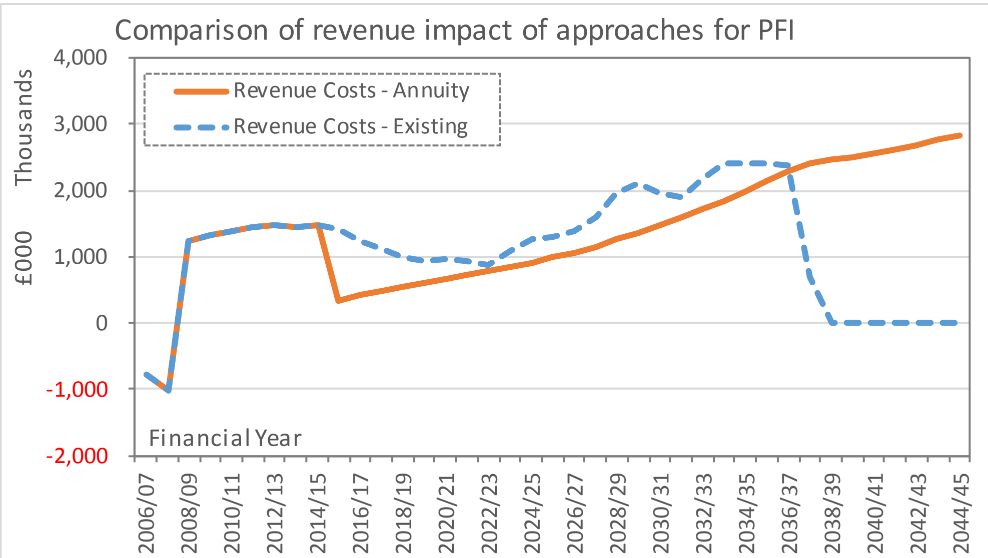
21. As part of the Council's conversion to International Financial Reporting Standards (IFRS), for the 2009/10 financial year the Council was required to change its accounting policy with regards to the secondary school Private Finance Initiative (PFI). As with other PFI schemes across the country, the Council had previously accounted for this transaction as an 'off balance sheet' item, and thus the cost of the scheme was charged against revenue funds only. The change in accounting policy meant that the Council had to recognise this scheme in terms of fixed assets (the school buildings) along with the equivalent long term liability to repay the loan from the private financer, both of which are now carried on the balance sheet.

22. As a result of the above change, this scheme is now accounted for as a capital transaction, and in order to repay the private finance liability an MRP charge has been derived from the initial PFI model. In order for the changes in accounting policy to have no overall impact on the Council's revenue funds, it was agreed by CIPFA, for schemes in existence prior to 2009/10 that the MRP charge would be the difference that remained from taking the interest charge and service costs from the unitary charge, see example below.

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
PFI Unitary Charge	8,041	8,124	8,209	8,295	8,385	8,476
Less Interest Charge	2,731	2,544	2,390	2,211	2,071	1,994
Less Service Cost	3,902	4,347	4,714	5,096	5,390	5,508
Resultant MRP	**1,408**	**1,233**	**1,105**	**988**	**924**	**974**

This means that depending on the life cycle costs built into the PFI model, the MRP is not uniform through the course of the scheme.

23. Following the wider review of the Council's MRP charge it has been found that some Councils are proposing to amend the timing of the MRP charge linked to PFI schemes by matching the charge to the life of the asset, rather than the life of the contract which is currently the case. Thus de-coupling the MRP calculation from the original PFI model, the impact of this would be to extend the period of debt repayment by nine years. As the period changes the Council would also need to apply a different mechanism for calculating the MRP charge, rather than the balancing amount outline in point 22 above, and to be consistent with all other MRP charges the annuity method is proposed. The following chart illustrates this proposal:



24. Expected benefit from this amendment is shown the following table:

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
MRP	(1,058)	(858)	(711)	(556)	(458)	(475)
Interest	0	51	96	125	149	171
Net Benefit	**(1,058)**	**(807)**	**(615)**	**(431)**	**(309)**	**(304)**

25. To assess the options over the different time periods, the impact of time is factored into the analysis of the revenue impact via the 'net present value' (NPV) calculation at 3% - this is the rate recommended by the Treasury's 'Green Book'. Taking into account interest payments, the NPV of this borrowing shown in the following table:

	MRP £000	Interest £000	Total Revenue £000	NPV £000
Currently budgeted	35,530	33,499	69,029	27,080
Proposed amendment	35,530	44,100	79,631	33,513
Difference	**0**	**10,602**	**10,602**	**6,434**

Amendment to the use of Capital Receipts

26. Subject to these MRP amendments being agreed at the relevant MTFS budget groups, the Council's MRP policy, as contained in the MTFS, will need to be updated and achieve Council approval before the adjustments can take place.

27. A further amendment which is proposed to the MRP policy is in regards to the use of capital receipts to offset the MRP charge in year, rather than using capital receipts to offset the total amount of borrowing undertaken in year. The following table illustrates this approach using 2014/15 data.

	2014/15	
	Approach Now £000	Proposed £000
Capital Expenditure	107,047	107,047
Capital Grants	(35,561)	(35,561)
Amount funded from borrowing	70,486	70,486
Capital receipts	(2,906)	-
Borrowing on which to base MRP calculation	67,581	70,486
MRP	(10,916)	(8,012)
MRP - from capital receipts	-	(2,906)
Overall increase in borrowing for the year	57,665	59,570

28. As can be seen in the previous table, under the new proposed approach the total amount that borrowing is repaid is the same at £10,916k, but rather than it being funded wholly from revenue budgets, an element is funded via capital receipts income. This amendment better reflects the cash transactions of repaying debt.

29. This approach also increases the amount of borrowing undertaken as the capital receipt offsets the MRP made from revenue funds, rather than offsetting the total amounts of borrowing required on which MRP is charged.

30. The following table shows the MTFS capital receipt profile, and the associated additional borrowing costs of this proposed amendment. It should be noted that timing and amount of receipt may vary.

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital receipt per MTFS (less LAMS)	11,820	2,215	5,525	145	-
Additional Interest Costs	139	625	702	714	720
Capital receipt used to repay debt per disposal paper	(5,341)	(3,100)	(2,610)	(1,100)	(460)
Net Impact on Revenue	**(5,202)**	**(2,475)**	**(1,908)**	**(386)**	**260**

31. As part of the recent Spending Review announcements, the Department of Communities & Local Government (DCLG) launched 'Draft Guidance on the Flexible Use of Capital Receipts' for consultation. This proposal would enable the Council to use capital receipts on the revenue costs of reform projects until 31 March 2019.

32. This option has not been included in the following summary of savings, but rather reflects an option to amend the MRP policy that Council approves at each MTFS so that this flexibility is available to the Council and its use determined on a year by year basis.

Summary and next steps

33. The following table provides a summary of the savings proposed in this paper (excludes capital receipts proposal). It is based on the assumption that the amendment to the calculation of MRP occurs prospectively from 2015/16.

MRP adjustment	**2015/16 £000**	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Historic	(4,343)	(4,306)	(4,268)	(4,228)	(4,186)	(4,143)
2007/08 & 2008/09	(464)	(435)	(404)	(372)	(339)	(304)
PFI Adjustment	(1,058)	(858)	(711)	(556)	(458)	(475)
Phase 2 MRP Adjustment	**(5,865)**	**(5,599)**	**(5,383)**	**(5,156)**	**(4,983)**	**(4,922)**
Additional Interest Estimate						
Historic	0	231	407	593	788	981
2007/08 & 2008/09	0	26	41	58	75	90
PFI Adjustment	0	50	96	125	149	170
Phase 2 Interest Subtotal	**0**	**307**	**544**	**776**	**1,012**	**1,241**
Net Impact for Phase 2	**(5,865)**	**(5,292)**	**(4,839)**	**(4,380)**	**(3,971)**	**(3,681)**
Savings already included as part of Phase 1	2,000	2,000	2,000	2,000	2,000	2,000
Additional benefit	**(3,865)**	**(3,292)**	**(2,839)**	**(2,380)**	**(1,971)**	**(1,681)**

34. The Council has undertaken a review of the application of these MRP adjustment with other local authorities, and precedence exists for all the adjustments considered in this paper. However, it should be noted that these MRP policy amendment proposals are currently being discussed with the Council's external auditors with initial feedback provided on 5 January which this paper reflects. Final review by the Council's auditors is ongoing which includes examination of the time period put forward by the Council of 42 years. Should an alternative time period be recommended this will be agreed by the Corporate Director Resources in liaison with external audit. This will help ensure that they are not 'minded to challenge' these adjustments in the future.

35. Further items to note:

- For capital projects funded from the 'Invest To Save' budget, savings generated from these schemes should still be used to offset the MRP charge.
- The numbers used in this paper are based on best estimates on the knowledge at this time. The actual final numbers will vary due to the profiling of expenditure of the capital programme, timing of asset disposals, and prevailing interest rates at the time of borrowing.

36. The following table illustrates the impact of the proposed amendments on the MRP budget.

MRP adjustment	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
MTFS MRP Budget	**12,094**	**14,630**	**15,144**	**14,678**	**14,945**	**15,121**
Historic	(4,343)	(4,306)	(4,268)	(4,228)	(4,186)	(4,143)
2007/08 & 2008/09	(464)	(435)	(404)	(372)	(339)	(304)
PFI Adjustment	(1,058)	(858)	(711)	(556)	(458)	(475)
Phase 2 MRP Adjustment	**(5,865)**	**(5,599)**	**(5,383)**	**(5,156)**	**(4,983)**	**(4,922)**
Revised MRP Budget	**6,229**	**9,031**	**9,761**	**9,522**	**9,962**	**10,199**
MRP Charge funded by:						
Capital Receipts Substitution	5,341	3,100	2,610	1,100	460	0
Revenue	888	5,931	7,151	8,422	9,502	10,199
Revised MRP Budget	**6,229**	**9,031**	**9,761**	**9,522**	**9,962**	**10,199**

37. The following table summarises all of the proposed amendments over the various time periods involved. As per earlier tables the impact of time has been factored into the analysis of the revenue impact via the 'net present value' (NPV) calculation at 3% - this is the rate recommended by the Treasury's 'Green Book'.

Type of Debt		MRP £000	Interest £000	Total Revenue £000	NPV £000
Historic	Currently budgeted	96,683	41,083	**137,766**	110,200
	Proposed amendment	96,683	115,057	**211,740**	123,159
	Difference	**0**	**73,974**	**73,974**	**12,959**
2007/08 & 2008/09	Currently budgeted	26,169	14,236	**40,404**	30,535
	Proposed amendment	26,169	16,640	**42,809**	31,038
	Difference	**0**	**2,405**	**2,405**	**503**
PFI Adjustment	Currently budgeted	35,530	33,499	**69,029**	27,080
	Proposed amendment	35,530	44,100	**79,631**	33,513
	Difference	**0**	**10,602**	**10,602**	**6,434**
TOTAL	Currently budgeted	158,382	88,817	**247,199**	167,815
	Proposed amendment	158,382	175,798	**334,180**	187,710
	Difference	**0**	**86,980**	**86,980**	**19,895**

Appendix Four – Summary of the MRP Current Calculation Methodologies, Impact of Amendments for 2015/16 & Overprovided Amounts

<table>
<tr><th>Age of Debt</th><th>Current method</th><th>Change considered</th><th>Debt Amount Outstanding @ 31.03.2015</th><th>Gross Debt MRP Calc. on</th><th>Current Est. MRP Charge for 2015/16</th><th>Proposed MRP Charge for 2015/16</th></tr>
<tr><td rowspan="2">Pre 2007/08 debt
(ie debt up to 31.03.2007)</td><td rowspan="3">Charged at historic 4%</td><td>Change the length over which the debt is paid – from budgeted 25 years (4%) to 42 years (2.38% - based on the actual weighted average of the Councils assets, so a direct link to asset base)</td><td rowspan="2">79,669,509</td><td rowspan="2">110,652,095</td><td rowspan="3">5,144,902</td><td rowspan="3">802,574</td></tr>
<tr><td>Using the 2.38% in an annuity calculation rather than an equal instalment or reducing balance method</td></tr>
<tr><td>Supported Borrowing post 2007/08</td><td>As per above points - this debt is currently calculated on the same 4% basis</td><td>17,013,581</td><td>25,756,256</td></tr>
<tr><td>Unsupported borrowing 2007/08 & 2008/09</td><td>Charged in relation to asset life on equal instalment method</td><td>There are two years of debt that are calculated using the old equal instalment method. The Council moved from this methodology in 2009/10. Proposal to amend these elements of the calculation so that repayment of this debt to be based on annuity method also.</td><td>26,407,492</td><td>33,542,041</td><td>1,114,773</td><td>651,277</td></tr>
<tr><td>Unsupported borrowing Post 2008/09</td><td>Charged in relation to asset life on annuity method</td><td>Continue to use existing annuity methodology based on actual life of asset to which borrowing has been taken for (this is net of Invest To Save schemes).</td><td>258,906,033</td><td>265,280,581</td><td>3,870,545</td><td>3,870,545</td></tr>
<tr><td>Private Finance Initiative (PFI) - Finance Lease</td><td>Charged derived from using the PFI model</td><td>Change the length over which the debt is paid from 30 years as per contract life to 39 years per asset life. As part of this change in life apply on an annuity method calculation.</td><td>35,530,480</td><td>43,586,532</td><td>1,407,854</td><td>349,918</td></tr>
<tr><td>Other Finance Leases</td><td>Charged in relation to asset life on annuity method</td><td>Continue to use existing annuity methodology based on actual life of asset to which borrowing has been taken for.</td><td>4,885,719</td><td>11,149,818</td><td>556,240</td><td>556,240</td></tr>
<tr><td></td><td></td><td></td><td>422,412,813</td><td>489,967,324</td><td>12,094,314</td><td>6,230,554</td></tr>
</table>

Schedule E – Capital Strategy

Contents   Page

1 Introduction and Strategic Principles

1.1 The Capital Strategy outlines how Peterborough City Council (PCC) will look to make capital investment and 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 an integral part of the Medium Term Financial Strategy (MTFS) and intrinsically linked with the Asset Management Plans (AMPs) of the Council and should be read in conjunction with these documents.

1.3 Over the period of the MTFS, the Council needs capital investment to deliver its priorities. In order to achieve this, it recognises the need to deliver efficiencies, seek additional funding and periodically review both the consumption of the capital resources and stated priorities. It ensures this happens through the four core principles below:

1.4 **Principle 1** – Managing the impact of investment decisions on revenue budgets

- Ensuring capital investment decisions do not place excessive pressure on the Medium Term Financial Strategy or Council Tax, and they are also within the Council's Prudential Indicators (see the Prudential Code and Treasury Management Strategy and Minimum Revenue Provision Policy).
- Promoting capital investment which enables invest to save outcomes.
- Making sure assets yield maximum return, through effective ongoing asset management, consistent with levels of investment. (See Asset Management Plan).

1.5 **Principle 2** – Optimise the availability of capital funding where that funding supports the priorities for Peterborough

- Disposal of surplus assets (including asset transfer to community organisations where appropriate) and reinvestment.
- Effective working relationships with potential funders.
- Listening to and supporting effective partnering arrangements.
- Having clear policies for the consumption of any reserves.

1.6 **Principle 3** – Ensure effective pre and post project appraisal

- Ensuring a system of competition exists for project approval.
- Building into project appraisal recognition of environmental sustainability.
- Fully considering project risk.
- Carefully considering value for money and efficiency of every project.

1.7 **Principle 4** – Performance manage the capital programme

- Integrating the capital programme into the performance management framework.
- Integrating the capital programme with the Verto project management system, Infrastructure Planning systems/processes e.g. Infrastructure Delivery Schedule (IDS) and other service plans.
- Ensuring the capital schemes use appropriate project management tools.
- Ensuring responsibility for the delivery of the capital programme is clearly defined.

2 Aims of the Strategy

2.1 The specific aims of this strategy are to ensure:

- Physical assets and related resources are efficiently and effectively used to support the Council's priorities. These inputs when reviewed against the outputs from capital schemes will demonstrate value for money;
- Issues related to property and other assets are fully reflected in the Council's planning, for example, ensuring adequate funds for maintenance are available;
- Stakeholders can understand the Council's capital investment decisions and the management of its capital projects;
- Adequate provision is made for delivering corporate priorities and demonstrated through effective resource allocation;
- Invest to save projects are encouraged;
- The Council works within the Prudential Code framework and demonstrates robust and linked capital and treasury management; (see the Prudential Code and Treasury Management Strategy and Minimum Revenue Provision Policy);
- Optimal use of the Council's existing assets, and reflects the AMP;
- Asset management plans are reviewed to identify surplus assets which can move through a disposal process to generate new capital and/or revenue resources; (see AMP);
- Capital spending plans are affordable, financially prudent, sustainable and integrated with the MTFS;
- Support for our partners by maximising the potential for joint working and match funding, where this secures better outcomes than could be achieved in isolation.

3 Strategic Context

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

3.2 **Sustainable Community Strategy (SCS)**

- 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.

3.3 Peterborough Planning Policy Framework

To facilitate and coordinate this growth, the City Council has a well advanced 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 Council is also undertaking a review of its Local Plan.

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 an Infrastructure Delivery Schedule (IDS)3. 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
- Government and Other Grants.
- City Council's own capital investment.

[3]IDS - http://www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/community_infrastructure_levy.aspx

4 Key Areas of Council Capital Investment

4.1 The Council's Capital Programme for 2016/17 to 2025/26 totals £350.1m 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 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

- Community Infrastructure incorporates community centres, sports facilities, open space, affordable housing, and ensuring safe, warm and affordable housing in the private sector and other community infrastructure related items for the period 2016-2026. Funding for community infrastructure needs primarily come forward via new developments as part of the S106/POIS/CIL.
- During the first 30 years of the contract governing the Large Scale Voluntary Transfer of the Council's housing stock to Cross Keys Homes (CKH) in October 2004, the Council receives part of the sale proceeds under the Preserved Right to Buy (Council tenants transferred to CKH retain the right-to-buy) on an agreed basis. The Council adopted a policy in 2011 setting out in detail how it would spend these receipts, but in summary they will be used to support the provision of new affordable housing in Peterborough. The Council is also looking at options to establish a housing joint venture to help maximise the benefit from these funds.
- 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 180 new affordable homes should be completed.
- 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 Councils 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 Councils empty homes work bringing privately owned properties back into use is instrumental in updating the council tax records and therefore informing the New 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. The council is currently working in partnership with 7 other Local Authorities to prepare an updated Gypsy, Traveller and Travelling Showpeople's Accommodation Needs Assessment. The purpose of the assessment is to evidence the extent of existing sites to meet identified needs and to provide up to date robust evidence relating to the likely permanent and transit accommodation needs of this group going forward. The assessment will display the emerging accommodation needs in five year increments covering the period 2016 to 2036. This will enable the Council to plan for meeting these needs as part of the preparation of the new Local Plan.

4.5 **Children's Services**

The Council is responsible for ensuring there are sufficient school places within its area to meet the needs of the population. The Council is responsible for providing transport where children have to access schools which are some distance from their home, often as a result of a shortage of school places.

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

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

4.5.3 Offering a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies.

4.5.4 High quality places for people to learn that encourage high levels of achievement.

4.5.5 Avoiding significant changes to catchment areas

4.5.6 Limited and temporary use only of mobile accommodation.

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

4.5.8 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%.1,300 dwellings were completed in the year to March 2015, 1% of the UK total. This compares with a net increase of 863 in the previous year. The birthrate is the second highest in the country, with the highest gross fertility rate, 2.34. This figure is the average number of children each woman living in the area would have over her lifetime if current birth rates were consistent. Peterborough also has the second highest rate of 'in-year' school admissions – those outside the normal admissions rounds of starting primary or secondary school – so the population is growing rapidly and highly mobile. Between January 2014 and January 2015 there was an overall increase in pupil numbers of 1,384. Over 70% of the increase in total numbers came from the larger cohorts starting school, the 2014-15 YR cohort is 3,208 compared with 2,212 leaving Y11 at the end of 2013-14. As these larger cohorts move through the school system the overall numbers will increase.

- 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.
- Recently received data on Peterborough GP registrations by five year age cohorts show the largest groups to be those aged 25-29 and 30-34, closely followed by 0-4. These proportions are similar to the census data from four years ago. The cohort that has grown most since the 2011 census is aged 25-29 (compared with 20-24 in 2011) followed by aged 30-34 (compared with 25-29). This supports the theory that Peterborough's high birth-rate is a result both of a high number of births per woman and the high proportion of adults in the 25-34 age group, many of whom have moved into the city from elsewhere. If this trend continues and the overall population of these young adults carries on increasing then the number of births is likely to continue to rise. The availability of employment and the amount of newly built and relatively affordable housing being constructed in Peterborough are obviously major factors in attracting young adults to the city.
- The quality of the City's schools continues to attract students from other local authorities. Peterborough is a net importer of children overall which means the City has more children coming into it from outside the boundaries than Peterborough children studying at schools outside the boundaries.

4.5.9 Peterborough has been allocated government grants of £1.9m to cover capital maintenance in 2015.The only funding the Council is expected to receive for 2016/17 onwards is devolved formula capital (passported direct to the schools) and capital maintenance. The DfE has indicated, as in 2015/16, Peterborough's growth is not sufficient to warrant further funding in 2016/17, although this will be challenged and updated as pupil numbered projections are reviewed. For 2017-18 the Council has been allocated £6.9m in Basic Need funding for increasing school places.

4.5.10 The EFA has agreed a grant of £22m for the Hampton Gardens Secondary Free School. This is a significant contribution towards the capital cost of the build.

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

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

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

4.5.14 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 started in 2015 and be critical by 2017. As a consequence the Council is monitoring very closely the demographic trends along with the growth in housing developments e.g. at Great Haddon and Hampton.

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

4.5.16 The schemes provisionally proposed for 2016/17 onwards are shown in the Schedule in section 4.6 below. 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 will continue to monitor building costs through the procurement process to ensure value for money. Construction costs are however. This is due to raising demand across the construction industry and in particular in the South East.

4.5.17 The Council has a rolling 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

The schemes currently provisionally proposed for 2016/17 onwards are shown in the table. The list is under constant review as the school place planning situation changes in the city.

Scheme	Description	Expected Year of Opening	Additional places created
Southfields Primary School	Expansion by 1 FE using existing space	September 2016	210
West Town Primary School	Move existing school to new site (i.e. hospital site) and increase capacity	October 2016	315
St Michael's Primary School, Stanground	Phase 2 extension from one FE to two FE in response to growth at the Cardea development	September 2017	210
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^{th} form)
St George's Pupil Referral Unit	Re-location to West-Town Primary existing site	September 2017	TBA

Scheme	Description	Expected Year of Opening	Additional places created
Jack Hunt	1 FE expansion	September 2017	150
Paston Reserve Primary School	A new two FE primary school to support new development	September 2018	420
Hampton Gardens Primary school	First of two new FE primary schools to support new developments east of A15	September 2019*	420
Secondary Places in the Ortons	2 FE expansion at Ormiston Bushfield Academy or Nene Park Academy	September 2019**	300
Secondary Places in PE1	1 FE expansion	September 2019**	150
Paston Reserve Secondary	8 FE new school	September 2019*	1,500 (including 6th form)
Great Haddon Primary School	Three primary schools are planned under Section 106 agreement	September 2021*	1,260
Roxhill Primary/North Great Haddon	1 FE new school	September 2020	210
Great Haddon Secondary	A seven FE secondary school is planned for the new township only	September 2021*	1,050

* Subject to monitoring off housing developments
** Subject to on-going demographic review

4.7 Delivery of Growth Schemes

4.7.1 Through its Planning Policy Framework, the City Council is translating the Sustainable Community Strategy into a series of land allocations and planning policies to guide public and private investment decisions. The various documents making up the Framework identify and programme new growth which will require funding for the infrastructure requirements it generates. This sits alongside developer contributions and community infrastructure levy mechanisms for securing the necessary contributions towards funding and maintaining this infrastructure.

4.7.2 City Centre Development Plan4 adopted in December 2014 is a key driver in helping the city centre become more vibrant, dynamic and diverse. Offering a high quality built environment, employment, and learning and leisure opportunities by encouraging new investment into the city.

4.7.3 Improving the city centre began in earnest with the completion of the first phase of a revitalised public realm in Cathedral Square and the nearby St

[4] City Centre Action Plan – fly-through demonstration link
[2] City Centre Development Plan - www.peterborough.gov.uk/planning_and_building/planning_policy/planning_policy_framework/development_plan_documents/city_centre_plan.aspx

John's Square. This gave a much-needed face lift to a key part of the city centre, helping Peterborough to better compete regionally, and has been continued with major improvements in Long Causeway.

4.7.4 The Peterborough Long Term Transport Strategy identified the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and is set out in the Peterborough Infrastructure Delivery Plan (IDP) and associated schedule (IDS). The third Peterborough Local Transport Plan (LTP3) was adopted in April 2011 and sets out the Long Term Transport Strategy (LTTS)5 for the area to 2026 and a more detailed programme of works to 2016.The fourth LTP is currently being prepared.

4.7.5 The delivery of major growth schemes in a difficult economic climate requires different arrangements to those of the boom of the preceding years. The proposals agreed by Cabinet in December 2009 have now been further developed. The Growth and Regeneration function has been further centralised and includes commissioning of Opportunity Peterborough, the Peterborough Investment Partnership joint venture company and the Council's property functions.

4.7.6 The willingness and ability of the Council to leverage its own assets where possible and appropriate to bring sites forward remains a pillar-stone for delivering this growth agenda, playing a key part in the task of making sites financially viable. The development nearing completion on the "Carbon Challenge" site, which aims to minimise carbon emissions and traditional energy uses in its new dwellings, is an example of this working in practice for the redevelopment of the South Bank area. Working alongside the Homes and Communities Agency and its predecessor organisations has been a primary partner at this site throughout the development process.

4.7.7 In addition the Council is taking forward the development of key sites within the city – including Fletton Quays through the Peterborough Investment Partnership. 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.

4.8 Infrastructure

4.8.1 Street Lighting - It is proposed to replace the remaining existing street lighting to utilise LED lighting across the Peterborough network, while maintaining and or improving the required lighting levels. Currently over 7,000 street lights have been replaced to the new more efficient and effective LED luminaires across the Peterborough administrative area since January 2012. The existing capital scheme for lighting replacement over the next ten years will be re-profiled to refurbish the network within a three year timeframe. The total capital project costs are £3.6m higher than currently budgeted, but accelerating the programme will enable the council to bring forward energy efficiency savings of around £10m over the next 20 years. More details can be found in the Street Lighting Business Case in Schedule E (i).

[3] http://www.peterborough.gov.uk/pdf/traffic-strategic-transportpolicy-ltp3-Section7.pdf

4.9 Transport

4.9.1 Transport incorporates new roads, bus and railway stations, street lighting, footways/cycle ways and other transport related infrastructure items for the period 2016-2026.

4.9.2 To provide the context, the third Peterborough LTP (LTP3) was adopted in April 2011 and sets out the Peterborough Long Term Transport Strategy (LTTS)[3] for the area to 2026 and a more detailed programme of works to 2016 with a fourth Local Transport Plan currently being produced which will cover a detailed programme of works from 2016 to 2021. The LTTS identifies the infrastructure required to meet the demand for travel resulting from the growth agenda. Increased investment in sustainable travel infrastructure coupled with a programme of highway infrastructure improvements has been identified and a programme of works is set out in the transport element of the IDS. LTP4 is currently being prepared.

4.9.3 The transport capital programme, as reflected in the IDS, takes account of the following five goals for transport:

- Tackling climate change
- Promoting equality of opportunity
- Improving quality of life and promoting a healthy natural environment
- Supporting economic growth
- Contributing to better safety, security and health

4.9.4 LTP3 sets out how the forecast increased demand to travel will be met by a combination of increased use of sustainable travel and a programme of targeted highway infrastructure improvement and capital maintenance works.

4.9.5 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.

4.9.6 The Council has progressed a Transport Asset Management Plan (TAMP) in accordance with Department for Transport requirements. The TAMP will help define the extent of additional sums required firstly to tackle the backlog of maintenance work and thereafter, maintain the existing highway infrastructure. The Council is progressing with the Department for Transport's incentive fund requirements to ensure it maximises the LTP maintenance block allocation.

4.9.7 The Council has experienced a reduction in transport capital allocations through a reduction in Government LTP allocations in 2011/12 partly as a result of the cessation of Primary Route Network (PRN) structures funding. From 2015/16, there have been further reductions in transport capital allocations as a proportion of this funding has been given to the LEPs. Funding for Major Schemes is now primarily delivered through the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGP LEP). Peterborough City Council will concentrate on promoting and delivering projects that enhance the economic wellbeing of Peterborough.

4.10 Culture and Leisure

4.10.1 Peterborough's projected growth places greater challenges on its cultural services than at any time in the city's past. Not only will population growth lead to increases in demand, but the increasing variety of demographics across the city will change the nature of that demand. The Council has recognised this, and the need to respond to current challenges, and its commitment to protecting and enhancing cultural services, both now and in the future, has been demonstrated by the establishment of the city's Cultural Trust – Vivacity.

4.10.2 Cultural Services within the city face significant challenges which relate to growth and the re-development of existing facilities to meet changing customer expectations.

4.10.3 Consideration is being given to investment to refurbish the Regional Pool and undertake the upgrade of air conditioning and lighting at the Central Library.

4.10.4 PCC has 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. The Council intends to invest further into this facility, providing more facilities and generating more income.

4.10.5 PCC has constructed a new state of the art dual use facility in Hampton. The building incorporates a primary school, library and a sports centre. The sports facility offers a multi-use sports hall, new gym facility, fitness studios and outdoor sports pitches.

4.10.6 The Council invested in a new technology called Open+ which enables increased public access and opening hours to nine of Peterborough libraries. Through the system the libraries are now open for an extra 126 hours a week with a yearly saving to the council of £285,000 for the first eight years after which the saving increases to £305,000 a year. The next stage to this project will be to invest in updating existing library kiosks to enable printing during Open+ hours, which is currently unavailable.

4.10.7 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.

4.10.8 The ENPC contract will see a range of improvements to the Leisure Trust Property portfolio which will result in significant energy and CO2 savings across the property portfolio. The works will also reduce the maintenance back log on the estate.

4.10.9 The Council will be considering an opportunity to invest in a 3G pitch in Werrington to replace the existing sand pitch which has come to the end of its life.

4.11 **Strategic Property and ICT**

4.11.0 The Council keeps its property portfolio under constant review; ensuring assets are kept only for specific reasons Co-location and other rationalisation are expected to improve overall efficiency of all partners' estates and will be used to contribute to the overall growth of Peterborough.

4.11.1 The Council has committed to moving its back office functions to a new office development on Fletton Quays subject to a financially beneficial business case. This will include ensuring that future income streams from letting existing space meets future costs of renting the new development, as well as ensuring that any move or fit out costs can be met from council building capital budgets.

4.11.2 Overall the Council aims to dispose of surplus assets and use the capital receipts raised to support other initiatives. A 'best consideration' approach may also be applied where the site is in a key growth area. Work is ongoing to identify further sites that are suitable for disposal but it should be noted that in the current economic climate the disposal decision is no longer the only clear option. The final decision takes into account issues such as holding costs.

4.11.3 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.

4.12 **Invest to Save**

4.12.1 The Capital Programme contains funding for Invest to Save schemes. This budget is included on the basis that any projects funded via this budget will deliver savings to the Council, for example renewable energy schemes. Business cases for future proposals are required to demonstrate how the cost of borrowing will be covered, e.g. through income generation, etc. Therefore, each scheme will be self-financing so that Invest to Save schemes will have no overall impact against the Council's bottom line.

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

- Each project needs to complete the Council's standard full business case. This includes the required officer evaluation and approvals as for all business cases.
- Schemes should deliver savings that improve the financial position of the Council as presented in this MTFS.
- Schemes will also be considered that maintain the MTFS position (ie neither improve nor worsen the position), but contribute towards delivery of service improvements, or contribute to achievement of Council priorities.
- The MTFS assumes that payback from schemes commence in the same year the project starts. If this is not the case, proposals will need the following additional analysis in the business case:
- A full net present value (NPV) analysis
- An outline of how the finance will be covered across financial years if schemes are not cost neutral within each financial year

- Proposals will need to be subject to the Council's decision making requirements, e.g. any schemes above £500k will be subject to a Cabinet Member Decision Notice (CMDN) approved by the Cabinet Member for Resources and relevant portfolio holder.
- And update on schemes is included in future financial reports to Cabinet during the year.

4.13 **Invest to Save Current Schemes:**

4.13.1 Schools Solar PV Installation – PCC is completing phase 2 of the schools installation and this will be completed by the end of March 2016. This will mean that 31 Schools will benefit from green on site electrical production. PCC has also completed installations on industrial estates and its corporate buildings. With the reduction in the Feed In Tariff it is unlikely that PCC will install further PV on its properties in the short term.

4.13.2 Energy Performance Contract Framework (ENPC) – PCC is currently using its contract with Honeyell to develop propsals for works to the PFI schools using the framework to reduce utility costs.

4.13.3 The Council has continued to investigate further ways it can support the development of housing, and has agreed a facility to provide finance of up to £30million 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.

4.13.4 The council is developing other projects - further details of this will be brought forward should the option be financially beneficial to the council. Any projects will comply with the terms and conditions outlined to obtained invest to save funding.

4.13.5 The Empower community solar panel scheme is covered in the next section. The Council has also agreed an arrangement to provide funding for the works, enabling more to be undertaken and for the Council to generate further income from the interest on the loan.

4.14 **Renewable Energy / Energy Efficiency (inc. Energy from Waste)**

- **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, and to finance such schemes outside 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.

  The number of properties in Peterborough that have been completed by Empower are 220 private residential and 34 Axiom properties. Over 1,000 properties outside Peterborough have benefitted.

  Followin ght severe cut to the Feed In tariff the Council are examining how the scheme can continue.

- **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 Council are examining how a wider regeration vehicle beyond just energy can enable regeneration and generate income. .

  The impact would to 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 Recovery Facility (ERF) -** In February 2013 Peterborough City Council signed a contract with Viridor, to build and operate a new 'energy from waste' facility in the City. The plant is now operational,and will offer a more environmentally friendly and lower-cost alternative to burying the City's waste in landfills.

  The energy from waste facility will save over 10,000 tonnes of CO2 every year compared to sending the City's waste to landfill. The facility is close to the power station in Fengate, and is designed to meet the City's needs for the next 30 years. The facility will burn any waste that cannot be recycled to ash and in so doing 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 will also harness the energy released in the process to generate around 53,000 megawatt hours of electricity, which can generate savings. This is enough electricity to power approximately 15 per cent of the homes in Peterborough for a year.

5 Managing the Capital Programme

5.1 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.

5.2 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.

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

6 Sources of Capital Funding

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

6.2 External sources arise from the Council's aims, together with partners, to maximise opportunities for funding from any source, including European and Government Grants and applications for National Lottery funding for schemes. Corporate resources can consist of capital receipts and borrowing. Under the Prudential Code for Capital Finance, the Council has the ability to borrow money. To do this, the Council must be able to show that any borrowing is affordable, prudent and sustainable, see the Treasury Management, Prudential Code and Minimum Revenue Provision Strategy.

6.3 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 44% (diminishing annually by 2%). Although this represents a significant loss of opportunity for the Council, the HCA is encouraged to reinvest the receipt back into Peterborough. The Council is currently awaiting consultation from the HCA regarding the policy surrounding these arrangements.

6.4 Developers are required to contribute resources to ensure appropriate infrastructure comes forward alongside growth. Some of this contribution is made directly by the developer, such as the provision of new community facilities as part of a development scheme. Developers also commonly contribute financially to the Council, so that the Council can pool contributions to deliver infrastructure. This process is through the Council's adopted Community Infrastructure Levy. Legislation requires the Council to hand over a proportion of any CIL money it receives to the parish council (the neighbourhood proportion) in which the development is located (if it is in a parished area) or to discuss with the local community how to spend that proportion locally (if the development is in an un-parished area). The proportion to be handed over depends upon whether there is or is not a statutory neighbourhood development plan in place. The Council will also retain a proportion of CIL receipts for administration of the charge. Provisionally, the Council has agreed that the remaining CIL receipts are to be split via the thematic areas outlined below (though it is important to note that such thematic areas will receive other funding via other sources in addition to the CIL)

6.5 Neighbourhood Proportion

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

Remaining CIL receipts - Proposed funding split by infrastructure theme

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

6.6 Alternative Financing Arrangements

- The Council has actively investigated public/private partnerships (PPP) and other innovative financing arrangements in relation to a range of capital projects. Examples include:-
    - Close collaborative working with our private sector contractor within the Environment, Transport and Engineering service to investigate ways of making significant savings and providing increased value for money. A new contract, contracts or contract extensions has been procured to cover these work areas and commenced in October 2013.
    - Partnership arrangements with various Registered Social Landlords for the provision of affordable housing.
    - Alternative structures for the development of key sites within Peterborough including the establishment of joint ventures.

6.7 Capital Receipts

- A capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The need to generate capital receipts is a fundamental part of the Asset Management Plan. The rationalisation of the asset portfolio has benefits such as reducing revenue costs that relate to surplus assets and also releases assets for disposal. Capital receipts are an important funding source for the Council.
- The Council takes a holistic approach to funding its 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 Corporate Director: Resources closely monitors progress on asset disposal. Any in year shortfalls could potentially need to be met from increased corporate resources.

- The Government has announced proposals to enable Councils to use capital receipts more flexibly to support transformation and help meet the financial challenges councils face. The Council will need to prepare a strategy that includes separate disclosure of the individual projects that will be funded or part fudned through capital receitps flexibility and that the strategy is approved by full Council. The Council is also planning to use receipts flexibly to help meet costs of the minimum revenue provision. Further detail is included within the Treasury Management Strategy report in the MTFS.

7 Procurement Strategy

7.1 Delivery of the majority of the capital programme is commissioned from external providers. The Council will either use a tender process, or use some of the following framework contracts that it has in place:

- Skanska – for highways works
- Carillion – for major school development works
- Amey – for design and delivery of other works on council buildings

7.2 The Councils approach is governed by its Procurement Strategy. This five year strategy sets out how the Council intends to purchase goods, works or services from third parties that:

- contribute towards achieving the council's priorities (para 7.2) and aligns to the seven commissioning principles the council has adopted to become a commissioning led council (7.3);
- supports Peterborough's Sustainable community strategy6 and ambition to become the UK's Environment Capital, to substantially improve the quality of life of the people of Peterborough and to raise the profile and reputation of our city as a leading city in environmental matters and a great place in which to live, visit and work;
- complies with the legislative requirements for procurement; and
- meets the challenge within local government and the wider public sector to spend within its means. The council has already seen its government funding cut by £44m (40%) over the previous five years, with this downward trend set to continue over the next four years.

7.3 The council spends in excess of £200 million per year on procuring works, goods and services through a variety of procurement and contracting arrangements covering a wide and diverse spectrum of council functions. For example, this includes buying stationery, energy, insurance, home to school transport for eligible pupils, care packages for eligible adults and children in social care, services from our strategic partners such as building maintenance and highway maintenance, to major IT systems and construction projects. The majority of the Capital Expenditure incurred is undertaken by the Council's partner organisations.

7.4 Our previous strategy focused on value for money which is now at the core of everything we do, however, this is no longer sufficient. We now need to ensure that every time we spend £1 we are clear that it is adding value and contributes directly to the strategic priorities of the council, playing a key role in breathing life back into local economies and improving the outcomes for the people of Peterborough.

[6] https://www.peterborough.gov.uk/council/strategies-polices-and-plans/strategic-priorities/

7.5 This strategy will align to the council's customer strategy[7] which is fundamental in the understanding of our customer and business needs that will shape the way we deliver our services as a commissioning led council.

7.6 The outcomes of this strategy will be to:

- Undertake procurement that achieves the council's strategic priorities and being a commissioning led council;
- Achieve agreed efficiencies, effectiveness and economies of scale that demonstrates value for money for the residents, partner organisations, businesses and other interested parties, taking into account environmental, social and economic impacts and whole life costs when procuring products and services;
- Achieve improved business processes that streamline how the council interacts with its supply chain including through maximising digital technology; and
- Promote and supports small medium enterprises including community groups and local businesses
- See Appendix 5 for more details.

7.7 **Monitoring arrangements:**

Progress and monitoring of the procurement strategy outcomes will be done in the following ways:

- Regular monitoring as part of a programme of works through the council's Procurement Working Group, a cross representative group of officers that are involved in procurement, legal, finance and commissioning activity
- The corporate management team to receive monitoring reports of the Procurement Working Group
- An annual performance report to Cabinet members commencing summer 2016

7.8 **Council strategic priorities 2015**

Peterborough is one of the fastest growing cities in the country bringing new housing, jobs and opportunities for the people who live here and attracting new residents from across the UK and beyond. Our vision is to create 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

The council's strategic priorities that underpin the vision are:

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

1. **Drive growth, regeneration and economic development**
    - To bring new investment and jobs
    - To support people into work and off benefits
    - To boost the city's economy and the wellbeing of all people

2. **Improve educational attainment and skills**
    - To allow people to seize opportunities of new jobs and university provision
    - To keep talent and skills in the city's economy

3. **Safeguard vulnerable children and adults**

4. **Implement the Environment Capital agenda**
    - To position Peterborough as a leading city in environmental matters
    - To reduce the city's carbon footprint

5. **Support Peterborough's culture and leisure trust Vivacity**
    - To deliver arts and culture to all people

6. **Keep all our communities safe, cohesive and healthy**

7. **Achieve the best health and wellbeing for the city**

7.9 Commissioning led council and principles

What is a commissioning led council?

This means that we will deliver better outcomes for our customers through identifying the most efficient, effective and economic models of service delivery.

This may mean the council continuing to deliver services on its own, or directly through other agencies and organisations or as a partnership between the council and other organisations. This will provide us with a range of different abilities, skills and knowledge to enable targeted services to be delivered in the right place at the right time.

A commissioning approach offers significant benefits to local residents and businesses alike. Services will be delivered in more efficient ways, stimulating local enterprise by creating new markets in the provision of local services, and an increased emphasis on the scrutiny of those services.

Commissioning principles

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

- Efficient and effective - We will take an evidence based approach to commissioning services and solutions that demonstrate efficient and effective use of resources. Services and solutions will be commissioned on the basis of best value.
- Return on investment - We will commission on the basis of a clear, whole-life costed benefits realisation for service users, PCC and other stakeholders. This will include analysis of the value of social and environmental outcomes of commissioning activities as well as financial outcomes.
- Market Development - We will develop the market with providers and partners to ensure that strategic commissioning activity across health and social care is coordinated and best value and outcomes are delivered.
- Statutory duties - We will ensure PCC complies with its legal duties within the statutory legislative and policy framework.
- Political - Commissioning activity will take account of and be sensitive to the national and local political context. Engagement with elected members will be carried out throughout the commissioning process.
- Collaborative commissioning - We will work to commission services and co-produce solutions with strategic partners where this best delivers PCC outcomes and objectives.

8 Conclusion

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

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

Table 1 - Summary Capital Programme **Annex One - Core Data**

Capital Expenditure by Service:	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	2025/26 £000
People & Communities	37,096	16,428	26,011	16,611	7,836	3,494	3,494	3,494	3,494	3,494
Resources	25,433	4,150	4,890	4,918	3,955	4,734	4,838	4,838	4,838	4,838
Growth & Regeneration	37,642	33,536	19,227	8,678	6,428	6,428	6,428	6,428	6,428	7,298
Invest To Save	26,524	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	**126,695**	**54,114**	**50,128**	**30,207**	**18,219**	**14,656**	**14,760**	**14,760**	**14,760**	**15,630**
Financed by:										
Grants & 3rd Party Contributions	33,768	20,018	10,528	8,528	7,528	5,403	5,580	5,580	5,580	5,580
Capital Receipts	1,000	-	1,000	-	-	-	-	-	-	-
Capital Financing Requirement (Borrowing)	91,927	34,096	38,600	21,679	10,691	9,253	9,180	9,180	9,180	10,050
Total Capital Financing	**126,695**	**54,114**	**50,128**	**30,207**	**18,219**	**14,656**	**14,760**	**14,760**	**14,760**	**15,630**

Summary of Fixed Asset Values as at 31st March 2015

Fixed Asset Values	Gross book value £000	Depreciation £000	Net book value £000
Land & buildings	357,854	(30,479)	327,375
Vehicles, plant & equipment	34,780	(21,668)	13,112
Infrastructure assets	216,964	(82,326)	134,638
Community assets	4,305	(3,322)	983
Heritage assets	653	-	653
Investment properties	33,031	-	33,031
Surplus assets	21,528	(1,556)	19,972
Assets Under Construction	82,407	(3,012)	79,395
Total	**751,522**	**(142,363)**	**609,159**

(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 Obligation Implementation Scheme SPD1.pdf

Capital Programme Budget & Funding Summary 2016/17 to 2025/26 **Annex Three**

Project	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2016 to 2021 Total 5 Yrs		2016 to 2026 Total 10 Yrs	
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
PEOPLE & COMMUNITIES														
Aids and Adaptations	216	216	216	216	216	216	216	216	216	216	1,080	-	2,160	-
Disabled Facilities Grant	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	2,355	4,645	4,710	9,290
Repair Assistance Grant	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	5,100	-	10,200	-
Capital Maintenance on Schools	600	400	400	400	400	400	400	400	400	400	2,200	-	4,200	-
Jack Hunt - Kitchen and Dining Area	4,668	-	-	-	-	-	-	-	-	-	4,668	-	4,668	-
Academies	50	-	-	-	-	-	-	-	-	-	50	-	50	-
New School Places	28,250	12,700	22,517	13,117	4,342	-	-	-	-	-	43,777	37,149	43,777	37,149
Schools Capital Expenditure	426	426	458	458	458	458	458	458	458	458	-	2,225	0	4,515
Other Schools Capital	267	267	-	-	-	-	-	-	-	-	534	-	534	-
PFI Condition Works	200	-	-	-	-	-	-	-	-	-	200	-	200	-
Total People & Communities	**37,096**	**16,428**	**26,011**	**16,611**	**7,836**	**3,494**	**3,494**	**3,494**	**3,494**	**3,494**	**59,963**	**44,019**	**70,498**	**50,954**
RESOURCES														
Cost of Disposals	1,700	500	500	500	500	500	500	500	500	500	3,700	-	6,200	-
Health and Safety	460	225	225	225	225	225	225	225	225	225	1,360	-	2,485	-
Investment Portfolio	550	150	150	150	150	150	150	150	150	150	1,150	-	1,900	-
Leisure Trust Properties	1,008	350	350	350	350	350	350	350	350	350	2,408	-	4,158	-
Other Council Building Spend	4,550	1,580	2,805	2,480	1,580	2,321	2,498	2,498	2,498	2,498	12,995	-	25,485	-177
Cremortorium Development and Relining	1,171	-	-	-	35	73	-	-	-	-	1,157	49	1,230	49
Open Spaces and Play Areas	235	185	185	185	185	185	185	185	185	185	975	-	1,900	-
London Road Stadium	885	-	-	-	-	-	-	-	-	-	885	-	885	-
Waste Management Strategy	2,946	80	80	80	80	80	80	80	80	80	2,788	477	3,188	477
Capitalisation Of Schools Reserve	250	250	250	250	250	250	250	250	250	250	1,250	-	2,500	-
Customer Experience	3,376	505	20	-	-	-	-	-	-	-	3,901	-	3,901	-
Peterborough SERCO Strategic Partnership	1,454	-	-	98	-	-	-	-	-	-	1,552	-	1,552	-
ICT Projects	330	-	-	250	250	250	250	250	250	250	830	-	2,080	-
City Fibre Project	2,500	-	-	-	-	-	-	-	-	-	2,500	-	2,500	-
ICT Managed Service	225	225	225	250	250	250	250	250	250	250	1,175	-	2,425	-
Replacement system for the Adult Social Care Framework i	140	-	-	-	-	-	-	-	-	-	140	-	140	-
8 x 8 Telephony Service	1,000	-	-	-	-	-	-	-	-	-	1,000	-	1,000	-
Suicide Prevention - Multi Storey Car Park	250	-	-	-	-	-	-	-	-	-	250	-	250	-
IOT and Assistive Technologies - Invest to Save	1,000	-	-	-	-	-	-	-	-	-	1,000	-	1,000	-
Car Parks	163	100	100	100	100	100	100	100	100	100	563	-	1,063	-
CCTV	240	-	-	-	-	-	-	-	-	-	240	-	240	-
Renewable Energy Projects	1,000	-	-	-	-	-	-	-	-	-	1,000	-	1,000	-
Total Resources	**25,433**	**4,150**	**4,890**	**4,918**	**3,955**	**4,734**	**4,838**	**4,838**	**4,838**	**4,838**	**41,819**	**526**	**66,082**	**349**

Project	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2016 to 2021 Total 5 Yrs		2016 to 2026 Total 10 Yrs	
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Corp. Res.	3rd Party Inc.	Corp. Res.	3rd Party Inc.
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
GROWTH & REGENERATION														
Integrated Transport Programme	2,643	2,263	2,163	1,913	1,913	1,913	1,913	1,913	1,913	1,913	3,730	7,165	6,260	14,200
Bourges Boulevard	4,550	4,500	-	-	-	-	-	-	-	-	-	9,050	-	9,050
Highways Capitalisation	120	-	-	-	-	-	-	-	-	-	120	-	120	-
G&R-Other Infrastructure	7,230	4,780	2,230	2,170	170	170	170	170	170	170	11,580	5,000	12,430	5,000
Public Realm	2,900	1,750	-	-	-	-	-	-	-	-	4,650	-	4,650	-
Peterborough Delivery partnership projects	500	500	500	500	500	500	500	500	500	500	2,500	-	5,000	-
LSTF	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Housing Joint Venture	6,000	4,300	4,300	-	-	-	-	-	-	-	14,600	-	14,600	-
Affordable Housing	8	-	-	-	-	-	-	-	-	-	8	-	8	-
Bishop's Road/Boongate Bridge	600	-	-	-	-	-	-	-	-	-	600	-	600	-
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	-
A1260 Nene Parkway Jct 3- 15	1,500	1,500	-	-	-	-	-	-	-	-	3,000	-	3,000	-
Roads & Bridges (including footpaths)	4,948	7,845	3,845	3,845	3,845	3,845	3,845	3,845	3,845	4,715	9,718	14,610	15,883	28,540
Street Lighting	4,893	5,848	5,939	-	-	-	-	-	-	-	16,681	-	16,681	-
Total Growth & Regeneration	**37,642**	**33,536**	**19,227**	**8,678**	**6,428**	**6,428**	**6,428**	**6,428**	**6,428**	**7,298**	**69,687**	**35,825**	**81,732**	**56,790**
INVEST TO SAVE														
Invest to Save Projects	6,524	-	-	-	-	-	-	-	-	-	6,524	-	6,524	-
AXIOM Housing Loan	20,000	-	-	-	-	-	-	-	-	-	20,000	-	20,000	-
Total Invest to Save	**26,524**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26,524**	**-**	**26,524**	**-**
TOTAL CAPITAL PROGRAMME	**126,695**	**54,114**	**50,128**	**30,207**	**18,219**	**14,656**	**14,760**	**14,760**	**14,760**	**15,630**	**198,993**	**80,370**	**245,836**	**108,093**

Capital Receipts Summary from 2016 to 2020 **Annex Four**

Property Description	Ward	2016/17	2017/18	2018/19	2019/20
Assets at Church Street Thorney	Eye and Thorney		*		
Caxton Court/Coneygree Road	Stanground Central	*			
City Clinic - NHS Operate Clinic Facility	East			*	
Dickens Street Car Park	East	*			
Duke of Bedford Primary School - Surplus Land	Eye & Thorney		*		
Fleet surplus Assets - Land	Stanground Central	*	*		
Former Depot Land Wittering	Glinton & Wittering	*			
Gostwick - Orton Brimbles - Land	Orton Waterville	*			
Gunthorpe Family Centre - Land and Buildings	Paston	*			
Land adjacent ABAX stadium known as 7-23 London Road	Fletton & Woodston		*		
Land and buildings at Lawn Avenue (St George's PRU) *	Park			*	
Land at Alma Road	Park		*		
Land at Stanground Academy	Stanground Central	*			
London Road (former allotment site)	Fletton & Woodston	*			
Miscellaneous Allotment Sites		*	*	*	*
Miscellaneous Surplus Farm Buildings	Newborough	*			
Nab Lane, Welland - Allotment Land	Dogsthorpe	*			
Open Space City Wide Locations	All Wards	*	*	*	*
Operational Assets Pending Property Rationalisation	All wards	*	*	*	
Orton Bowling Green	Orton Waterville	*			
Orton Centre Filling Station	Orton Waterville				
Play Area Smithfield	Eye & Thorney	*			
St Botolph's Caretakers House	Orton Longueville	*			
St Pauls Road - Land	Central				
Substations	All wards north of river	*			
Tenterhill/Thistle Drive - Land	Stanground Central	*			
Wellington Street Car Park	East			*	*
Willow Drove Newborough	Newborough	*			
Investment Properties					
Bretton Court - Investment Office and Retail Block Over Three Storeys	Bretton North	*			
Food Hall & Market	Central				*
Herlington Centre - Investment Retail Units	Orton Longueville		*		
Ivatt Way Ground Rent Portfolio	Ravensthorpe				*
Kings Lodgings	Central	*			
Laxton Square - Land	Central				*
Lindens - Investment Asset	Central	*			
New England Complex, Lincoln Road - Investment asset - Former School	Central			*	
Northminster House, Ground Lease - Investment Asset - Freehold Office	Central		*		
Peterscourt - Investment Asset - Offices	Central		*		

Property Description	Ward	2016/17	2017/18	2018/19	2019/20
Pyramid Centre, North Bretton - Investment Asset - Shopping Area and Public House	Bretton North		*		
Saville Road Estate	Ravensthorpe				*
Saville Road Portfolio of individual Ground Rents	Ravensthorpe				*
Westwood 7 Estate Saville Road Ground Lease	Ravensthorpe				*
JV Sites					
Northminster Car Park	Central				*
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

Achievement of outcome of next five years **Appendix 5**

Outcome	Success Criteria
1. Undertake procurement that achieves the council's strategic priorities and being a commissioning led council	1. All procurement activity undertaken by the council is done in accordance with the Public Contract Regulations 2015 and the principles set by the European Union, the council's Contract Rules and Financial Regulations. 2. All procurement of goods, works and services over £50,000 will be linked directly towards our strategic priorities or not procured at all. This will be clearly articulated in our procurement documentation so we can evidence why the goods, works and services are being bought and that where services have been commissioned that these have been considered against the seven commissioning principles and customer strategy. Where possible, where value, delivery and quality can be assured and financial constraints met, we will seek to procure goods, works and services from ethical sources. 3. Sustainable procurement is investigated and developed within the council using the government's procurement framework to achieve this, as agreed in the council's Environmental Capital Action plan. 4. Training and regular updates to council officers involved in procurement activity undertaken. 5. Investigate and develop policies (for example, SME, ethical, sustainable and departmental category plans) that align to the procurement strategy. 6. A clear market engagement strategy for the Peoples and Communities department that creates a buoyant supplier base which the council can commission services from to improve the outcomes for the people of Peterborough.
2. Achieve agreed efficiencies, effectiveness and economies of scale that demonstrates value for money for the residents, partner organisations, businesses and other interested parties, taking into account environmental, social and economic impacts when procuring products and services	1. All objective setting within our procurement activities will include both financial and non-financial components. 2. Sourcing approvals will then show how these benefits can be demonstrated. Key facets that will be a focus in our procurement documentation will include: • Innovative procurement opportunities • Partnering and collaboration, aggregating spending powers through effective collaboration or by sharing services on common goods. • Commercial innovation / commissioning / different ways of working – link to developing a commissioning strategy and category plans for departments • Inclusion of consideration of the requirements in the revised Best Value Duty guidance and Public Services (Social Value) Act 2012 where applicable • Implement key performance indicators that demonstrate value for money
3. Achieves improved business processes that streamline how the council interacts with its supply chain including through maximising digital technology	1. We will adopt the appropriate E-sourcing technology that will: • Streamline procurement processes • Ease the supplier on-boarding process for smaller suppliers, community organisations • Promote and implement processes that are less bureaucratic and burdensome to suppliers

<table>
<tr><th>Outcome</th><th>Success Criteria</th></tr>
<tr><td></td><td>2. Review the end to end process for purchasing goods, works or services to paying invoices to improve business processes
3. Publish contract opportunities on Sourcecambridgeshire and Contracts Finder
4. Meet requirements of the Transparency Code
5. Outside of this our focus will be to review our:
• Supplier base
• Work with the supply base to support appropriate demand management.
• Create, develop and foster the appropriate engagement with suppliers</td></tr>
<tr><td>4. Promotes and supports small medium enterprises including community groups and local businesses</td><td>1. The council will commit to:
• Pro-actively engage with Opportunity Peterborough, the Chambers of Commerce (and Federation of Small Businesses) Community and voluntary sector to ensure our procurement processes and policies support local regeneration.
• Pro-actively work with our strategic partners to promote opportunities to sub contract goods, works and services to local suppliers within the Greater Cambridge and Greater Peterborough local enterprise partnership.
• Drive local social and economic growth and regeneration by ensuring any commercial opportunity > £25k is advertised on the Sourcecambridgeshire and Contracts Finder.
• Hosting two supplier days per annum that will allow local businesses to ‘meet the buyer’
• To ensure that in any post tender feedback, that all small businesses receive constructive feedback on their performance when involved in a procurement exercise.</td></tr>
</table>

Schedule E (i) – Street Lighting Business Case

Street lighting – Programme of installation of LED luminaires.

1.0 Outline of proposal

1.1 This proposal is to replace the remaining existing street lighting provision to utilise LED lighting across the Peterborough network, while maintaining and or improving the required lighting levels. Note: Currently replaced over 7,000 street lights to the new more efficient and effective LED luminaires across the Peterborough administrative area since January 2012.

1.2 Within the lighting industry, LED lighting is the greenest, most sustainable and economical solution. As costs continue to fall, new standards, green initiatives, and government directives are creating exciting opportunities for the adoption of LED lighting. The latest version of BS5489 (BS5489-1-2013), identifies energy saving as an integral and important part of the lighting designers' remit. Table 3 of the Institution of Lighting Professionals Guide: 03, Lighting for Subsidiary Road, clearly shows the benefits of using LEDs even against other white light sources, such as Cosmopolis. This is largely due to how the human eye reacts to low level light, such as street lighting. The human eye is more receptive to light sources which operate in the blue end of the spectrum which is of particular benefit to people with deteriorating eyesight.

1.3 LED luminaires also save energy through constant light output. Previously with standard discharge lamps such as SON and Cosmopolis, a scheme is effectively over lit in order to meet the requirements of the design class. Also with LEDs, the designer is no longer limited to lamps with fixed outputs because LEDs can provide precise lumen outputs which match the requirements of the design. With sales of conventional discharge lamp luminaires declining dramatically in recent years, and the research into road lighting now predominantly focused on LED, light emitting diode technology is the future for road lighting.

1.4 They also support broader 'smart city' concepts, where communications networks can be used to link items such as Wifi, car parking and information signs. CMS also greatly improves safety conditions by reducing street lighting outages. As soon as a fault occurs, this is notified through the CMS, ensuring repairs are effected swiftly.

1.5 This investment would result in a much more efficient and responsive street lighting network. Although it would be possible to introduce dimming and part time switch off in selected locations as a by-product of this investment in technology this does not form part of the proposal, and the business case is in no way dependent on this.

2.0 Objectives

- To reduce street lighting energy consumption
- To achieve carbon reduction which supports the Council's strategic reduction target
- To reduce the Council's exposure to potential increase in energy prices
- To reduce maintenance operations

3.0 Project Scope

a) Replacing all remaining High-Intensity Discharge (HID) Functional Luminaires with new LED Functional Luminaires (16,353 approx.)

b) Replacing all remaining HID Heritage Style Luminaires with new LED Heritage Style Luminaires (1,000 approx.)

c) Installation of a Central Management System on all remaining luminaires (17,353 approx.)

d) Replacing concrete columns with steel equivalent on a one for one basis (4669 approx.)

e) Replacing cast iron columns with steel equivalent on a onefor one basis (518 approx.)

f) Replacing existing columns on the Parkways with new Passive Safe Lighting Columns (1,000 approx.)

g) Private Cable Network on the Parkways to be re-designed and replaced (40,000 m approx.)

h) Existing Feeder Pillars on the Parkways to be refurbished or replaced as required depending on current conditions (15 approx.)

i) Replacing existing illuminated bollards with non-illuminated bollards where possible (453 approx.)

j) Replacing existing non-LED sign lights with LED equivalent (1416 approx.)

k) Replacing existing subway lights with LED equivalent (122 approx.)

l) Replacing existing wall lights with LED equivalent (329 approx.)

m) Private Cable Network encountered when replacing concrete and cast iron columns to be tested and where faulty/close to failure, to be replaced (10,000 approx.)

n) Disconnection, new service or transfer to LV mains through an approved Independent Connections Provider (ICP)

o) Termination of Private Cable Network into apparatus

p) Re-numbering columns, with en-plates with PCC logo, while installing LED luminaires (17,353 approx.)

q) Development of a result matrix to find the ‘Best Fit Lantern’ for all works associated with the one for one replacement programme (16,353 approx.)

r) Complete design work for replacing columns on the Parkways (1000 approx.)

s) Updating the primary fields on the Authority’s Management Information System (MIS)

t) Updating and synchronising Telensa Central Management System (CMS)

4.0 Impact on Network

4.1 At present there have been over 7,000 LED luminaires installed within PCC since January 2012. A review of the inventory (as at 10/11/2015) has been carried out to establish numbers and types of equipment installed to date, to identify the extent of LEDs already installed and the remaining HID and other apparatus such as sign lights, illuminated bollards, subways, sign lights to be converted to LED as well as the quantity of concrete columns, cast iron columns and Parkway columns to be replaced.

4.2 The LED replacement programme will cover a period of 36 months commencing in 2016 following a three month mobilisation period. The approach would be to start converting residential areas to LED before Parkways and traffic routes. This strategy will yield the most savings in term of energy and will make a positive difference to communities.

4.3 The programme would be rolled out on a ward-by-ward and parish-by-parish basis for optimum efficiency, but this can be adapted to suit scheme prioritisation. By introducing new white light sources, the LED replacement programme will help to create safer, stronger communities - by helping to reduce crime levels and the fear of crime, and reducing traffic incidents. The project will make a significant change to the night-time environment and improve the quality of life for residents for generations to come.

5.0 Financial implications

5.1 The proposal will lead to an initial increase and re-phasing of the capital programme budget, and an ongoing reduction in revenue costs.

5.2 The costs of the lighting replacement scheme will be capital, and funded over the asset life. The existing capital scheme for lighting replacement over the next ten years will be re-profiled to refurbish the network within a three year timeframe. The total capital project costs are £3.6m higher than currently budgeted, with a revenue impact of £5.9m

5.3 Savings in energy and maintenance costs are projected to be £10m over the next 20 years.

5.4 The reduction in energy consumption helps to safeguard the authority against future cost increases which may otherwise cause financial pressure. It is estimated that £4.5m of future inflationary pressure could be avoided through lower energy consumption.

5.5 The overall benefit to the authority is a saving of £8.6m over the next 20 years.

The impact on the MTFS is set out below

	2016/17 £k	**2017/18 £k**	**2018/19 £k**	**2019/20 £k**	**2020/21 £k**
Saving in Revenue budget	**-90**	**-270**	**-450**	**-540**	**-540**
Capital Financing Cost	20	120	400	590	530
Net Saving[8]	**-70**	**-150**	**-50**	**Net cost 50**	**-10**
Estimated Inflation avoided	0	-10	-30	-60	-80
Total impact	**-70**	**-160**	**-80**	**-5**	**-85**

[8] Note – for prudence, the saving taken through to the MTFS does not include savings from inflation avoided.

	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k	2025/26 £k
Saving in Revenue budget	**-540**	**-540**	**-540**	**-540**	**-540**
Capital Financing Cost	470	410	350	290	250
Net Saving	**-70**	**-130**	**-190**	**-250**	**-290**
Estimated Inflation avoided	-100	-120	-150	-170	-200
Total impact	**-165**	**-250**	**-335**	**-415**	**-490**

Financial Year	Operating Saving	Impact of Capital	Net Saving	Inflation avoided	Overall Benefit
2016/17	-90,000	20,000	-70,000	0	-70,000
2017/18	-270,000	120,000	-150,000	-10,000	-160,000
2018/19	-450,000	400,000	-50,000	-30,000	-80,000
2019/20	-540,000	590,000	50,000	-60,000	-10,000
2020/21	-540,000	530,000	-10,000	-80,000	-90,000
2021/22	-540,000	470,000	-70,000	-100,000	-170,000
2022/23	-540,000	410,000	-130,000	-120,000	-250,000
2023/24	-540,000	350,000	-190,000	-150,000	-340,000
2024/25	-540,000	290,000	-250,000	-170,000	-420,000
2025/26	-540,000	250,000	-290,000	-200,000	-490,000
2026/27	-540,000	250,000	-290,000	-220,000	-510,000
2027/28	-540,000	250,000	-290,000	-250,000	-540,000
2028/29	-540,000	250,000	-290,000	-280,000	-570,000
2029/30	-540,000	250,000	-290,000	-310,000	-600,000
2030/31	-540,000	250,000	-290,000	-340,000	-630,000
2031/32	-540,000	250,000	-290,000	-370,000	-660,000
2032/33	-540,000	250,000	-290,000	-400,000	-690,000
2033/34	-540,000	250,000	-290,000	-430,000	-720,000
2034/35	-540,000	250,000	-290,000	-470,000	-760,000
2035/36	-540,000	250,000	-290,000	-500,000	-790,000
Total £	-9,990,000	5,930,000	-4,060,000	-4,490,000	- 8,550,000

Schedule F – Asset Management Plan

1 Preface

In common with other Local Authorities across the UK, Peterborough City Council continues to face 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 continues to be 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. In 2015, Peterborough was the second fastest growing city in the UK, second only to Milton Keynes.

It is imperative that the Council's current property portfolio makes a positive contribution to both of these objectives. It can do so by offering up operational efficiencies and reducing non-operational cost, ensuring that the most attractive premises are available to allow current and new business to grow in the area and where possible surplus assets brought forward for development or are better utilised.

Consequently the way the Council is approaching the management of the property portfolio needs to change. Some changes have already been put in place through Strategic Partnerships, such as that with Serco which now provides estates and facilities management services and the Amey partnership which delivers design services and commissions property maintenance. Other changes will be put in place during 2016 with the strengthening of certain partnerships for example the Peterborough Investment Partnership (PIP) and the development of new ones, including a new joint venture partnership with Norfolk Property Services (NPS) to deliver a broad range of asset management services.

In December 2014 the Council set up a 50/50 joint venture development partnership with the private sector – PIP, to deliver development projects on key regeneration sites. This type of partnership together with the others already in place or proposed will position the Council well to respond to the challenges which come with a fast growing city.

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. Although these permitted development rights were to finish in May 2016 these rights have now to been made permanent, by the Government The Localism Act also challenges authorities to work closer with the voluntary sectors, in particular where they relate to empowering and supporting local communities to have a stronger involvement managing 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.

In order to maximise opportunities to generate new income, make efficiency savings and respond to demands raised through the Council's strategic partnerships the likes of Honeywell for energy performance improvement works to Council assets and City Fibre for fast broadband, 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. The Council has adopted a Technology Strategy which demands that at every opportunity the Council will look to use technology to generate efficiencies and improve customer experience. Whilst the Council's ICT infrastructure requires flexibility for example to allow seamless working where there are joint staff appointments with other public sector partners, assets need to be flexible too. Each partner organisation will have their own requirements around matters such as staff to desk ratio, meeting space and how staff meet and deal with members of the public.

The AMP begins 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 exampling pooling budgets, sharing facilities management or even back office functions. This will be vitally important in the work that commenced in 2015 to establish the viability of the Council, together with certain strategic partners moving staff to a more modern work environment in new 90,000 sq ft offices at Fletton Quays. This project will be delivered by PiP which became operational in December 2014. It has secured an outline planning consent on the Fletton Quays site (17 acres of riverside regeneration site, south of the city centre) for a 160 bed hotel, 265 apartments, up to 150,000sqft of offices to include the Council's new offices, multi storey car park and refurbished rail sheds for a leisure use.

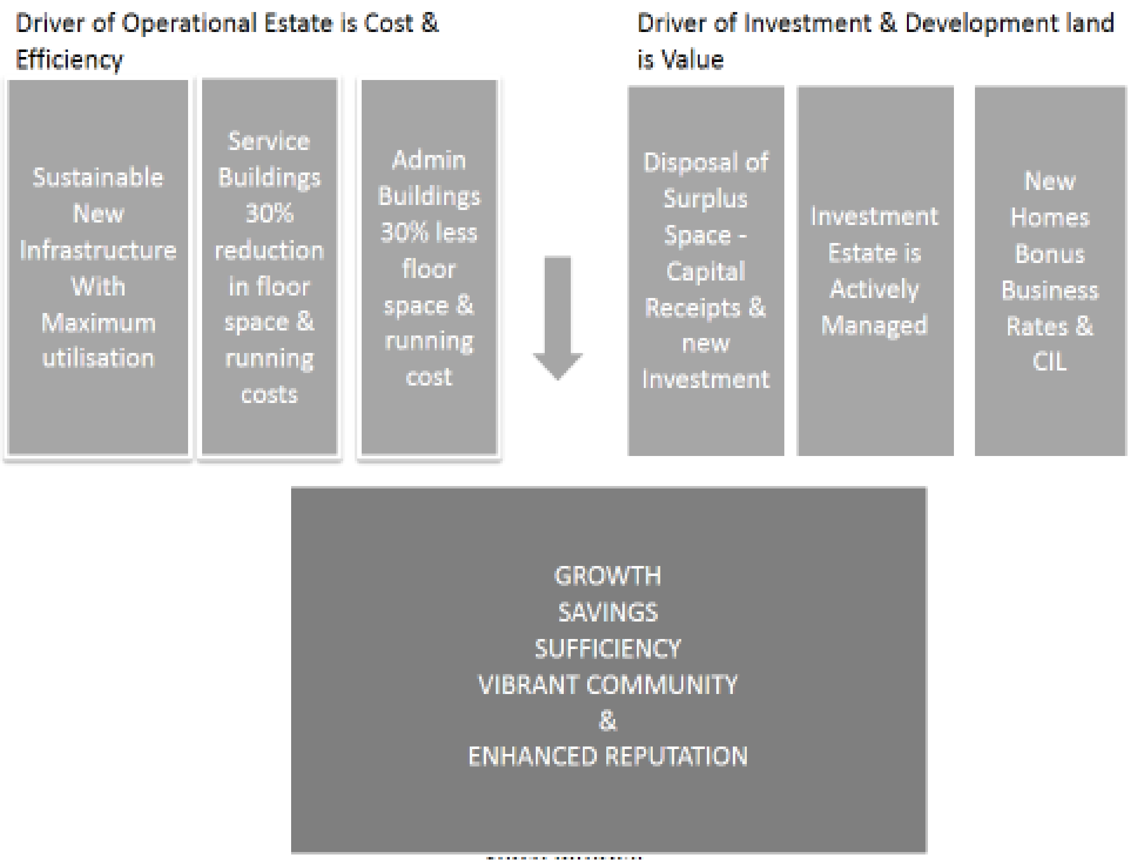
The Council identified, as part of its own Senior Management Review (which concluded in November 2013) the importance of having a strengthened asset management team and a refreshed and different approach to how services in particular, occupy Council assets.

Further structural changes to the asset management/property functions within the Council will take place during 2016. This will include the proposed Joint Venture with NPSandwill reflect the setting up of PIP and how it has started to progress development of sites and the need to strengthen the Council's commissioning processes for technical asset management work externally provided by the likes of Serco and Amey by potentially bringing in a new property services partner.

The Council is continuously seeking improvement in the way it manages its assets. Improved project "gateway" processes ensure wider peer review of projects, at concept stage, thus ensuring scarce resources are allocated against projects identified by a Gateway Board, as priorities. Investment in growth and asset better utilisation projects are now assessed against new gateway processes.

A number of recommendations arising from a Health Check in 2014 and further report by East of England Local Government Association (EELGA) in 2015 on best practice asset management will mean 2016/2017 in particular will be transition years in terms of how the Council manages its assets. These recommendations centred 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 the diagram below.



- **Executive Summary – Asset Management Plan**

1.1 **Policy Context**

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

1.2 **Background**

Peterborough City Council is a major property owner with an asset base of over 1450 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 managing 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 £23m of Capital Receipts (70% of which is forecast in the first 3 years) in a difficult market over the next five years to support the Council's Capital Budget. The programme will however flex to meet circumstance such as further assets coming into the programme and certain assets potentially coming out of the programme.
- Using assets 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 £3.316m to year end 2016/2017.

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 21st Century and the changing face of Local Government.

1.3 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.

1.4 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 at the Corporate Management level.
- Has a process to consider all Capital Investment proposals through CMT as part of the budget setting process.
- Creates the environment for establishing challenging targets.
- To consider using property to support environmental improvements
- Sets challenging realistic 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.
- 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.

- **Introduction**

1.5 The Asset Management Plan in Context

The AMP 2016-2020 continues to build on the work undertaken by the Council, its Partners and with a contribution from the community in delivering the Sustainable Community Strategy 2008-2021, a strategy with the vision and outcomes, to effectively match the ambitions of our community.

The AMP 2016-2020 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.

1.6 **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 university (University Centre Peterborough).

1.7 **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.

1.8 **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.

1.9 **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 including the private sector to make this ambition a reality for the City and its community.

The 2016-2020 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.

- **The Strategic Context**

In common with other Local Authorities across the UK, Peterborough City Council continues to face 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 identifies 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.

Efficient and cost effective asset management needs to be in place to support and inform a range of Council strategies and initiatives including:

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

The Capital Strategy 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 and updated during 2016. 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 2015 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.

Annually the Council updates its **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. This is a key document for Asset Managers working closely with Education colleagues to deliver land to extend schools or build new and plan sustainably for future growth. This was approved by the Council on 25 November 2015.

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 to bid for however this may need to flex during the AMP period.

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 Environmental City status by becoming the UK's Environment Capital. Projects undertaken during the life of the previous AMP include, in support this "green agenda", the opening of** Future Business Centre at the Abax Stadium (37,000sqft of very high energy efficient start up and innovation business space and skills centre) and a significant number of schools and Council owned buildings having photovoltaic panels fitted. The implementation of photovoltaic schemes on the Town Hall, and Regional Pool have been successfully completed. Other initiatives being explored and/or being implemented include further photovoltaic, automated meter readings, power save devices, daylight controlled lights, new energy efficient heating appliances, replacement windows etc. In addition the Council is working in partnership with Honeywell and Ovo Energy to deliver reductions in energy bills in a range of Council and domestic buildings. The Council is also working with Empower to enable households to receive free solar panels, prior to FiT rates reducing. 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.

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) known as Blue Sky Peterborough and a range of energy related partnerships to help reduce fuel poverty and generate green energy.

1.10 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. The Council is also moving storage where it can to the cloud. 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.

1.11 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, Registered

Providers 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 rationalise the existing operational estate and to realize greater incidences of co-location. Some of these discussions about closer working are now well advanced.

The delivery of day services are currently being reviewed, which is likely to involve the better utilisation of Council assets 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 since 2014. This has proved to be an excellent example how assets can be repurposed with minimal adaptation to meet future service need.

1.12 **Delivering Growth**

Through its Local Development Framework (LDF), which will be refreshed during 2016, adopted in 2017 and renamed Local Development Plan, the City Council is translating the Sustainable Community Strategy into a series of land allocations and planning policies to guide public and private investment decisions. The various documents making up the LDF identify and programme new growth which will require funding for the infrastructure requirements it generates. This sits alongside the Community Infrastructure Levy for securing the necessary contributions towards funding and maintaining this infrastructure.

The City Centre Development Plan Document was adopted at Full Council in December 2014. This is 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, 3 and 4 (Cathedral Square, Cowgate, Bridge Street and Long Causeway) 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. The refurbishment of, and improvements to Wentworth Street will be completed in 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 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 commissions Opportunity Peterborough (OP) on city centre vibrancy, economic development and skills and is 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 is in place and is focussing 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 is prepared to use its 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 under the established JVCo Peterborough Investment Partnership (PIP).

Within the ROA the Council has completed redevelopment works on the 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 Future Business Centre. The stand and skills centre were was handed over to the Council just before Christmas 2014 with the Business Centre now approaching the first anniversary of trading. The centre provides accommodation for university/further education, business start-up and grow on space for business together with conferencing facilities with pitch views The Centre is let to Allia, a not for profit organisation specialising in business start-up, and social enterprise. The long term lease taken by Allia demonstrates the commitment to working and investing in skills, and business start-up in the city. The centre was funded in part through LEP loan moneyThe 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 developing a business case for the potential rationalisation of office space it occupies across the city into a single new civic headquarters of approximately 90,000sq.ft referred to earlier in the AMP. 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 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. The target date for opening is late Summer 2018.

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 a new 1km closed circuit cycle levering in grant funding as necessary. These studies will be developed further during 2016 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 to work in partnership with Sport England and Vivacity to develop a new Active Lifestyles 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.

- **Current Asset Base**

1.13 **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.

1.14 **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.

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 be recorded 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^2 emissions data has been collected and the Council working with Honeywell to improve the environmental impact of all our assets.

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

1.15 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.

1.16 Asset Summary

Implementing a 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 1453 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:

Details of categories	Summary of categories	No.
Office, Depot/Store/Public Convenience	Admin/Depot/Other	51
Arts Venue/Pools	Leisure	5
Library	Libraries	10
Schools/Colleges/Children's Centre/Pupil Referral Unit/Special Schools/Caretaker Houses/Nurseries	Education	103
Residential Homes/Day Care Centres	Social care	5
Sports Centres/Youth Centres/Community Use/Community Related Asset/Pavilion/Play Centre/Recreation Grounds/Allotments	Community assets	177
Cemetery/Industrial/Retail/Not defined/Open Space /Garage Site/Travellers Site/Car Parks/Substations/Farms	General	1102
Total		1453

1.17 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.

Use of ICT – whilst not promising the paperless office – ICT enables the organisation to access that information from anywhere, any place and at any time and is integral to effective use of the property estate.

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 either programmed or currently being implemented include moving to cloud based servers, wireless CCTV, mobile and remote working, an extension of our City Centre Wi-Fi, a new HR system allowing for easier management of staff and exploring web based applications such as Microsoft Office 365 or Google docs.

The largest ICT project is around the recent agreement signed with CityFibre to become a Gigabit city. Peterborough will have access to a future-proof pure fibre infrastructure that will position it at the forefront of the UK's digital economy. The roll-out started 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 was completed by March 2015 and further phases are in hand to complete the programme.

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 Strategic Approach to Property**

1.18 **The Current Position**

Whilst there have been prestigious developments such as the secondary schools project and recently opened Future Business Centre, 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.

1.19 **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.

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.

1.20 Outcomes

The Strategic approach to property must lead to a Property Portfolio that is tailored to the outcomes of the Council. 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.

- **Towards the Future**

1.21 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 reactive 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 in the order of £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.

11.

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.
- Implement a robust project gateway process and set up a Strategic Team to implement the AMP chaired by CPO.

- **Programme and Planned Development and Implementation**

1.22 **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.

1.23 **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

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.

12.

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 of certain projects makes it impracticable to recruit additional staff given the time that it will take for them to achieve the necessary level of competence. This is part of the reason for entering into Joint Venture Partnerships with both the PIP and NPS.

To meet the challenging objectives of the Council 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

The Council's newly formed growth partner JV Peterborough Investment Partnership (PIP) 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 funding for projects subject to viable business cases being approved by the Council.

1.24 **Children's Services Requirements**

The Department published, in June 2015, 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. No further funding has been allocated for 2015-2017, although 2 schools are being re-built using the Priority Schools Programme and funding of just under £7m has been announced for 2017/18 and is to be directed towards the provision of secondary school places.

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 new 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 works on a new 8 form entry school known as Hampton Garden commenced in late 2015 at Hampton which will provide 1500 new places in 2017.

The need for additional primary school places has meant that around 20 projects are underway at the present time. A new build block for Gladstone Primary school, linked with Gladstone Community Centre has been completed as has a replacement for the outdated St John's Primary School at Orton with a brand new school on the same site. Expansion in pupil numbers has meant using mobile temporary 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 over the period 2015-19. Capital spending on school building will be in the region of £60m with the greatest expenditure in financial years to 2017.

1.25 **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.

1.26 Links to the Capital Programme

The Service Director Financial Services 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. This will reflect the Medium Term Financial Strategy and determines the levels of capital spend.

The resources for the capital programme can 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.

1.27 **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 2016/17 is currently being reviewed for approval. 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.

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 by the Corporate Property Officer and where appropriate CMT.

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.

1.28 **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 Local Development Framework, 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 developer contributions
- Business Rates – for example, supplementary business rate usage or locally led increase in business rates to support infrastructure
- Community Infrastructure Levy implemented in 2015
- New Homes Bonus (whilst it exists)
- Capital Receipts
- Corporate Borrowing – either through traditional PWLB methods or consideration to a Council bond issuance or the Municipal Bonds Agency

1.29 **Corporate Property Office Rationalisation**

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. The next phase of this rationalisation is a comprehensive move of all back office staff from Manor Drive, Bayard Place and Town Hall to a new net 90,000 sq ft of offices at Fletton Quays, subject to this being financially beneficial to the Council.

Town Hall – Current Use

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 closure of 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

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

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. The lease expires in December 2017.

1.30 **Supporting the Economic Development Agenda**

1.31 **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 progressing significant regeneration will continue to be a key objective for the Council's asset management team.

The Council is currently formulating an "Empty Premises" policy to further implement this strategy.

1.32 **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.

1.33

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

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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

1.35 **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.

1.36 **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.

1.37 **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.

1.38 **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 changing 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 E and below will no longer be leasable after April 2018. However there are exceptions in the event of the following

- A third party refuses consent to works to bring up to standard D
- Energy efficiency measures would negatively impact the value
- All possible works have been carried out and the EPC rating still falls below an E rating

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.

1.39 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.

Having made the decision to relocate staff to new offices at Fletton Quays, the Council is exploring options to regenerate other sites such as underused city centre car parks, former schools and other operational buildings where the synergies of co-location can deliver a range of service and financial benefits to the Council. The motivation for this development at Fletton Quays is not only to provide the Council with a more efficient and sustainable working environment but, importantly, to support the overall Regeneration of this site which is planned to include in addition to the Council's proposed 90,000 sq ft (net) of offices a further 60,000 sq ft office, 160 bedroom hotel, 265 apartments, bars/restaurants and a new multi-storey car park.

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.

- **Organisational Arrangements for Asset Management**

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

- **CPO – Roles and Responsibilities**

  The Corporate Director: Resources is the Council's Corporate Property Officer (CPO). As a member of the corporate 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 Assistant Director (Property) 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.

1.40 **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 Education, Skills & University and Communication
- Deputy Leader and Cabinet Member for Integrated Adult Social Care and Health
- Cabinet Member for City Centre Management, Culture and Tourism
- Cabinet Member for Public Health
- Cabinet Member for Children's Services
- Cabinet Member for Resources
- Cabinet Member for Communities and Environmental Capital
- Cabinet Member for Digital, Waste and Street Scene
- Cabinet Member for Planning, Housing Services and Economic Development

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 informed as required. CMT can then consider issues affecting the Council's Asset Management Plan.

1.41 **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. 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.

1.42 **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.

1.43 **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.

1.44 **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 has implemented 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.

To date there are 4 Council assets registered as Assets of Community Value (ACVs):

a) London Road Stadium

b) Pyramid Community Centre

c) Former allotment land at London Road

d) Copeland Community Centre

1.45 **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 implemented CIL effective in Peterborough from April 2015.

1.46 **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.

The Council has also negotiated a deal with HM Treasury to be one of a handful of Councils that will get to keep nearly all the increase in business rates if certain growth targets are hit. This pilot lasts for three years from 2015/16.

1.47 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.

1.48 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 neighbourhood based 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**

Acronym	**Meaning**
AMP	Asset Management Plan
CAMG	Corporate Asset Management Group
CAMP	Corporate Asset Management Plan
CMDN	Cabinet Member Decision Notice
CMT	Corporate Management Team
CIPFA	Chartered Institute of Public Finance
CPO	Corporate Property Officer
CSCI	Commission for Social Care Inspection
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
OP	Opportunity Peterborough
PB	Property Board
PCC	Peterborough City Council
PIP	Peterborough Investment Partnership
RICS	The Royal Institution of Chartered Surveyors
ROA	Riverside Opportunity Area
VFM	Value for Money

Schedule G – Phase 2 Budget Conversation Document

Medium Term Financial Strategy
Budget 2016/17 Phase Two Proposals
Document from Cabinet

January 2016

STRICTLY EMBARGOED UNTIL 5pm on 29 January

PETERBOROUGH CITY COUNCIL

Service implications - savings/investments

1. INTRODUCTION

This document summarises the second of two sets of budget proposals that will be considered by Cabinet to ensure Peterborough City Council has a balanced budget for 2016/17.

These proposals have 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 six years to 2016/17, the council has seen its government funding cut by £54million, which equates to nearly 50 per cent of its government grant. When you include the financial pressures the council has tackled alongside reductions to grant – a total of £158million has been saved since 2010.

The government set out plans to deliver a further £20billion of spending reductions in the Spending Review on 25 November 2015. The Local Government Finance Settlement followed this in December and confirmed that the council's grant would be reduced by £9.7m for 2016/17.

As a result we need to find £24.1million of savings and efficiencies for next year to balance our books, or generate additional income to offset the reduction in our budget while protecting services for residents. We will also continue 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.

We are also committed to delivering improved efficiency ahead of any reduction to services. We are pleased to say that even at a time when pressure is on our services and government funding has been severely reduced we are proposing no service reductions in 2016/17.

In fact through strong financial management, innovation and growth we are investing to improve services for residents.

The first set of budget proposals, published on Tuesday 17 November 2015, set out how the council will make savings totalling £12.1 million. These were approved by Full Council on 17 December 2015. However additional financial pressures of £4.5million have been identified since then which also need to be addressed.

Therefore the second set of proposals, published on Friday 29 January 2016, will close the remaining £12million gap in the budget. This second set also includes proposals for council tax.

To be clear, we still have tough challenges ahead. However with a clear vision for the future, and careful financial management, we believe we will see the city continue to develop into the strong and vibrant community we all want. This vision has already achieved the following for the benefit of the city;

- Peterborough is the third fastest growing city in the UK.

- Over 1,300 homes were built in the city over the past year - the highest annual figure in more than a quarter of a century. Five hundred of these were affordable homes.

- Peterborough is the UK's first Gigabit city with some of the fastest internet speeds in the country.

- More than 1,900 new businesses were registered in Peterborough in 2014, making it a record year for start-ups.

- Unemployment continues to fall as new jobs are created. The number of residents claiming Job Seekers' Allowance is at its lowest level since 1992.

- 87 per cent of schools in Peterborough are now rated good or outstanding by Ofsted - above the national average and the highest ever achieved in the city.

- The city council's energy tariff, Peterborough Energy, has saved residents who have switched a combined £400,000.

- All of our libraries remain open and through self-service technology we have extended opening hours. Local authorities across the UK now want to adopt this innovative technology.

- Continued city centre regeneration has seen the completion of works on Bourges Boulevard and Long Causeway. This regeneration has attracted new businesses and investment to Peterborough.

- Plans to develop Fletton Quays submitted by the Peterborough Investment Partnership, of which the council is a joint partner, have been approved with the first developer already on board.

On Friday 29 January 2016 the council launches a city-wide Budget Conversation to find out what local residents and business people think about the proposals presented in this document. More information on the Budget Conversation is available on page eight.

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 twelve (Appendix 1) outlines our total budget for 2015/16 of £139.5m and how much is spent in each department.

We have also included the investments we are intending to make in the coming year.

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

2. APPROACH TO TACKLING THE FINANCIAL GAP

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 protect, as far as possible, the services you care about the most and our vision for the city.

Our approach is focused on the following:

- Building a **strong and healthy economy** which provides jobs for our residents and helps to reduce dependency on welfare benefits. The council would then benefit financially from business rates, additional council tax receipts and the New Homes Bonus, and reinvest this to support the needs of our residents. While growth can bring additional income for the council it also creates pressures on services which are also listed in the document.

- **Generating income** in new ways to make the council less dependent on government funding. New income will also give us the independence to support our residents and their needs. Ways we can generate income include selling our services to other authorities, such as planning, legal and regulatory services, and through innovative energy schemes.

- Changing our culture to be **more enterprising** as a council by looking for ways to improve value for money and reduce costs. An example highlighted for 2016/17 is a proposed partnership with a specialist provider to deliver our adoption and fostering services.

- **Changing the way we deliver services and the way we work.** We intend to reduce the demand residents have for our specialist services by enabling them to live independent and healthy lives. Providing the right support at an early stage should reduce how often residents need critical and more expensive services. Where there is a need for specialist services, we need to ensure that they properly meet residents' needs. Plans include a new approach to ensure that residents get the support they need first time, as well as changing and modernising the way council officers work.

- **Innovative use of technology.** This will underpin our overall approach. As a council we are recognised as a leader in this field and we will continue to identify, and take advantage of, the benefits that new technology brings.

3. PRIORITIES

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

- 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. As a result, we keep 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.

- Achieving the best health and wellbeing for the city.

4. COST INCREASES AND PRESSURES

Alongside the 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 demand for these services is increasing. In some cases, changes in legislation also brings additional costs. Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in priority areas.

This document, therefore, also outlines the financial pressures we are facing which we need to fund. Some of the most significant are outlined below:

- Levy for large organisations to finance apprenticeships.

- Statutory testing in all council buildings.

- Costs in Adult Social Care arising from new legislation regarding deprivation of liberty.

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 also for visitors and investors in the future.

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 in the following table, broken down into phase 1 and 2:

Phase 1	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening budget gap at phase 1	7,390	11,330	14,710	17,760	19,510
Phase 1 forecast grant reductions	9,680	16,750	19,050	14,900	14,900
Phase 1 pressures	2,540	3,130	3,800	4,360	5,910
Updated budget gap Phase 1	**19,610**	**31,210**	**37,560**	**37,020**	**40,320**
Phase 1 savings	-9,430	-11,260	-12,650	-12,810	-13,380
Carry forward of 2015/16 savings	-2,660	0	0	0	0
Budget gap at end of Phase 1	**7,520**	**19,950**	**24,910**	**24,210**	**26,940**

Phase 2	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening budget gap at Phase 2	**7,520**	**19,950**	**24,910**	**24,210**	**26,940**
Phase 2 grant adjustments	30	-610	1,830	7,990	7,990
Phase 2 Pressures	3,770	3,170	2,400	2,570	2,540
Phase 2 Investments	640	660	650	640	640
Updated Budget Gap Phase 2	**11,960**	**23,170**	**29,790**	**35,410**	**38,110**
Phase 2 Savings	-12,477	-7,907	-5,656	-4,641	-4,651
Carry forward of 2015/16 savings	-9,477				
Carry forward of savings to 2017/18	9,994	-9,994			
Revised Budget Position	**0**	**5,269**	**24,134**	**30,769**	**33,459**

When the council published its phase one proposals, the budget gap was nearly £20million, made up of an expected reduction in government grant of £9.7million, as well as financial pressures of £9.9million 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 provisional financial settlement. Unfortunately this means the council will see further grant reductions of £8million over the next 5 years, in addition to the reductions already forecast.

In addition financial pressures of £4.5million have been identified since then which also need to be addressed during phase two.

The total budget gap we face for 2016/17 will be tackled as follows:

- The first set of budget proposals, approved by Council on 17 December 2014, will make savings of £12.1million.
- The second set of proposals in this consultation document would close the remaining £12million gap in the budget.

Because the council is taking action now to meet the financial challenges in the coming years, some of the savings will be achieved early, and the benefit can be rolled forward to support the 2017/18 financial year. The budget gaps do increase in the years after that, and further difficult decisions will need to be made.

6. IMPLICATIONS ON 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 its 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 (£120 per year lower than the English average and £332 lower than the most expensive).

The council has chosen to freeze council tax in four of the last five years.

If the council hadn't chosen to freeze bills for residents, and instead increased council tax by the government threshold each year, a Band D property would have been paying an extra £116 in council tax during 2015/16.

Unlike in previous years, the government's council tax freeze grant will no longer be available in 2016/17. Freeze grants were in place to mitigate the financial impact from not increasing council tax, allowing councils to freeze council tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.

Given the scale of the challenges that the council faces going forward, the desire to keep council tax unchanged must be offset against the need to protect vital services.

Therefore, having fully considered the level of pressures identified and savings required, it is proposed that council tax rises by 2 per cent, and an additional Social Care Precept of 2 per cent also be levied.

The Adult Social Care Precept was introduced by government as part of the Provisional Local
Government Finance Settlement for 2016/17. Local authorities were given the flexibility to levy an extra 2 per cent 'precept' on residents to fund the increasing demands for Adult Social Care. This money can only be spent on Adult Social Care, and must continue to be spent on Adult Social Care in the future.

Government expects all local authorities to levy the Adult Social Care precept, and it is expected that the vast majority of councils will do so.

Peterborough is one of the fastest growing cities in UK. Between 2010 and 2021 it is predicted that the number of people aged 85 and over is set to increase by 52 per cent. As life expectancy increases older people are living with multiple long-term conditions associated with ageing.

For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK. Between 2014-2020 we expect the number of people in Peterborough living with dementia will increase by 15 per cent.

There are also growing numbers of residents in Peterborough living with a learning or other disability. Further pressures on our Adult Social Care budget come from the increase in the national living wage and changes to legislation, such as those linked to Deprivation of Liberty Safeguards.

This proposed 4 per cent increase would mean that overall, the Band D council tax would change from £1,128.03 to £1,173.15 per year, an increase of 87p per week. The average property in Peterborough is in Band B, meaning council tax would change from £877.36 to £912.45 per year, an increase of 67p per week.

The council tax bill that households in Peterborough receive also includes elements from police, fire and in some cases parish councils. The actual increase that households face will depend on decisions taken by these bodies.

The government continues to set limits on the maximum increase in council tax. As before, if any council proposes an increase higher than 2 per cent (excluding the Adult Social Care precept), they are required to put the matter to local taxpayers through a referendum.

The final council tax charge will be agreed by Council on 9 March 2016.

7. 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 implications for council tax

On this basis the council has a set of proposals that deliver a balanced budget in 2016/17 as well as significantly reducing the deficit to be tackled in 2017/18.

Moving forward the impact of additional government grant reductions and pressures combine to produce further budget gaps.

Because the council is taking action now to meet the financial challenges in the coming years, some of the savings will be achieved early, and the benefit can be rolled forward to support the 2017/18 financial year. For 2017/18 this gap is currently expected to be £5.3million, however, the gap rises substantially to £24.1million in the subsequent year, and it is clear that further difficult decisions will need to be taken in the coming years.

As part of the Provisional Local Government Finance Settlement, the government introduced an offer of a four-year settlement. Authorities would receive an indicative four year funding allocation which would help councils to plan better for the challenges ahead.

Details of what a four-year settlement would include have not yet been released; however, it is likely that a four-year settlement would be a preferable option for Peterborough. It would aid planning and could potentially protect the budget from further government reductions during that period.

8. BUDGET CONVERSATION

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

Peterborough City Council has seen its government grant cut by nearly 50 per cent in the six years up to
2016/17 – that's £54million.

The government set out plans to deliver a further £20billion of spending reductions in the Spending Review on 25 November 2015. The Local Government Finance Settlement followed this in December and confirmed that the council's grant would be reduced by £9.7million for 2016/17. As well as the grant reduction, there are also additional financial pressures on services of £14.4million.

As a result we need to find £24.1million 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 set of budget proposals, published on Tuesday 17 November 2015, made savings totalling £12.1million. These were approved by Council on Thursday 17 December 2015. A second set of proposals, which need to close the remaining £12million gap in the budget, were published on Friday 29 January 2016.

We are also committed to delivering improved efficiency ahead of any reduction to services. We are pleased to say that even at a time when pressure is on our services and government funding has been severely reduced we are proposing no service reductions in 2016/17.

Council tax

The council is proposing a 2 per cent rise in council tax. We have frozen council tax for residents for four out of the past five years; but we cannot continue to do so with reduced government grants and ever increasing demands on services. A government grant that the council has previously accepted for freezing council tax is no longer available from 2016/17.

The additional council tax will help to ensure we can provide the services that our residents need.

In addition, the Chancellor set out plans to allow councils to raise council tax by up to 2 per cent in order to fund Adult Social Care services. The council is proposing an additional council tax increase of 2 per cent so that more money is available to support and care for an ever increasing number of adults and elderly people who need our help the most.

Even with the planned 4 per cent increase, residents will continue to pay one of the lowest rates of council tax rates in the country. Out of 56 unitary authorities across the country, Peterborough has the fifth lowest council tax (£120 per year lower than the English average and £332 lower than the most expensive).

This proposed 4 per cent increase means that overall, the Band D council tax will change from £1,128.03 to £1,173.15 per year, an increase of 87p per week. The average property in Peterborough is in Band B, meaning council tax would change from £877.36 to £912.45 per year, an increase of 67p per week.

The council tax bill that households in Peterborough receive also includes elements from Police, Fire and in some cases Parish Councils. The actual increase that households face will depend on decisions taken by these bodies.

We need your help.

As part of our city-wide Budget Conversation we want to understand your views on the second phase of budget proposals.

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.

The Budget Conversation will ask the following questions:

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

   ……
   ……
   ……
   ……
   ……
   ……
   ……
   ……

2. Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17? Tick the answer you agree with.

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

3. If you have any specific ideas about how the council can save money and protect services, please state these here:

……
……
……
……

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

4. Are you?

Male
Female

5. 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)………………..

6. 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

7. What is your ethnic group?

A White

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

B Mixed/ multiple ethnic groups

White and Black Caribbean
White and Black African
White and Asian
Any other mixed/ multiple ethnic background

C Asian / Asian British

Indian
Pakistani
Bangladeshi
Chinese
Any other Asian background, write in

D Black/ African/ Caribbean/ Black British

African
Caribbean
Any other Black/ African/ Caribbean background

E Other ethnic group

Any other ethnic group

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

Yes……………………………….
No ……………………………….

To be involved in the Budget Conversation, visit our website at www.peterborough.gov.uk and read and complete the questionnaire online.

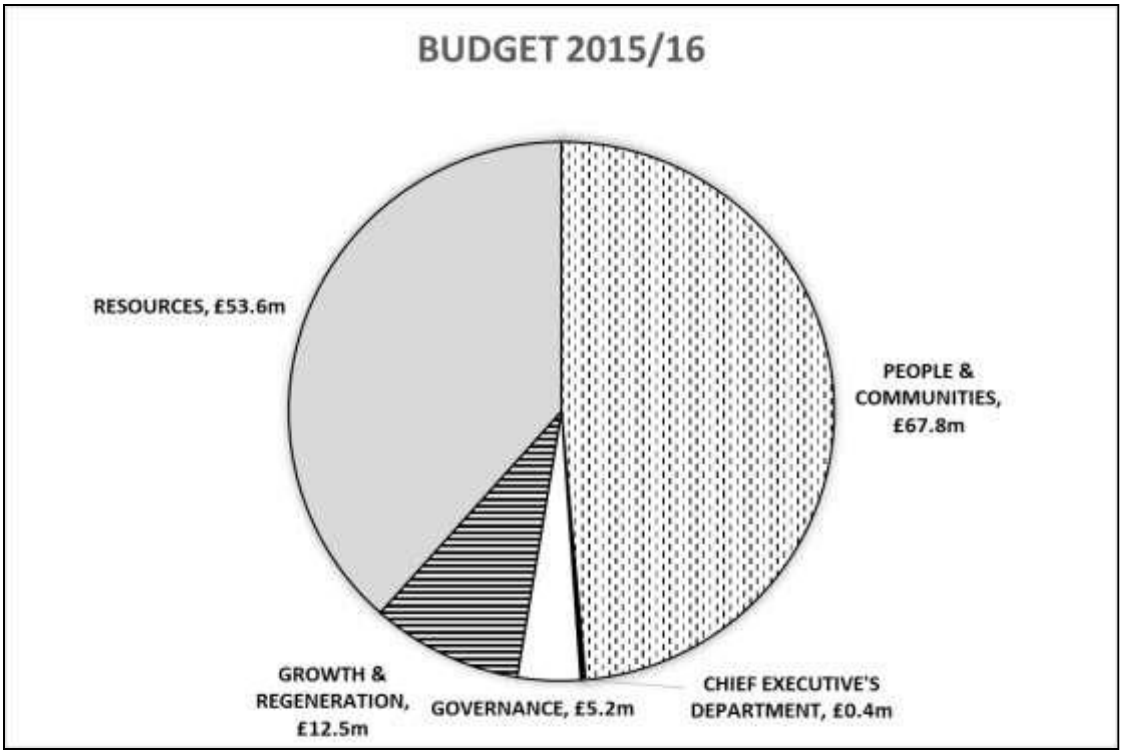
Alternatively, hard copies of the Budget Consultation document and the second phase proposals document will be made available from the reception desks of the Town Hall and Bayard Place and in all council libraries. These can be returned in person, by emailing budget@peterborough.gov.uk or by post to: Head of Corporate Finance, Peterborough City Council, Town Hall, Bridge Street, Peterborough, PE1 1HG.

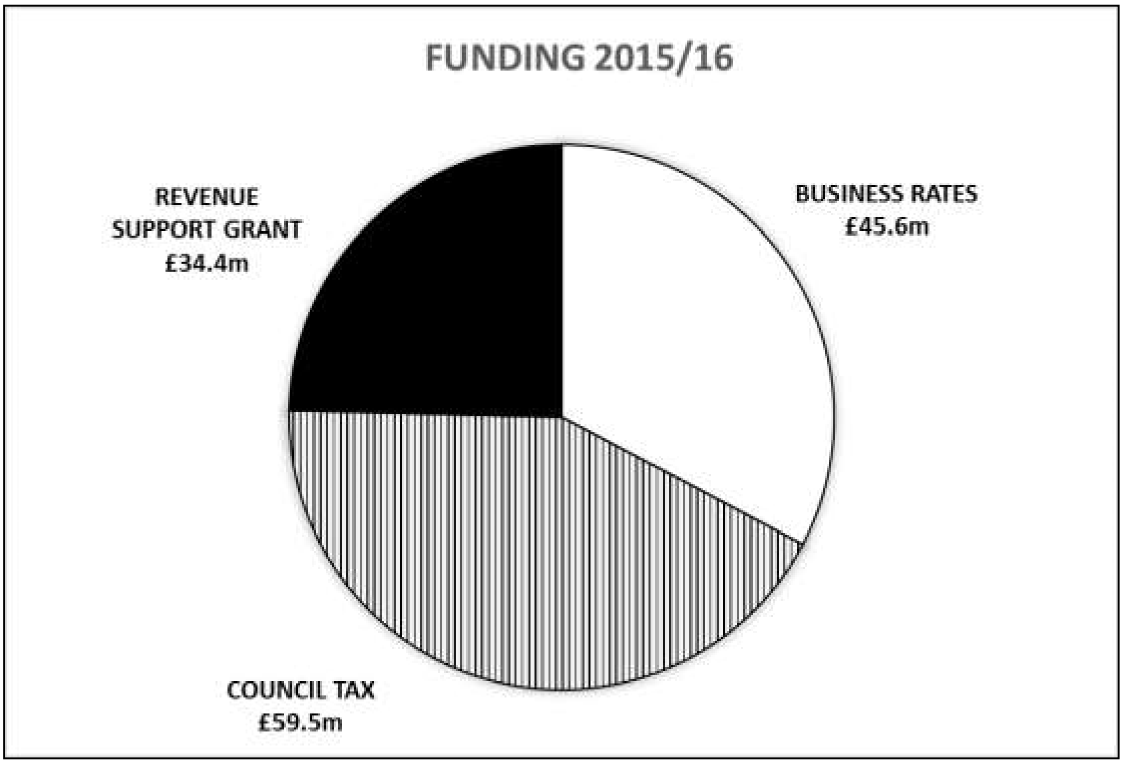
Comments received up to 5pm on Thursday 25 February 2016 will be considered by Cabinet on Monday 29 February 2016.

The consultation will close at 5pm on Monday 7 March 2016. Council will consider the phase two proposals on Wednesday 9 March 2016.

APPENDIX 1 – OVERALL COUNCIL BUDGET AND PRIMARY FUNDING

The council's total net budget in 2015/16 is £139.5 million (this excludes school budgets and expenditure and funding for housing benefits).





APPENDIX 2

PEOPLE AND COMMUNITIES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

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

There are no proposals to make savings in the areas of education, housing or community safety in this phase.

Adult Social Care

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 longterm care, known as re-ablement. We provide services or direct payments to ensure ongoing long-term support for those with physical, learning and mental health difficulties and other complex needs. We also support people in reaching their potential for independence over a longer period.

Private, independent and voluntary sector organisations help us support people to maintain their independence and stay 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).

The budget proposals protect funding for the most vulnerable adults and focus on helping people to live independently for as long as possible.

SAVINGS – REVENUE

Better Care Fund

The Better Care Fund, announced by the government in June 2013, transfers funding from the health service to local authorities. The fund enables the council to protect vital Adult Social Care services at a time when local authority grants are reducing. It also enables 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 service.

It is vital to protect social care services at a time when the population is growing. There are more people with long-term conditions and the population is living longer. In addition, funding is allocated to bring about lasting transformation to health and social care services.

This Better Care funding produces a saving for the 2016/17 budget of £2.9million, the majority of which offsets the reduction in government grants to the local authority, ensuring we can continue to provide vital services for those who need our care and support. £650,000 will be invested in services as detailed in the section below on investment for Adult Social Care.

As plans are subject to agreement with the CCG on an annual basis, we are including figures one year ahead.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Better Care Fund	-2,900	0	0	0	0

Change in care charging policy

Local authorities can statutorily decide whether to charge for certain types of care and support services, but must only charge people what they can afford to pay. Charges are determined in accordance with nationally set and protected minimum income levels. Charges must also not exceed the cost of providing the service.

The council has charged for care and support based on these principles since April 2003. Approximately 60 per cent of people currently in receipt of care and support services make a financial contribution towards the cost of their care; that income forms a significant element of council funding for these services.

The Care Act 2014 sets out a clear, consistent way of assessing what people can afford to pay for their care and support, and introduces a number of changes to how charging policies should operate.

Our charging policy has been reviewed to ensure we comply with the new guidance. We have also compared our charges with neighbouring authorities.

As a result we will increase care charges in 2016/17, but only to those people that have incomes that exceed nationally set minimum protected income levels. Those with the highest incomes are therefore likely to experience the highest charge increases.

Individuals will be means-tested and no one would be required to pay a charge that was deemed to be unaffordable according to nationally set criteria.

A consultation was held in August and September 2015 with the majority of responses being in support of the proposals.

These changes, which were agreed by Cabinet on 18 January, will support the delivery of care services by an estimated £260,000 a year. Cabinet agreed that this additional income would be used to support Adult Social Care.

On a separate issue, Cabinet have agreed that the Adult Social Care Charging Policy be amended to fully disregard the war disablement pension in the social care financial assessment, effective from February 2016. That is that such pension will not be taken into account when assessing someone’s income. The costs of this will be absorbed within the fees budget.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Change in care charging policy	-260	-260	-260	-260	-260

INVESTMENT – REVENUE

St George's Community Hydrotherapy Pool

The council is proposing to continue to financially support St George's Community Hydrotherapy Pool.
Over the past six months the council has worked with the pool's management to increase the income at the facility in order to make it more sustainable.

The proposal is to support the pool to a maximum of £20,000 in 2016/17. This funding will be reduced as the council brings about plans for the pool, working alongside their management team, to become more self-sufficient.

It should be noted that the hydrotherapy pool will in the coming years require a significant investment given the current condition of the building. The council could not afford to do this on its own and would require investment from partner organisations.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
St George's Community Hydrotherapy Pool	20	10	10	0	0

Deprivation of Liberty Safeguards (DoLS)

Following proposals in phase one with regards to DoLS, further work has been undertaken to understand how other councils are approaching this issue, and analysis has been carried out to assess the additional financial pressure it will place on the council.

In addition to the £180,000 per annum agreed in phase one; it is now proposed to invest an extra £100,000 per year on top on this.

This investment is needed to meet new national legislation linked to the Mental Health Capacity Act 2005.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Deprivation of Liberty Safeguards (DoLs)	100	100	100	100	100

Better Care Fund

The Better Care Fund, announced by the government in June 2013, transfers funding from the health service to local authorities. The fund enables the council to protect vital adult social care services at a time when local authority grants are reducing.

Of the Better Care funding received by the council for 2016/17 the majority will be used to support existing adult social care services. However we also propose to invest £650,000 to bring about transformation within health and social care services.

Investment proposals include developing the use of assistive technology for service users and community-based work to tackle obesity. We also propose to establish a quality improvement team to develop services for residents and to bring about further integration between the council's social care teams and our colleagues in health.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Better Care Fund	650	650	650	650	650

Customer Experience Programme

The Customer Experience Programme will develop and improve how residents and service users access council services. The programme will also transform the way some services are delivered by investing in technology so that staff can work more flexibly and residents can resolve more of their queries through digital means.

One of the largest elements of the Customer Experience Programme is the Front Door project. This new model will change how residents access information and advice and ensure they reach the right services first time.

The Front Door project will deliver savings through managing demand for our services more effectively and efficiently. This includes enabling residents to access services and support independently through digital technology.

Savings will be made by reducing reliance on more costly services by providing more appropriate early help. Additionally, there will be a strong emphasis on prevention, so that customers with emerging or growing needs are identified and supported much earlier than at present.

Residents can be more easily assessed for less expensive packages of support where appropriate. The approach will not only save money, but will benefit the resident by helping them to continue living independently at home. Examples include the use of assistive technology or occupational therapy to reduce the overall cost of care packages.

Many people don't want or need to engage directly with an officer over the phone or in person, but we don't provide options at the moment to help them self-serve. The project would also reduce the high volumes of basic enquiries from people who are able to use new digital methods.

People will be able to self-refer to services by completing an online form, or by talking to a customer service officer, and then transact online. For example, they may be able to buy handyperson services online, or apply for social housing via the website.

Those that can't use digital methods will still be able to call the customer service centre as they do today.

This is a major transformation project for the future delivery of services by the council and is an invest-tosave initiative. Investment is needed to support the project as it is implemented over the next two years.

The overall programme is set to deliver savings of £2,060,000 in 2016/17 rising to £5,010,000 in 2020/21.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Customer Experience Programme	1,470	970	0	0	0

Children's Services

Children's Services provides early help and safeguarding services to the most vulnerable children and their families, including children with disabilities and emotional and physical needs. The budget proposals protect funding for education and children's social care services as they both remain key priorities for the council.

Children's Services is responsible for overseeing and providing services for families and children in Peterborough. Our vision is 'Helping children to be their best' through:

- Providing children and families with early support
- Helping families with problems and keeping children safe
- Giving the best opportunities to children and young people in care
- Working with schools and others to make sure that children succeed

SAVINGS - REVENUE

Clare Lodge – additional income through expansion

Peterborough City Council runs Clare Lodge, which is the only all-female secure unit in the country and has been rated good by Ofsted. Demand for secure placements for young women has increased over the last two years.

Clare Lodge provides young women with a therapeutic environment including in-house psychiatric and psychological provision. The Department for Education (DfE) has asked the council to extend Clare Lodge to increase capacity from 16 to 20 places. The DfE will pay the capital cost of this expansion.

The vast majority of the young women who use the services delivered at Clare Lodge come from outside the local authority area – and the city council is paid for delivering their ongoing support. By increasing the number of young women supported at any one time we expect to generate an additional £250,000 annually through Clare Lodge from 2017/18. This income is then re-invested into early preventative services for the local community.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Clare Lodge	0	-250	-250	-250	-250

INVESTMENT – REVENUE

Social care business support

Additional business support is required in children's social care to relieve the pressure on social workers. Simpler tasks will be handled by clerical officers, freeing up time for social workers to spend on more complex work with children and families.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Social care business support	250	250	250	250	250

Jack Hunt School

Jack Hunt School is one of the city's 12 secondary schools. In order to keep up with the growth in school places the city has experienced the plan is to increase the pupil intake at Jack Hunt.

The council will pay for the school to expand by an extra form of entry, and additional improvements to the site to allow for the larger school population. A provisional budget of £6million has already been allocated and final analysis shows that a total budget of £7.7million will be needed. This means that borrowing costs will be higher than previously budgeted, as set out in the table below.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Jack Hunt School	30	120	120	120	120

In phase 1, the council put forward savings from the schools capital programme, mainly due to the success in obtaining external grants to support the programme. This issue in effect reduces that saving that was put forward.

APPENDIX 3

RESOURCES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

The Resources department consists of the following:

Financial services

- Financial planning and corporate accounting
- Finance and management accounting support to council departments
- Internal audit, Fraud and Insurance
- Serco Strategic Partnership (business support, shared transactional services, business transformation, procurement, customer services, finance systems, strategic property) and ICT partnership

Commercial group

- Digital Peterborough, including City Fibre – broadband partnership
- Amey Strategic Partnership which includes refuse collection, street cleaning, parks, trees and open spaces, building cleaning and passenger services
- Waste management and waste disposal including the energy recovery facility
- Vivacity (culture, recreation and libraries)
- Westcombe Engineering
- Energy efficiency including our energy performance contract, placing solar panels on residents' roofs with Empower
- Corporate property including asset disposals

Cemeteries, cremation and registrars

- Bereavement services
- Registration service

City Services and Communications

- City Services supports city centre retailers and oversees services from CCTV cameras and car parks to events such as the Perkins Great Eastern Run. It also manages the City Market.
- The Communications team supports all council departments by advising how best to explain their services to residents. It promotes the council through the media, writes communications strategies for major initiatives, produces press releases, marketing campaigns and manages the council's website and social media.

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.

SAVINGS – REVENUE

Council tax – growth in properties and related issues

In phase one of the 2016/17 budget a saving of £1million was initially forecast as a result of a growth in council tax income in the current year above predictions because of the city's rising population. The council is required to finalise the council tax collection fund position by mid-January, and this has identified that we can expect to receive a further £490,000 in 2015/16, which can be rolled forward to protect services during 2016/17.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Council tax – growth in properties	-490	0	0	0	0

Low levels of inflation

Each year the council makes assumptions on the level of inflation that is required to meet costs across the council. A review of expenditure against inflation assumptions has identified a reduced need for inflation in 2015/16, most of which can be permanently removed from the council's baseline budget.

We expect these proposals to generate savings of £500,000 per year from 2016/17.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Low levels of inflation	-500	-500	-500	-500	-500

Cross Keys Homes VAT shelter agreement

The city council transferred its housing stock to housing association Cross Keys Homes in 2004.

Housing associations are at a disadvantage compared to local authorities because they are not able to recover VAT on their expenditure. The VAT shelter agreement enables the VAT on capital works to housing that was transferred to Cross Keys to be reclaimed and the benefit split equally between the council and housing association.

It had been budgeted that this arrangement would end in 2014. However the external advice to Cross Keys has been that it will stay in effect for longer than thought.

That means a total of £840,000 can be brought forward from 2015/16 to support the 2016/17 budget as well as generating additional income for the council as set out below. Figures are dependent on the amount of capital works carried out by Cross Keys.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Cross Keys Homes VAT shelter agreement	-560	0	0	0	0

Minimum Revenue Provision

The council can borrow money to fund its capital investment programme. Capital borrowing funds investment in a range of assets across the city including schools and the new Energy Recovery Facility.
The council does not borrow to fund day to day spending.

The cost of borrowing impacts on the council's revenue budget (day to day spending) as follows, similar to a typical repayment mortgage on a house:

- Interest payments on the loan
- Amounts set aside for the repayment of the loan – known as Minimum Revenue Provision (MRP)

Guidance from the Department of Communities and Local Government says that aligning MRP to the lifetime of assets represents a prudent approach. It means that council taxpayers are being charged each year in line with the lifetime of assets and prevents current taxpayers meeting the cost of future usage.

In phase one of the budget proposals it was agreed to align a portion of the council's borrowing with the average lifetime of its assets, repaying over 42 years instead of 25 years.

The council has been working with other local authorities and its auditors to see what other options may be available. This further review has highlighted an additional saving that can be achieved by carrying out further MRP adjustment to elements of council borrowing. This change would bring historic elements of council borrowing in line with the current repayment method which has been in place since 2009/10.

The proposal is therefore to revise the repayment period from 25 years to 42 years, the average life of the council's assets, using a calculation method that means the combined interest payments and loan repayments remain the same amount over the life of the assets.

The council believes this is fairer for residents as it would ensure that everyone who uses those assets contributes to them, rather than today's taxpayers subsidising future users. Budget planning would ensure that each year there was sufficient budget available to cover the costs.

This proposal will also see the council use money received through selling assets (capital receipts), such as surplus land and buildings, to contribute towards the repayment of debt. Previously the council had used the receipts to reduce the total amount of borrowing needed to fund capital investments. The government has also announced separate initiatives to encourage more flexible use of capital receipts.

Any saving on the annual MRP charge however is partially offset by an increased interest cost due to paying the debt off over a longer period.

As well as the savings set out in the table below, if approved by Council, we would also carry over a saving of £3,600,000 from 2015/16 to support the 2016/17 budget. These savings are over and above the annual £2million originally identified at phase 1.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Minimum Revenue Provision	-3,290	-2,840	-2,380	-1,970	-1,680

City events

The council is proposing to reduce the annual budget for city centre Christmas decorations by £30,000. It follows the purchase of a decorative Christmas tree as the new centrepiece for Cathedral Square.

The tree is expected to last for five years and will save the council money compared to the cost of hiring decorations as had been done previously.

£20,000 of this reduction will be used to reduce the council's budget; while £10,000 will be used to fund local events for national celebrations.

A member's committee would decide if the £10,000 budget needed to be spent, or not, on an annual basis.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
City events	-20	-20	-20	-20	-20

Vivacity – Premier Fitness

The council will make a capital investment to expand Vivacity's Premier Fitness leisure centre in
Hampton. This will result in extra income through additional membership. The council and Vivacity have agreed to share profits generated through this expansion. We expect this to generate £120,000 annually from 2017/18 onwards and £50,000 in 2016/17.

Issue	2016/17	2017/18	2018/19	2019/20	2020/21
Vivacity – Premier Fitness	-50	-120	-120	-120	-120

Increasing recycling rates

Love Peterborough, Love your Community is a scheme run in partnership by Peterborough City Council and Amey to reward residents for recycling and waste minimisation. It is fully funded by a successful grant application to the Department of Communities and Local Government.

The Love Peterborough, Love your Community reward scheme aims to incentivise households to increase recycling rates across Peterborough. By choosing from various options you can earn green points for your local community, which turn into community rewards.

There is a cost to disposing of all residential waste but the cheapest way is through recycling. Currently around 60 per cent of the waste placed in black bins by residents could be put into the green recycling bin or the grey food waste caddy.

By encouraging residents to recycle more through this new scheme, rather than placing items that could be recycled in their black bin, the council expects to generate a saving of £130,000 in 2016/17, rising to £150,000 in subsequent years.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Increased recycling rates	-130	-150	-150	-150	-150

Reduced pressure on Council Tax Support Scheme (tax credits)

In our phase one proposals an assumption was made that the number of eligible residents for council tax support would rise due to changes to the government's welfare budget.

Following the government's decision not to reduce working tax credits we now believe that the additional financial pressure on the council will be reduced. We believe this will save the council £270,000 per year.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Reduced pressure on Council Tax Support Scheme (tax credits)	-270	-270	-270	-270	-270

School capitalisation

Schools use their own funding to support small projects. The council can choose to fund this spend from the capital programme and schools then transfer their revenue funding over to the council to provide a one-off benefit.

The take-up of this approach by schools in 2015/16 means a saving of £340,000 can be brought forward to support the 2016/17 budget. Additional borrowing costs are reflected in the table below.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
School capitalisation	20	20	20	20	20

Council tax discounts – empty properties

The Local Government Finance Act 2012 allowed councils to amend council tax discounts in certain circumstances from 1 April 2013, at which point the city council made changes to some discounts.

The council has reviewed its remaining council tax discounts against the legislation and proposes to remove the one month discount of 100 per cent for substantially unfurnished and unoccupied properties for all class C dwellings from 1 April 2016.

The council included the principle of this change within the Phase 1 budget proposals that were approved by Council on 17 December. As the taxbase for next year has been finalised, we are now able to calculate the benefit arising from that.

This will generate additional income of £250,000 per year from 2016/17.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Council tax discounts – empty properties	-250	-250	-250	-250	-250

INVESTMENT – REVENUE

City centre response cleaning

The proposal is to provide extra daily cleaning in the city centre. This will include additional cleansing of benches and bin areas and dealing with issues, such as spillages, as soon as they occur. Chewing gum removal will also increase.

By meeting demand within the city centre, the look and feel of the city remains attractive to visitors and residents, as well as continuing to attract new businesses and jobs.

The proposal is to invest £60,000 annually to deliver this additional cleansing.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
City centre response cleaning	60	60	60	60	60

Spring clean

The council recognises that there are areas of the city that suffer from high volumes of littering, flytipping and graffiti. These are regularly highlighted by residents and the council is therefore proposing to introduce a spring clean cleansing programme.

The council is proposing a city-wide deep spring clean programme which would last for a period of twelve weeks every year.

The programme would provide targeted cleansing in all wards and would require an additional investment of £100,000 annually.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Spring clean	100	100	100	100	100

Green Flags

Peterborough currently has five public spaces that have been awarded Green Flag status. Given the council's aspiration to create the UK's Environment Capital it is important that this status is maintained, ensuring that the parks in our city continue to be of a high standard for our residents to use.

Therefore the council is proposing to make an investment in a refurbishment and replacement programme. This would include the refurbishment or replacement of items such as benches, litter bins and dog mess bins. The programme would also look to increase biodiversity and pollination areas in the parks through the installation of further bat boxes, bird boxes and creating bee-friendly areas through the planting of plants that are rich in pollen.

This programme would be carried out across Central Park, Itter Park, Manor Farm Park, Victoria Gardens and the Crematorium. The investment is set out in the table below. Additional funding has been sourced through developer contributions to meet some of the costs.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Green Flags	20	10	10	10	10

Wildflowers

The council is proposing to introduce colour to areas of the city in 2016 by sowing wildflower mixes into existing grass verges. The species have been trialled by the Royal Horticultural Society and provide interest for a wide range of pollinating insects and bees.

The wildflowers which will flower from June to September are proposed to be planted on roundabouts and verges to bring back some colour following a reduction in amount of bedding plants. The areas proposed are Crawthorne Road roundabout, Thorpe Road roundabout as well as verges on Boongate and

Bourges Boulevard. Additional areas could be added to the wildflower initiative in future years.

It is proposed to make an annual investment of £10,000.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Wildflowers	10	10	10	10	10

Waste management

The number of people living in Peterborough has increased and they produce household waste that (through their council tax) they pay the council to dispose of. We therefore need to increase our budget for the collection and disposal of that waste.

This of course is a financial pressure on a growing city. The benefits of growth were shown in phase one with an increase in council tax and business rate receipts as well as grants like the New Homes Bonus.

However we hope to offset much of this pressure through increasing our recycling rates. This will be achieved through a new incentive scheme as well as city-wide promotion to residents about the items that can be recycled.

Due to an increase in the volume of waste the council will need to spend an additional £230,000 on waste management next year and £210,000 in subsequent years.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Waste management	230	210	210	210	210

Apprenticeship Levy

The government announced the Apprenticeship Levy in November 2015. The 0.5 per cent levy will apply to large employers with a wage bill greater than £3million.

As this applies to the council it will create an additional financial pressure of £220,000 per year. Money can be reclaimed to deliver training for apprenticeships but the level of this is not yet known.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Apprenticeship Levy	220	220	220	220	220

Insurance premium tax

The council is required to pay tax on its insurance policies. On 1 November 2015, the government raised the standard rate of insurance premium tax by 3.5

per cent, from 6 per cent to 9.5 per cent. The additional cost to the council as a result of this change is £30,000 per year.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Insurance premium tax	30	30	30	30	30

Technology/ICT investment

The council has undergone major advancements in the technology used to deliver more efficient services to residents. Part of our technology strategy and the Customer Experience Programme, the investment will bring long-term savings to the council.

The council borrows to fund this investment in projects such as updating our internal Adult Social Care ICT system, assistive technology roll-out for service users and improvements to our customer contact centre. This will also include investment in new technology so council officers can work more efficiently, such as allowing mobile working for social workers.

The council is also proposing to make an investment to extend the CityFibre network to further enhance and extend what is one of the best fibre broadband infrastructures in the world.

The table below sets out the additional borrowing costs that need to be factored into the council's budget.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Technology investment	170	310	350	350	350

Funding for Metal Culture in Peterborough

Metal Culture supports arts and culture in the city as well as being experienced in organising large-scale events. Most recently it organised the Harvest Festival in the city centre – feeding around 500 invited guests in Cathedral Square.

We are keen for Metal Culture to thrive in Peterborough and to be an important partner in continuing to improve the city's cultural offerings for residents and visitors, as well as supporting local artists and other creative industries in the city.

It is therefore proposed to provide funding to the organisation for the next two years totalling £100,000.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Funding for Metal Culture	50	50	0	0	0

Solar PV schemes

Working in partnership with Empower Communities we have been installing free solar PV installations to suitable private residential homes within the Peterborough City Council area as well as a range of social housing providers across the UK.

So far 254 homes in Peterborough have had solar panels installed on their homes for free. These households will receive the energy generated from the panels for free.

A further 1,104 homes outside Peterborough have also had panels installed.

The schemes have generated income for the council; albeit at a lower level than set out in phase one of 2016/17 budget proposals.

In total this initiative will generate the council an additional income of £270,000 to support the 2016/17 budget. The council also hopes to announce a new solar panel scheme.

The table below adjusts the council's budget to reflect the reduction in income generated by the scheme. A further £270,000 can no longer be brought forward from 2015/16.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Solar PV schemes	410	0	0	0	0

Parking revenue

The council is proposing to increase day time car parking fees in all car parks, except Bishop's Road, Wirrina, Wellington Street and Riverside (Key Theatre).

30 minute charging periods would also be removed from five of the six car parks where they are currently available, with the exception of those on offer in the Car Haven. This proposal is because so few people buy 30 minute tickets.

There have been no increases in parking charges at the majority of city council car parks since 2010, except those introduced last year at Bishop's Road, Riverside and the Car Haven.

All-day charges at both Wirrina and Pleasure Fair Meadow will remain unchanged at £3 (24 hours). There will be a small rise in the all-day charge at Dickens Street car park from £2.30 to £2.50.

Residential parking permits will remain at the current rate which hasn't increased since 2009.

There is no proposal to increase evening parking charges at city council car parks which will remain at £1.50 for any period between 5pm-7am.

While there has been very little increase in parking charges since 2010; there has been an automatic increase in car park income built into the budget.

However as fees haven't risen we are now left with a deficit in our car park budget. Therefore we are proposing to make a budget adjustment alongside increasing fees.

The changes to car parking charges (set out on page 27) would generate the council an additional £110,000 annually. However, it is presented as a financial pressure due to the budget adjustment required.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Parking revenue	80	110	150	190	230

Proposed changes to car parking fees

Car Park	**Old Tariff**	**New Tariff**
Acland Street	Coach Parking £3	Coach Parking £5
Brook Street	1 hour £1.20 2 hour £2.30 3 hour £3.30 4 hour £4.40	1 hour to £1.50 2 hour to £2.50 3 hour to £3.50 New – all-day £5.00
Dickens Street	1 hour £0.50 All-day £2.30	1 hour to £1 All-day to £2.50
Multi Story	1 hour £0.50 2 hour £2.30 3 hour £3.30 4 hour £4.40	1 hour to £1.00 2 hour to £2.50 3 hour to £3.50 4 hour to £4.50
Trinity Street	1 hour £1.20 2 hour £2.30 3 hour £3.50	1 hour to £1.40 2 hour to £2.60 3 hour to £3.90
Pleasure Fair	1 hour £0.50 Coach £15.00	1 hour to £1.00 Coach to £20.00
Car Haven	30 mins £0.80 1 hour £1.40 2 hour £2.60 3 hour £3.50	30 mins to £1.00 1 hour to £1.50 2 hour to £3.00 3 hour to £4.00

APPENDIX 4

GROWTH AND REGENERATION - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

Peterborough is one of the fastest growing cities in the country. The Growth and Regeneration directorate is in charge of driving that growth and overseeing major regeneration projects in the city.

Growth and regeneration leads to additional income for the council through the New Homes Bonus and business rates.

The Growth and Regeneration directorate consists of the following:

Peterborough Highway Services

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

Planning services

Peterborough City Council was named Local Authority Planning Team of the Year at the 2015 Awards for Planning Excellence. The awards are run by the Royal Town Planning Institute (RTPI).

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.

In recent years the planning team has started to generate income through selling services, such as planning policy and development control expertise, to other local authorities throughout the UK. In total, the planning service now generates approximately £500,000 per year which is used to reduce the running cost of the department. This year we have also formed a joint planning service with Fenland District Council.

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 and marketing the city to businesses.

Growth joint venture company – Peterborough Investment Partnership

This 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).

SAVINGS – REVENUE

Opportunity Peterborough – business rates growth

Opportunity Peterborough (OP) is the council's wholly owned economic development company. OP focuses on a number of objectives including attracting inward investment to the city and winning significant amounts of funding for Peterborough.

The city council has negotiated a trial with the Treasury to retain nearly all business rates growth over our annual forecast. This trial began in 2015 and will continue for three years. There are only a handful of local authorities taking part in the trial in England.

In addition, last year the Chancellor announced that councils would be able to keep all locally-raised business rates by 2020. However at the same time our government funding will continue to decrease.

Therefore business rates growth is now more important than ever in raising income for the council and protecting frontline services for residents.

To support an investment in Opportunity Peterborough we have set them an additional growth target for business rates of £100,000 annually from 2017/18 onwards.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Opportunity Peterborough	0	-100	-100	-100	-100

INVESTMENT - REVENUE

Improvements and safety measures at multi-storey car parks

Following a report by the coroner highlighting the risk of deaths associated with multi-storey car parks, in January 2015 Cabinet agreed to introduce a number of measures at Northminster car park. These measures include signage offering information on where people can get help and advice, new lighting so that all areas of the car park are more visible and training for staff on how to approach those in danger.

In 2016/17 the council plans to install further safety measures and also undertake improvement works to the car park, costing £250,000. The money needed for these works will be borrowed, which will incur the following costs.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Improvements and safety measures at multi-storey car parks	10	10	10	10	10

Housing Joint Venture

Peterborough is one of the fastest growing cities in the UK. Last financial year saw more homes built in the city than at any time in the past two decades.

With population growth forecast to increase further the city's housing supply continues to be under pressure. This growth, coupled with a reduction in the amount local authorities receive in government funding, creates a significant pressure on council budgets, leading to an increased need to identify new and long-term sources of future revenue.

Therefore the council is proposing to create a housing joint venture company with a third party to build homes in Peterborough, and potentially outside of the local authority area. The company would build all types of housing including affordable housing, market rent homes and homes to buy.

The funding needed to drive the company would include Right to Buy receipts, which are ring fenced for affordable housing. The council could also borrow money to lend on to the new company.

Currently the council has an affordable housing budget, generated through Right to Buy receipts, which it awards to registered social landlords as grants for future schemes.

Given the need to provide homes in the city, the council would instead invest this budget over a much shorter period in the housing joint venture company. To do this the council would need to borrow capital and the table below sets out those costs.

What we can't state currently is the amount of income the joint venture would generate to protect council services; it would also be difficult to predict the number of homes the company would deliver. The council would however receive a share of profits of sales and a portion of any rental income. It could also benefit from interest charged on lending to the joint venture and a reduction in wage cost for any staff seconded to the new company.

It's hoped the company could be up and running later this year. The council is becoming more experienced with formal joint ventures, having established the Peterborough Investment Partnership which has been successful in securing planning permission for the regeneration of Fletton Quays.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Housing Joint Venture	0	280	490	620	550

Investment in city bus services

The council is proposing to further subsidise bus routes in order to make improvements to the city's public transport infrastructure. This would require an annual investment of £100,000.

The council provides a subsidy to support bus services for residents that would otherwise be commercially unviable.

If agreed it is proposed to make the following changes to the routes listed:

Service 20 (Stanground – Oakdale Avenue – Hampton – Orton)

- To maintain the same level of service, but the first outward journey from Queensgate before 09:00 would be removed and replaced with a later journey from Queensgate, after 17:00. This would give the option for those along the route to spend longer in the city centre, rather than needing to catch a bus back before 15:00.

Service 21 (Fengate – Showcase Cinema – Newark Sainsbury's/Newark Avenue – Garton End Road)

- To split into two services
- The element of the service currently operating into Fengate would become a stand-alone service, and would see improvements to the timetable to better cater for those working in the Fengate area.
- It would also provide an hourly service in the evening to serve the area around the cinema and the Greyhound Stadium. The final return services to Queensgate bus station would be timed to meet with the majority of final departures of the evening Citi network, ensuring links between Fengate and the evening bus network.
- The element of the service which currently operates in one direction along Garton End Road would also become a stand-alone service and would see improvements to the current timetable, enabling residents to spend longer in the city centre, creating a direct link back from the city centre, and a link to Newark Sainsbury's.

Service 22 (Fulbridge Road – Werrington – Rural Areas)

- The route would stay the same as it is currently with the exception of a diversion in order to re-establish a link between the west side of Gunthorpe and Werrington
- The current timetable would be revised to include a later evening service from the city centre to rural areas.
- To enhance public transport into the employment area of Fengate, a new early morning journey possibility would be created from the Werrington area into Fengate, via the city centre.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
City bus services	100	100	100	100	100

Opportunity Peterborough

Opportunity Peterborough (OP) is the council's wholly owned economic development company. OP focuses on:

- Attracting inward investment to the city
- Supporting businesses
- Skills
- Attracting grant funding
- Supporting the Local Enterprise Partnership (LEP)

The council does not have any in-house economic development capacity, OP provides this function. Attracting and supporting inward investment is critical to the growth agenda and, as stated previously, business rates growth will become ever more important in raising income for the council to support services for residents.

As a private company, OP is well respected among the local business community – supporting business growth, jobs growth and wider benefits. It has also helped forge a strong reputation for the city beyond Peterborough, with national and international institutions and organisations, European partners, major businesses and government agencies such as UKTI.

In setting the budget for 2013/14 the council set out plans to reduce and ultimately remove the cost to the council arising from Opportunity Peterborough, with the expectation that it would operate on an entirely self-funded basis by 2016/17.

Whilst the business plan for Opportunity Peterborough has developed to bring in additional external funding, it has not been possible to fund the core service that the council requires entirely from these sources of funding.

This proposal is to reinstate a revenue budget of £100,000 from 2016/17 onwards. This still represents a reduction of around 75 per cent from 2013/14. We also expect this investment to be offset by OP continuing to attract inward investment and meeting an additional business rates growth target, as set out previously, from 2017/18.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Opportunity Peterborough	100	100	100	100	100

Use of empty commercial properties

A new venture with Opportunity Peterborough is proposed which looks to make use of empty commercial properties owned by the council, whilst at the same time encouraging fledgling businesses. The venture would focus on empty and hard-to-let premises and would allow businesses to use properties on a short term basis. This has the benefit of bringing units that are difficult to let into use and encouraging the growth of the companies concerned.

The council is considering four locations for the scheme, Alfric Square, Saville Road, Herlington Centre and the Pyramid Centre. The tenant would take on responsibility for the costs of the property initially and not the rent.

All partnerships would be entered into on the understanding that all full commercial letting opportunities would have to be considered by the council as and when they presented.

This proposal is cost neutral to the council as it stands as many of the units proposed are currently empty.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Use of empty commercial properties	0	0	0	0	0

Statutory testing

The city council has a responsibility to ensure that council owned or managed assets are legally compliant or meet guidance set by the Health and Safety Executive. This includes assets such as lifts, emergency lighting, portable appliance testing and back-up power generators.

Following a review it is proposed to invest the amount set out in the table below to ensure our statutory testing meets changes to industry best practice.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Statutory testing	300	250	200	200	200

APPENDIX 5 GOVERNANCE - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

The Governance department consists of:

Legal and Democratic services

This team provides legal services to all council departments as well as Rutland County Council and East Cambridgeshire District Council. It supports Full Council, Cabinet and committee meetings, civic services to the Mayor, support services to councillors as well as a range of other related services. It also manages elections and the electoral register.

Human Resources and organisation development

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

Performance and Information

This team provides a central performance management function, oversees information governance and co-ordinates information requests.

The department generates an income in the region of £7million annually. This income is provided through trading legal and regulatory services with other local authorities as well as through nonmaintained schools and other partner organisations. The department also gains income through the City Market and car parking in the city centre.

INVESTMENT – REVENUE

Alternative governance

In July 2015 the council agreed to adopt an alternative form of governance to take effect from the Annual Council meeting in 2016.

The preferred new model would involve a greater amount of pre-scrutiny review alongside executive decision making. Under the proposal, the executive (Cabinet and Leader) is retained but the scrutiny function alters its focus to become an advisory body to the executive in addition to providing its postscrutiny functions.

Additional resource in the Democratic Services team is proposed in order to ensure adequate support for the new arrangements.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Alternative governance	50	50	50	50	50

APPENDIX 6 PUBLIC HEALTH - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

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.

In addition, new public health responsibilities for 0-5 year-olds transferred from the NHS to local authorities in October 2015.

We have to account to the Department of Health on how the grant is being spent, focussing 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 public health advice is available to all local NHS organisations

Examples of these objectives will include providing health checks, sexual health services, drug and alcohol services, stop smoking services, health visiting, school nursing and services to tackle child and adult obesity. 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.

INVESTMENT – REVENUE

Commitment to maintain public health spending

We received a grant of £9.3million in 2014/15 and the same for 2015/16. Our government grant for 2015/16 was reduced in-year by around 6.2 per cent, approximately £670,000.

The government has now confirmed that from 2016/17 all public health grants to local authorities will be reduced by 10 per cent. This means a total reduction in funding of around £930,000 from 2014/15 levels.

During phase one of the 2016/17 budget process the council set out how it would fund a portion of the reduction in public health funding from other sources, to offset the initial grant reduction implemented by government.

This is because the city has many health challenges to address and we are committed to maintaining levels of public health spending even in the face of government cuts to the public health grant.

Therefore the council is now proposing an investment as set out below to cover the reduction in government funding. This increases over the coming years to take into account the city's rising population and previous assumptions that the public health grant from government would have similarly increased.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Commitment to maintain public health spending	190	400	610	820	820

APPENDIX 7 STAFF IMPLICATIONS

This section outlines any issues that affect the costs of staffing, as well as the impact on staff numbers.

Changes to staff terms and conditions

The council has had to make significant savings over the past five years and as can be seen in the 2016/17 savings proposals, these are continuing. Throughout we have been keen to limit redundancies, however employees are our largest cost and in order to keep future redundancies to a minimum the council is proposing to make some changes to staff terms and conditions.

This information relates to council staff only (excluding teachers). A full staff consultation and discussions with the unions will take place and will include the following proposals:

- Make incremental pay dependent on performance from 2017/18, with a freeze on all incremental increases in 2016/17 for staff above a certain pay grade
- Mandatory three days unpaid leave for staff above a certain pay grade to be taken between Christmas and New Year (except essential services)
- Review of travel allowances (including a reduction in car mileage rates)

We expect these changes to make the savings set out below.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Changes to staff terms and conditions	-440	-800	-800	-800	-800

Update to pay award forecast

The council currently adopts nationally agreed terms and conditions of service for its staff. This includes whether a pay award is applied.

In the phase one proposals the council revised forecasts down and assumed there would be no pay award for three years. However it now looks likely that there will be a one per cent rise for staff in 2016/17. Therefore we are adjusting the budget as below, but this should also be read alongside the phase one proposals.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Update to pay award forecast	310	630	950	950	950

Redundancy

There are no redundancies proposed as part of the phase 2 budget proposals.

Schedule H – Phase 2 Budget Conversation Responses

1. Background

1.1. The approach to budget setting has been the same as in previous years, with a two-phased consultation approach. The information contained within this report gives the position as at 19th February 2016 of the Phase 2 element of the conversation process.

1.2. The Phase 2 Budget Conversation was launched by Cabinet on 29th January 2016 and will close at 5pm on 7th March 2016.

1.3. Residents, staff, community groups and other stakeholders have been asked to respond with their comments.

1.4. This document contains:

- 1.4.1. Part i - An updated list of online consultation responses received to date
- 1.4.2. Part ii – Staff feedback posted on the intranet on the 'Ask Gillian' page
- 1.4.3. Part iii - Feedback from Joint Scrutiny on the Phase 2 Budget Conversation and resulting actions
- 1.4.4. Part iv - Feedback from community organisations/stakeholder groups

1.5. The information in this report is correct as at 19th February and can be analysed as follows:

Formal consultation responses

1.6. To date 13 responses have been received from the public, and can be analysed as follows:

	As at 19th February
Survey Monkey online form	13
Handwritten response	0
Total	**13**

1.7. 13 respondents answered question 1: *'Do you have any comments to make about the second phase budget proposals?'* and comments can be classified as follows:

Response	As at 19th February
Positive	2
Neutral	1
Negative	10
Total	**13**

1.8. In question 2, respondents were asked, after having read the consultation document, how much they understood the Council's proposals. 13 people answered as follows:

Response	As at 19th February
A great deal	4
A fair amount	7
Not very much	1
Nothing at all	1
Total	**13**

1.9. The following subjects were raised by respondents:

Response Theme	Respondents Citing Issue
Staff Terms & Conditions	5
Christmas Decorations	1
Disability Housing	1
Mayor's Car	1
Bus Services	1
Car Parking	1
Traffic Controls	1

Responses from staff on the 'Ask Gillian' intranet page

1.10. As at 19th February, 38 responses have been received by staff on the intranet. Each comment has been responded to in full and published on the intranet page.

1.11. Issues raised by staff are as follows:

Response Theme	Respondents Citing Issue
Staff Mileage Rates	15
3 Day Christmas Closure	15
Incremental Freeze	4
Mayors Car	4
Staff retention/morale	3
Additional Leave Purchase	2
Voluntary Redundancy	1
Staff Lease Cars	1
Parking for Staff	1

Part i - Responses to the online budget consultation as at 17th February 2016

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
1	More cuts. In some areas of the city they are already biting hard and causing social problems.	Not very much	Stop wasting money. There are other ways to cut costs than reducing needed services. Like the hideously grossly expensive Xmas tree on the awful Cathedral Sq. Who comes up with these ideas?	Thank you for your comments. The proposals issued as part of the Budget Conversation do not include any reductions to services, rather, savings have been made by either increasing revenue or working in more efficient ways. The Christmas tree has contributed a £27k saving to the Council's budget.

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
2	Appendix 7 Staff implications. It appears that the proposals disproportionately affect some staff members. Some are affected by the mileage reductions, the incremental freeze and also will lose three days' pay due to the office closure and being forced to take unpaid leave. The mileage reduction is mitigated by tax relief, the incremental freeze may be temporary depending on performance. The three days unpaid leave appears to be permanent and will continue to apply to only a small number of staff. If everyone is to face the squeeze together should not unpaid leave for closure be applied to all staff? If so, it could be applied for less days to achieve the same savings? It would still be a higher cost for staff on higher grades but it would be more proportionate. Many staff have to work significantly beyond their contracted hours to do their work. The Xmas period is often a time to catch up or take leave that otherwise would be lost or carried forward. For staff being forced to take an additional three days unpaid leave it will compound the problem and would be counter-productive? It seems disproportionate and unfair to make a £400+ pay deduction from a selected number of	A fair amount		Thank you for your comments. By introducing 3 days of unpaid leave at Christmas, the Authority is bringing itself into line with the Terms & Conditions at neighbouring authorities. When formulating these proposals, every effort has been made to protect staff on lower incomes.

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
	staff for the Xmas period while the majority remain unaffected. The affected staff would then be obliged to compensate for the unpaid leave by working additional unpaid hours. Many staff in the affected group already work many unpaid hours. It is feasible that what could be described as "the Xmas pay deduction" will result the cessation of unpaid working that is unfortunately necessary and thus also prove counter-productive. Redundancy may still be appropriate to make the savings. I understand many staff would be willing to volunteer and the savings target could be easily met by the loss of relatively few posts.			

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
3	I feel these proposals unfairly effect staff on all levels, although you claim to be targeting the high earners!	A great deal	Not have a lease car for the mayor! Look at chief executive pay and money wasted on vanity projects	The Council has as far as possible tried to mitigate the impact of changes to terms and conditions on its lower paid staff, with those below Grade 12 having the option of taking annual leave during the Christmas closure period.
4	I am pleased to see that common sense appears to be making a comeback in Peterborough Local Government! No more Pottyborough. Yes there are a few contentious things but on the whole this is a 100% improvement on what we have seen over the last few years! I support the proposals.	A great deal	Ensure that all marketable services are charged for at the going rate - look into why builders/other service providers are getting away with charging double prices simply because they are being taken on by a council. If this can't be dealt with, consider allocating funds directly to beneficiaries to procure their own services/builders/electricians/plumbers etc. A cost saving of up to 50% on quotes received.	The Council takes the procurement of its services very seriously and always seeks value for money in its contracts. We are not aware of any instances where overcharging has occurred.

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
5	Yes it does not tackle the chronic lack of disability housing in the city and I doubt very much that the JV will be interested in building them.	A fair amount	Give every department saving targets, do things smarter, get ideas from the bottom right to the top. Look at all departments as if, I was setting this up today what would it look like?	The Housing JV will look at affordable housing delivery as well as market housing. The precise scope of this will be determined going forward.
6	Difficult to see how any better outcome could have been achieved.	A great deal	Put the subsidised bus services out to tender again.	n/a
7	Good to see no redundancies. The detail around changes to staff terms and conditions is a little vague, though.	A fair amount		As part of the budget conversation process, additional information has been provided for staff to detail how the changes are likely to affect them. Managers have also conducted staff briefings with their teams.

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
8	Pay proposals will cost me over £1,000 if they go ahead. I worked hard to get where I am, but you seem to be penalising people for working hard and trying to progress in their career.	A fair amount	Offer voluntary redundancy	In formulating terms and conditions proposals, the Council has endeavoured to ensure that the items put forward are in line with other Local Authorities and have the minimum impact on staff.

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
9	Scrap increment freezes and mandatory unpaid leave at Christmas. We shouldn't have to pay to see our families at Christmas, and what left is there to motivate staff without increments? In order to implement ambitious changes in future years as will be needed you need your managers (who aren't on 'fat cat' salaries) on side. We have skills and can and will work elsewhere, increasing PCCs recruitment and agency costs.	A great deal	In order to make an equivalent saving, you could close the building over Christmas and let all staff take paid leave, instead banking a saving on gas/electric/water. Scrap the bus service investment - this is the responsibility of bus companies and if it was needed they would do it. Take out the £10k party budget ('national celebrations'). Scrap Green Flag status - makes no difference to park visitors. Reduce City Centre response cleansing - the City Centre already has very effective response cleaning and is already very tidy. This will achieve more than the equivalent saving so staff aren't penalised again.	In formulating terms and conditions proposals, the Council has endeavoured to ensure that the items put forward are in line with other Local Authorities and have the minimum impact on staff.

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
10	The Conservative government are just passing spending cuts to local councils However Peterborough City Council should have increased Council Tax in earlier years to avoid a 4 per cent in 2016/17. The increase in car parking fees may discourage people coming to the City Centre and use out of town shopping centre like Serpentine Green (Hampton). The introduction of car parking fees for Blue Badge holders is unfair and forces Blue Badge Holders to use on street parking, Also on street parking bays have been reduced to allow increased parking for taxies in some areas of the city centre.	A fair amount		Council tax freezes in earlier years were partly funded by Government grant. Parking charges in a number of car parks have not increased for a number of years, and we monitor the prices in other car parks closely to make sure we remain competitive. Blue badge fees are not part of these proposals. They were consulted on extensively as part of last year's budget proposals prior to implementation.
11	I do not like it.	A fair amount	I do not have, but get more money from people is not too good saving idea.	

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
12	I am absolutely astonished that my council tax is increasing. Remember that the council has wasted millions on non-essential and defunct items. Ten million on football stadium.15 million on fountains, Consultants. Solar farms.non working solar panels on warehouses.over paid senior staff. Bad investments. The list goes on regarding council waste and incompetence.	Nothing at all	See above. Cut senior staff. Spend on BASIC ESSENTIALS only.	Council tax has only increased in 2 out of 6 years, and we have one of the lowest rates in the country. As there is no freeze grant available to us next year we feel we have little choice but to consider the increase. A number of the other comments you make either generate income for the council, or in the case of cathedral square had the majority of the funding obtained from external grants.
13	It's a shame the council squandered £3million on a project that's now scrapped. There's financial management for you!	A fair amount	Scrap the installation of anymore traffic lights.	The council has covered these costs in previous financial years, they are not part of these budget proposals. The Council also continues to benefit from projects that have arisen as a result of this work. For example, the scheme to enable houses in Peterborough to get free solar panels on their roofs, giving

Ref	Do you have any comments to make about the second phase budget proposals?	Having read the second phase proposals document, how much do you now feel you understand about why the council must make savings of £24.1million in 2016/17?	If you have any specific ideas about how the council can save money and protect services, please state these here:	Response
				them free power and generating income for the Council would not have happened without this.

Part ii – Staff responses to the Phase 2 budget conversation published on 'Ask Gillian' as at 17th February 2016

N.B. All staff have received a full response which is available on the Council intranet for all staff to view.

Ref	Staff Comment
1	Wow! The job coaching team at supported employment has just been informed that our mileage rates will be reduced by more than half for AFC staff. I am an essential car user doing between 3000 and 4000 miles a year. In my job role I visit and transport the people we support around Peterborough and surrounding areas. This would impact greatly on the people we support and the services we provide, I am very passionate about the service we deliver and feel this would impact profoundly on the people we support. Frankly I only need to buy and run a car to do my job! As an essential car driver I feel I have been penalised and have been given yet another personal expense! People who do not have to use a car or need to use car parks have not had any personal cutbacks.
2	Hi Gillian, Our team have just been informed that mileage rates will be reduced. As an AFC member of staff who is an essential car user I will be going from 58p per mile to 20p per mile which is a significant difference. In my job role I transport people we support around Peterborough too and from work placements if they are unable to independently travel and can do up to 35 miles per day. If I didn't do this transporting then it would have a negative impact on the people I support and their future as well as the service we deliver. But if I do this then I am out of pocket due to the costs of running and maintaining a safe car. I understand that cuts do need to come into place but feel that as a car driver, I am being penalised as this cutback wont effect non drivers.
3	Hi Gillian, We have just been told about the plans to cut the mileage allowance from 45p to 25p. I was told that we could potential claim back some of the 20p difference through self assessment. If that's the case we will need our petrol receipts for the self assessment and for our PCC claim, which isn't possible. Will there be any info on how this will work (hope that makes sense)? My other query is that I understand that there are still PCC employees that park in PCC car parks yet don't pay for a permit. Is this going to be addressed?
4	I am disappointed that once again those who use their cars for works purposes are being targeted again to make savings. We will have to wait one year before we see the extra 20p and only after claiming it back from HMRC. 25p per mile does not cover much. whilst the price of fuel is currently low but we all know that this will not last & let's be honest cars are not exactly getting any cheaper. Please can we have assurances that this figure of 25p will not reduce further. I often hear remarks regarding "subsidising the council by providing a car for works use", being paid less and less in return does not feel like much of a thank you. I see that the NHS lease car scheme is being proposed for PCC workers. I know that the NHS still pays out a small amount of mileage for people who use lease cars. Therefore one of the things that can make lease cars so attractive (to the employer) is the fact that as the individual is not being paid (as an example) 60p per mile for their own car they are paid 10p a mile in a lease car. The savings to the NHS for every mile is factored into the overall cost of the lease and is therefore cheaper to the individual. So everybody wins. How is the reduction in mileage allowance going to affect this?

Ref	Staff Comment
5	With reference to Ask Gillian 1039. As demonstrated, the cost of parking is directly related to the number of hours worked and not necessarily the number of days worked. How does this work for staff who use the ticket system because they do not have use of their car every day of the week? Do they pay a reduced rate for the tickets?
6	A colleague of mine also works for other county councils charges those councils 45p per mile. As they will now be paid 25 pence per mile are we (PCC) permitted to effectively make a profit on mileage when carrying out work for other authorities?
7	I would like some clarification around claiming tax relief for the 20p not paid by PCC. Many people seem to be of the understanding that they will claim the 20p from HMRC and that will make up the shortfall. In essence, if I drive 1000 miles and claim 20p from HMRC, they will refund me £200. However, having had a quick look online, it appears that I would only get 20% (as a basic rate tax payer) of that as tax relief, so instead of getting £200, I will get £40. I am perfectly happy to be wrong on this point, but if I am right, I think it is important that people are aware of this upfront as it saves any nasty surprises.
8	After reading through your proposals to reduce mileage rates I have to say that as someone that is required to use my car for my job I feel I am being penalised. How can you claim this is a fair move when not all staff will be impacted by this? Last year one of your justifications for implementing car parking charges for everyone was the "attractive" mileage rate the council offered. I feel that every year you find a way to penalise your staff for using their own car for council business. I also have to ask how are any of these proposals going to give current and future employees of the council any incentive to work within the authority? In my office alone the council is struggling to retain employees let alone hire new staff, which increasingly places pressure on current staff, which is masked by the fact they work well over the hours they are paid for just to ensure the people they are working with are safe. I appreciate savings need to be made and I appreciate this is a hard decision making process, however by implementing the car mileage reduction not everyone who works within the council is "bearing the load" instead it is placed on those contractually obliged to have a car for the councils benefit (again). Also we were told in our briefing that the unions would ballot members on the proposals, however, I cannot find any information on this. Can you confirm whether or not the unions will be balloting members to get their feedback? Or were we misinformed during the briefing?
9	Query to REF 1048, can you confirm you have had written conformation from HMRC that they will except a "photo Copy" of our fuel receipt for when we submit our tax relief claims on the 20p per mile.
10	In regards to the proposed reduction in mileage payment from 45p to 25p, can I please ask what the 25p amount has been based upon? Is this amount proposed to cover the cost of fuel, the additional business insurance required, depreciation to the vehicle and running costs? I acknowledge that essentially through tax relief an additional 4p per mile will be able to be claimed on the first 10,000 miles. From my calculations that means that on 10,000 we would presently receive £4500 but if the proposal is accepted, this would decrease to £2900, a significant cut. Has the impact upon staff recruitment and retention been assessed (particularly in children's social care where this is a known issue)?
11	Are staff still going to be able to take the train for long journeys? If so, won't more staff choose this option over using their own vehicle if the mileage rates are cut and so end up costing the Local Authority more?
12	Hi Gillian please can you explain to me why the mileage monies has to be reduced for the Reablement staff(frontline staff) who need to use their own personal cars to deliver this great service which has been proven to be saving the council a lot of money within Adult Social Care? This proposal will have a huge

Ref	Staff Comment
	effect on our monthly wage causing a worry for the up keep of our own cars, has this been thought about????
13	Regarding the answer to 1062 – see below, Please can you provide clarification towards how much tax relief will be paid to individuals with examples given the reduction in the mileage rates. i understand the situation to be as follows. if you do up to 10000 miles a year you will be paid 25p per mile in your wages and the remaining 20p per mile is claimed back from the tax office in April 2017. is this correct?
14	Hi, in REF to 1061 – see below. Why can't the Mayor use their own car and claim 25p per mile?
15	Under the new proposals regarding Christmas closure and unpaid annual leave, I have been asked by a member of my team to ask the following. We are an essential service and will need staff cover between Christmas and New Year, how can the Council require staff to be in work if they would prefer not to be in? What would be the consequences if team members refused to come in?
16	Hello I'm a social worker part time 16hrs a week. My working days are Wed and Fri. I understand T&C's are changing with regards to Christmas leave. Could you clarify how this will work with PT staff if the 3 day closure doesn't fall on your working days. Thanks
17	IF the unpaid leave is either enforced or chosen (depending on grade restrictions) can you explain exactly how it is applied to none full time staff. Next year the days taken would be three (Wednesday to Friday). I have assumed that the average daily hours would be unpaid i.e. for a person who works 18.5 hours they would lose 3 days' pay at 3.7 hour days rather than 7.4 hour days irrespective of when the days are normally worked. However the question raised is that someone only works Monday to Wednesday morning anyway so next year on the Wednesday afternoon and Thursday and Friday they wouldn't be here anyway so doesn't this mean they would only lose pay for a half day on Wednesday? Can you let me know exactly how it will work so I can answer the queries or if there is a set of examples available showing the impact for full time and various part time contracts?
18	With regards to the 3 days between Christmas and New Year being taken as unpaid leave [with an option I understand to take as annual leave] where does that leave those of us who have a NWD within those 3 days?
19	The proposed changes to T&C's would be very difficult to implement for the Register Office and Bereavement Service. It is mostly due to the number of death registrations that would build up over this period and the backlog of funerals there would be if we were to close for the just over a week. It is a legal requirement for deaths to be registered within 5 days and although we do not always achieve 100% if we were to close for the three days it would be impossible. In terms of funerals the bank holiday closures do cause a backlog as this time of year does tend to be highest in terms of death rate so a backlog does occur that would put significant pressure on funeral directors etc. In terms of monetary saving there is only one officer on scp 42 or above **(NAME REMOVED)** who works 2 days a week and is looking to reduce to 1 or leave in Oct) so negligible and I suspect would be more than offset by having to pay overtime to catch up with registrations and cremations in a reasonable timeframe.

Ref	Staff Comment
20	If I understand correctly, under the proposed changes to T&Cs, staff below spinal point 42 who are required to work during the Christmas and New Year period will be financially compensated. Is there scope for staff being given time in lieu instead?
21	With regards to the proposal to close the council offices between Christmas and new year and for staff on scp 42 and above to have three days unpaid, can you confirm if this will be reflected in December's wages, or whether this will be split over the course of the year?
22	Hi Gillian The proposal is to close the offices for three days over the Christmas period and staff are forced to take these days as unpaid leave? Previously child care lawyers have been required to work over the festive period. No details of exceptions or terms and conditions in this regard have been provided. Is one therefore to assume such services will not be required over the festive season. If this assumption is incorrect, please provide clarity as to how will such staff be compensated?
23	Please could you clarify whether an employee on the top of Grade 11 scale Point 42 will be able to have the 3 days of Christmas closure as annual leave or whether they would have to take those 3 days as unpaid leave? The FAQ's published with the proposal document states that someone on the top of Grade 11 at scale point 42 will be able to take the 3 days as annual leave but it was implied in a recent presentation by our head of service that those people on the top of grade 11 at scale point 42 might get caught in the people who have to take it as unpaid leave. I would like to know for certain what the situation is as I am on scale point 42 at the top of grade 11 and I would like to know how this will affect me please?
24	It is stated in the proposal of the Christmas closure that the deductions of pay would be taken from April 2016 onwards. Can you please confirm that if an employee was to leave the council prior to December, would the employee be reimbursed these deductions?
25	I understand that savings are required. It appears to me that the staff terms & condition change proposals disproportionately affect some staff members. Some are affected by the mileage reductions, the incremental freeze and also will lose three days' pay due to the office closure. The mileage reduction is mitigated by tax relief, the incremental freeze may be temporary depending on performance. The three days unpaid leave appear to be permanent and will continue to apply to only a number of staff. To affect us all proportionately can unpaid leave for closure be applied to all staff? If so could it be applied for less days? It would still be a higher cost for staff on higher grades but it would be more proportionate. Many staff have to work significantly beyond their contracted hours to do their work. The Xmas period is often a time to catch up or take leave that otherwise would be lost or carried forward. For staff taking an additional three days unpaid leave would it not compound the problem?
26	Hi Gillian It would be helpful to understand how the decision on where the threshold for having to take unpaid leave was made and why staff above this level are not being given any flexibility on whether to take annual leave. A member of staff may wish to take flexi leave during the Christmas period and this will now have to be taken on another day in December in order to avoid losing it, thereby increasing the number of days they are out of the office. Similarly the same is true with regard to not being able to take annual leave (or at least having the option) over this period.
27	Hello Gillian, can you please explain the decision to make changes to terms and conditions that disproportionately affect frontline staff? As a child protection social worker I currently drive around 5000 miles per year which are essential to my job. This means I (and I assume all of my hard-working colleagues) will be receiving, in

Ref	Staff Comment
	effect, a £1000 pay cut. This will not have the same impact on an office-based member of staff who is on the same pay scale.
28	Can you advise how the Christmas 3 day closure unpaid leave will affect staff on maternity leave that would not even have been here to work over the Christmas period or by this point not receiving a wage.
29	The decision not to increase the provision for staff to be able to purchase more than 5 days additional leave per year needs to be reviewed in light of the proposed changes: I always choose to work during the three day closure period proposed to be taken as either paid /unpaid leave below spinal point 12. I purchase 4 days additional leave per year. Therefore I will be purchasing 4 days in order to lose 3 days as unpaid leave which is nonsensical and surely a headache for payroll to administer. It will not be my choice to be forced to take 3 days as paid leave during the period of closure. To resolve the issue I suggest that up to 10 days leave per year can be purchased instead of 5.
30	I have a member of staff who has asked the question in relation to pension and final salary and the effects of freeze on increments. How will this effect pension and final salary?
31	Hi, Please can you justify the Mayors new Jaguar car costing £534 a month? How is this saving money for our council when you are proposing to cut front line staff and reducing mileage rates etc? Why can the Mayor not use one of the councils electric cars
32	Having seen the Peterborough telegraph & that the Mayor has a new lease car how on earth can this be justified when the council is looking at cutting the mileage for staff. This cut in mileage will severely affect front line staff of which I am one. The cut in mileage does not allow for any wear & tear on our cars to which you expect us to use for work. Why does the major need to have a lease car in the 1st place? Surely it would be better to lead by example by using his own car & getting 25p a mile. Staff would then not be so angry at the hypocrisy!
33	We are currently entilted to purchase up to 5 annual leave days, this is beneficial to parents and if an extended holiday is being planned. will this change to 8 should the new proposals go ahead?
34	Hi Gillian, Wouldn't the proposed salary reduction over the Christmas period be classed as an unlawful deduction of wages? Apparently an unlawful deduction is one that is not required by legislation, is not authorised in an employee's contract and is not authorised by the employee in advance and in writing.
35	• will VR be offered in the savings • has consideration been given to a small pay cut (2%) to all managers who will not have a pay freeze next year? This would offer some parity for those on the lowest managerial scales with those at the top of their scales and the senior managers who do not have spinal point increments. This would take away the perception among us middle managers that the deal was done by the 2 parties least affected by the proposals – those below grade 12 and those above grade 14
36	Can you please advise why the Council is imposing it's budget cuts on staff who are covered by the Section 75 agreement? These suggested changes to mileage rate, incremental freeze and 3 days wages per year taken from my salary will save the Council no money at all as PCC claims any money relating to Section 75 staff back from Health. Have you discussed these changes with the CCG as imposing these changes to our terms and conditions will not benefit the Council's budget for 2016-2017 in any way and may have an impact on staff retention or indeed

Ref	Staff Comment
	recruitment for future Health staff when the terms and conditions back in Health are more favourable.
37	Given that there are big changes to come in future years you will need managers on-side - how are you planning on retaining your skilled staff that are being hit with pay cuts? The proposals are set to cost me about £1300 a year, but I can and will work elsewhere if I'm not valued here - this will just increase recruitment costs and agency costs as staff that have been hit year on year will leave the council.
38	I note your response to a previous employees question being "The council is in a position where it needs to make savings to meet significant reductions in funding and it is impossible to make these without changing employee terms and conditions of service". If this is the case is the mayor giving up his Jaguar for which the lease is paid for by the Council (TAX PAYERS) and are Senior Managers taking a pay cut following their huge pay increase a year or so ago when we were all on pay freezes due to the Council's decision to put Agenda for change staff on static terms and conditions?

Part iii – Comments from Joint Scrutiny and responses

The Joint Meeting of the Scrutiny Committees and Commissions met on 10th February 2016 and have made the following recommendations to Cabinet with regard to Phase 2 of the Budget 2016/17 and Medium Term Financial Strategy to 2025/26.

Section of Budget	Scrutiny recommendation/action	Cabinet Response
Introduction of the budget and overall budget position	**Action** The Director of Governance to provide information regarding the valuation of the Mayors Car registration plate	The current valuation of the number plate is £50,000
Resources	**Recommendation** That consideration be given to instructing Amey to start the spring clean prior to the budget being confirmed on 9 March at Full Council. The Director of Governance to advise Councillor Sandford, in his capacity as Chair of Chairs if special urgency provision can be applied to allow the spring clean to commence prior to the budget being confirmed.	The Director of Governance has advised that this would not be an appropriate use of the special urgency provision, as delay to the spring clean would not seriously prejudice the interests of the council. The work will be brought forward as soon as possible if approved at Council on March 9th.
Resources	**Action** That the Cabinet Member for Resources approaches the Environment Agency to discuss possible revenue from rod licences for fishing at lakes that the council may be responsible for or have an interest in.	The Council would not get money from rod licences. Rather if we have any lakes, it would be sale of 'permits' to fish. The opportunity may be more about bringing in an external company to help with lakes that could be better maintained. This review will be undertaken and completed by the end of March
Treasury strategy & minimum revenue provision policy, capital strategy , programme & disposal 2016/17 – 2025/26, asset	**Recommendation** That before any areas of green space are put up for sale there should be a consultation with ward councillors and if relevant also members of the public and that the	The current approach for disposal of assets is outlined in the constitution, and is as follows: • For assets up to £250k in value, the Corporate Property Officer has delegated authority to proceed

Section of Budget	Scrutiny recommendation/action	Cabinet Response
management plan 2014 – 2019	contribution that the green space makes to the overall network of green space be taken into consideration.	• Assets between £250k and £500k in value require a non-key Cabinet Member Decision • Assets over £500k in value require a key Cabinet Member Decision, with the required advertising in advance on the forward plan. Ward Members are consulted on the planned disposals in all cases. Also, there are specific requirements Councils have to follow when disposing of 'open space' under the Local Government Act 1972. An open space is defined as "any land, whether inclosed or not, on which there are no buildings or of which not more than one-twentieth part is covered with buildings, and the whole of the remainder of which is laid out as a garden or is used for purposes of recreation, or lies waste and unoccupied." Councils must give notice of their intention to dispose of the such land for two consecutive weeks in a newspaper circulating in the area in which the land is situated; and they must consider any objections to the proposed disposal which may be made to them (but there is no obligation to act on objections) Cabinet consider that the current arrangements provide sufficient opportunities for consultation and comment.

Part iv – Feedback from community organisations/stakeholder groups

Meeting: Parish Councils
Date: 9th February 2016
Attended by: Steven Pilsworth, Cate Harding & Karen Dunleavy

Feedback:

The following questions and comments were raised:

- The environment agency issued a levy to the Authority in relation to the prevention of flooding on an annual basis, however, the fee had been frozen for the forthcoming year;
- Clare Lodge was due to receive funding from the Education department to extend the building. The additional capacity would generate £250k of income for the Council,
- The Authority had been working with housing associations over grant funding for affordable housing. The initiative would be discussed at Cabinet in order to refine the outline proposal.
- It was envisaged for the Authority to explore a joint venture company option that could include both affordable and market housing.
- Members were invited to direct any comments regarding the 2016/17 budget to the Service Director Financial Services.

ACTION AGREED

The Group noted the proposals.

It was also agreed that:

- The Service Director Financial Services would confirm the Authority's financial position on the prevention of flooding.
- The Democratic Services Officer would send a link to the presentation slides and budget papers to Parish Councils representatives.

Meeting: Connect Group
Date: 12th February 2016
Attended by: Gillian Beasley & Adrian Chapman

Feedback:

St Johns CRC believe there could be stronger links with Metal and current co-ordination could be better. Adrian will discuss options with Lisa Roberts from Vivacity.

GB stressed PCC are looking at delivering services differently in order to avoid cuts. Whilst there were initial concerns about the burden this could place on staff, providing additional technology and support systems appear to have negated these and staff morale is currently high. The aim is for PCC to be commercially sustainable by 2020 when the revenue support grant finishes.