CABINET	AGENDA ITEM No. 6
13 JUNE 2016	PUBLIC REPORT

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

BUDGET MONITORING REPORT FINAL OUTTURN 2015/16

RECOMMENDATIONS	
FROM: Corporate Director: Resources	**Deadline date:** 3 June 2016

That Cabinet:

1. Note the final outturn position for 2015/16 (subject to finalisation of the statutory statement of accounts) of a £1.0m underspend on the Council's revenue budget.
2. Note the outturn spending of £81.8m in the Council's capital programme in 2015/16.
3. Note the reserves position, including the position on the Grant Equalisation reserve.
4. Note the performance against the prudential indicators;
5. Note the performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments.

1. ORIGIN OF THE REPORT

1.1. This report is submitted to Cabinet as a monitoring item. The report will also be submitted to Audit Committee on 29th June 2016.

2. PURPOSE AND REASON FOR REPORT

2.1. The report provides Cabinet with the outturn position for both the revenue budget and capital programme for 2015/16, subject to any changes required in the finalisation of the Statement of Accounts.

2.2. The report also contains performance information on treasury management activities, payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

2.3. The report is for Cabinet to consider under its terms of reference 3.2.7 to be responsible for the Council's overall budget and determine action to ensure that the overall budget remains within the cash limit.

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	No	If yes, date for Cabinet meeting	n/a

4. FINAL OUTTURN 2015/16

Corporate Overview

4.1. The Council, at its meeting in March 2015 approved a balanced budget for 2015/16 that supported the Council's key priorities. The approved budget included £25m of savings, comprising £12.5m of grant reductions and £12.5m of demand-related pressures. The MTFS also outlined a number of risks that were required to be monitored during the year. Following on from the publication of the Autumn Statement, and subsequently, the Budget, officers have taken a proactive approach to meeting the financial challenges that face the Council in future years.

4.2. During the year CMT have received regular updates on the in-year budget position including progress updates against savings approved as part of previous budget rounds. The Cabinet also discuss the financial position regularly, with formal positions reported to Cabinet meetings held between September and March. Financial plans have also been considered by a cross-party budget working group.

4.3. Actions undertaken by the CMT and Cabinet have included:

- Departmental management teams have reviewed the budget position monthly and have taken appropriate action including plans to address budget issues. These have been acknowledged in corporate budget reports;
- Regular reports to CMT have included a summary of progress with savings proposals, additional pressures and risks;
- Savings brought forward as part of a two stage budget process for 2016/17 at December Council;
- Review of the capital programme during the year, deferring projects into future financial years or removing projects that are no longer required. Any reduction in the amount that the council requires to borrow to fund the capital programme has reduced the costs of financing borrowing which has been reflected in the revenue outturn position;
- As part of the 2016/17 MTFS, a revised Minimum Revenue Provision (MRP) policy was agreed by Council for 2015/16. This has enabled the Council to reprofile the timing of its debts repayments resulting in additional savings for 2015/16 which have contributed to the Grant Equalisation Reserve.
- Utilising all opportunities to capitalise expenditure relieving pressure on the general fund; and
- Review of reserves and provisions, and the management of risk.

4.4. Management initiatives outlined above, and a number of one-off actions in 2015/16 have allowed for the creation of a Grant Equalisation reserve, which will defer the impact of reductions in Government funding in the short term, to allow officers to tackle the issues that lay ahead whilst protecting, as far as possible, the services that residents value the most. Further details on the Grant Equalisation reserve can be found in section 6.

4.5. After taking into account contributions to the new Grant Equalisation reserve, the November information upon which the probable outturn was based indicated a £0.5m overspend for the year. The Council can now report a departmental underspend of £1.028m. This is outlined in a summary table section 5 below, with additional detailed information in **Appendix A**.

4.6. In addition to this, there was an over-achievement against savings brought forward from the MTFS totalling £3.2m. These underspends will be added to the Grant Equalisation Reserve. This reserve was created in the 2016/17 MTFS to protect the Council's financial position over the longer term. The table on page 5 shows the contributions to the Grant Equalisation reserve forecast in the MTFS and the outturn position, along with an explanation of any variances.

4.7. The Council's budget for 2016/17 includes savings of £23.2m and a further budget gap for 2017/18 exceeding £4.1m, with the gap increasing substantially from 2018/19 onwards, with an extra £33.8m of savings being required by the end of 2020/21.

4.8. Whilst the Council has achieved a balanced position for 2015/16, it will remain challenging to deliver a balanced position for 2016/17 and to deliver the substantial savings required from 2017/18 onwards. To be clear, many difficult decisions remain.

4.9. Contributions made in 2015/16 to the Grant Equalisation Reserve will aid officers in taking a strategic and measured approach to address this, however, it remains a significant gap to cover and difficult decisions will be needed in the future. The Grant Equalisation will be utilised in full to address the challenges outlined above.

5. Financial Report – Revenue Outturn

5.1. The Council's overall revenue outturn shows a balanced position for 2015/16, after movements in reserves. The table below summarises the revenue outturn position by the Directorates during 2015/16.

Revenue outturn 2015/16

Department	Budget £000	Contributions from Reserve £000	Revised Budget £000	Actual £000	Variance £000	Contributions to Reserve £000	Revised Variance £000
Chief Executive	365	0	365	260	**-105**	50	**-55**
Governance	5,349	208	5,557	4,925	**-632**	126	**-506**
Growth & Regeneration	11,845	884	12,729	11,181	**-1,548**	281	**-1,267**
People & Communities	70,635	2,927	73,562	71,643	**-1,919**	3,610	**1,691**
Public Health	-455	296	-159	-669	**-510**	510	**0**
Resources	53,724	5,230	58,954	48,611	**-10,343**	9,494	**-849**
Totals	**141,463**	**9,545**	**151,008**	**135,953**	**-15,055**	**14,069**	**-986**
Financing Adjustment							**-42**
Revised Underspend							**-1,028**
Additional contribution to Grant Equalisation Reserve							1,028
Final Variance							**0**

5.2. A detailed breakdown of the outturn by Directorate and explanation of the major variations is provided in **Appendix A**.

5.3. The overall position shows a £1.0m underspend against a November BCR forecast of a £0.5m deficit. This is largely due to favourable variances in the Growth & Regeneration directorate, with underspends also achieved in the Resources and Governance Directorates.

5.4. In addition to this, an additional £3.2m was contributed to the Grant Equalisation Reserve due to the over-achievement of one-off savings brought forward from the 2016/17 Medium Term Financial Strategy. Further details are provided in section 6.

5.5. The Dedicated Schools Grant shows an underspend of £5.5m against a budget of £118.2m. The Schools Forum is responsible for decisions relating to the Dedicated Schools Grant. This has been included for information purposes only. In accordance with accounting guidance, the under spend has been carried forward to next financial year.

6. Financial Report – Reserves

6.1. The Council's departmental reserves and the capacity building reserve are monitored throughout the year as part of budget monitoring and feed into the budget setting process accordingly. The next table summarises the balance for all reserves at the end of 2014/15 against the position at the end of 2015/16.

Earmarked Reserves	**31/3/15 Balance £000**	**Contributions From £000**	**Contributions To £000**	**31/3/16 Balance £000**	**Change £000**
Departmental Reserve	6,717	-3,974	1,641	4,384	-2,333
School Capital Expenditure Reserve	1,150	-417	693	1,426	276
Future Cities Reserve	2,074	-801	-	1,273	-801
Insurance and Other minor reserves	4,109	-46	503	4,566	457
Risk Management Contingency	657	-	55	712	55
Capacity Building Reserve	8,237	-3,970	1,130	5,397	-2,840
Public Health Reserve	254	-240	510	524	270
Grant Equalisation Reserve	-	-98	12,023	11,925	11,925
Subtotal - Earmarked Reserves	**23,198**	**-9,546**	**16,555**	**30,206**	**7,009**
General Fund Balance	6,000	-	-	6,000	-
Total Reserve Balances	**29,198**	**-9,546**	**16,555**	**36,206**	**7,009**

6.2. The majority of reserve balances are set aside for specific purposes and a significant element will be required in 2016/17 and 2017/18. They are therefore not additional monies, only a timing issue between financial years of when the commitments are likely to occur.

6.3. Key comments for reserve movements are as follows:

Departmental Reserves - the amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance to minimise risk exposure to the council in the following financial year.

School Capital Expenditure Reserves/Insurance/Other Minor Reserves - are held on behalf of others or are sums that the Council is independently advised to hold.

Future Cities Reserve – the movement on this reserve represents further drawdowns from the Future Cities Grant awarded to Peterborough in 2013/14.

Risk Management Contingency – this reserve was created in the 2014/15 budget process by transfer from the capacity building reserve to fund one-off type expenditure.

Capacity Building Reserve - this reserve is held to meet one off costs of service transformation and the delivery of savings within the MTFS. The MTFS agreed that a proportion of this would be used in 2016/17 to drive savings in 2017/18 and beyond.

Public Health – movements on this reserve represent a net carry forward of Public Health grant. Any underspends are carried forward to this reserve in accordance with appropriate accounting treatments.

Grant Equalisation – the Medium Term Financial Strategy forecast a contribution to the Grant Equalisation reserve of £12.1m. During the year, the forecast schedule for capital receipts income was revised, which will have a cash flow impact in the amount in reserve at the year end. Overall, there is an additional £3.2m being added to the Grant Equalisation reserve from additional savings, as well as a departmental underspend of £1.0m. Further details of movements on this reserve are detailed in 6.4 below.

General Fund – the general fund will be maintained at £6.0m and this is consistent with the current budget strategy.

6.4. The Grant Equalisation Reserve has been created to mitigate the impact of known Government funding reductions, in order that officers can take a measured and strategic response to the financial challenge ahead. The MTFS has agreed that this reserve will be fully utilised by 2017/18.

Table 1: Grant Equalisation Reserve Contributions

Item	Forecast in MTFS £000s	Outturn £000s	Variance £000s	Explanation
Direct Revenue Finance Savings	340	1,227	887	For MTFS an estimate was made of additional capital expenditure schools may incur and fund from revenue resources. The £1.2m represents the original MTFS contribution of £750k which would have been transferred to the Capacity Reserve, and an additional capital expenditure incurred by schools over and above the estimate.
Minimum Revenue Provision (MRP)	5,865	6,739	874	Following detailed discussions with the Councils auditors on the precise calculation for MRP, the estimated contribution to reserve was increased as the average life increased from 42 to 46 years. Other savings are a result of recharging MRP to invest to save projects which are self-financing, capital expenditure profiling between years, and other minor corrections of past MRP charges.
Shared Chief Executive	50	50	0	n/a
Capital Receipts	5,202	766	(4,436)	This is due to changes in expected cashflows and does not represent a risk to the forecast amount. It is expected that these funds will be received in 2016/17.
VAT Shelter Income	840	800	(40)	The MTFS was based on a best estimate. Confirmation of the final figure is £40k below forecast.
Additional Business Rates Income	908	1,412	504	This is additional income received from the Council's Business Rate Retention pilot scheme.
Procurement	(615)	0	615	Reported via the departmental BCR.
Solar	48	(98)	(146)	The outfit of solar panels to residential homes has not occurred at the rate original envisaged at the time of the MTFS, and therefore the loan drawn down by Empower has not occurred in order to achieve interest and Feed In Tariff income.
Contribution	(500)	0	500	Following management actions, the contribution

Item	Forecast in MTFS £000s	Outturn £000s	Variance £000s	Explanation
to Risk Management Reserve				from Risk Management reserve to cover the forecast overspend is no longer required.
Departmental Underspend	0	1,028	1,028	
Total	**12,138**	**11,924**	**(214)**	

7. Financial Report – Capital

7.1. The planned capital programme for the financial year was £141.4m. Slippage of expenditure from 2014/15 of £58.9m increased the agreed budget at 1 April 2015 to £200.3m. Throughout the year the capital programme was regularly reviewed and finally reduced to £140.3m through slippage and savings. Much of the slippage has been built into future budgets as part of setting the 2016/17 budget.

7.2. Capital expenditure during 2015/16 totalled £81.8m as shown in the summary table below:

Capital Programme 2015/16 by Directorate	Budget 01/04/2015 £000	Revised Budget £000	Actual £000
Governance	540	447	-
Growth & Regeneration	17,850	22,152	18,499
People & Communities	4,947	32,188	22,550
Resources	63,227	39,821	31,466
Invest to Save	54,791	61,930	9,252
Total	**141,355**	**156,538**	**81,767**
Financed by:			
Capital Receipts	11,820	1,583	1
External Sources	16,920	25,384	17,096
Prudential Borrowing	112,615	129,571	64,670
Total	**141,355**	**156,538**	**81,767**

7.3. The Council and CMT have agreed to reduce and re-phase some projects in the programme during the year to reduce the impact on financial resources or to reflect changing demographic needs. Other projects have been subject to delays which have led to budgets being slipped to 2016/17. Listed below are the significant projects that have been slipped into 2016/17 that has contributed to the variance between the revised budget reported in November 2015 and the reported capital programme outturn of £81.8m.

Growth & Regeneration
- £ 3.1m Street Lighting projects
- £ 1.4m Affordable Housing
- £ 4.2m Roads & Bridges/Transport projects
- £ 1.6m Public Realm projects

Resources
- £ 1.0m ICT projects
- £ 0.7m Renewable Energy projects
- £ 1.2m Waste Management Strategy
- £ 0.5m Cycle Track Embankment

People & Communities
- £ 8.7m New School Places
- £ 2.0m Academies
- £ 1.0m Adult Social Care transformation
- £ 5.7m Capital Maintenance on Schools

Invest to Save
- £10m Axiom Loan
- £31m Empower Loan

7.4. The Invest to Save outturn of £9.3m in 2015/16 includes expenditure on delivering energy efficiency measures across the council's buildings portfolio including schools. The schemes are self-funding in two ways:

a. Firstly, introducing energy efficiency measures through the replacement of plant inside the buildings driving down energy costs (for example in our swimming pools through new filters and a combined heat and power unit for the regional pool, more efficient lighting in car parks and replacing school boilers).

b. Secondly, putting solar panels on roofs to provide a cheaper source of energy for the buildings and an income stream by selling surplus energy to the grid (including schools and the central library).

7.5. The Invest to Save outturn also includes the investment the Council has made in its strategic partnership with Empower Community Management LLP (EC), a social enterprise company that has, as its primary purpose, the installation of solar panels on residential properties. This scheme is the first scheme of its type in the UK and in particular the first of its kind that involves a Council. The major benefits of the scheme are:

- No cost to the owner for installation
- Free energy generated to the occupier
- A fee for installation paid to the owner
- Creation of a local community fund out of profits
- A fee to the Council out of profits generated
- Investment returns generated by the Council

7.6. The capital programme is financed through borrowing, capital receipts, grants and contributions. Although the amount of borrowing required has reduced due to slippage in the capital programme since the MTFS was approved, the Council would need to borrow £64.4m to fund 2015/16 capital expenditure although the actual Council borrowing was £57.4 as reported in paragraph 8.3b.

8. Financial Report – Treasury Management Activity for 2015/16

8.1. 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.

8.2. 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.

8.3. The treasury activity for the Council during 2015/16 is compliant with the Treasury Management Strategy approved in March 2015. Investment and borrowing activities include:

a. Investment – The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term and only invest with Barclays (the Council's current banking provider), the Debt Management Office and Local Authorities. As at 31 March 2016 the Council's external investments totalled £19.1m and have yielded interest at an average rate of 0.29% in the financial year 2015/16. Investments were placed for short periods to cover daily cash flow fluctuations.

b. Borrowing – In 2015/16 the Council increased its borrowing by £57.4m. Although £64.7m was required to fund the capital programme, due to timing issues surplus cash balances were utilised to off-set the actual borrowing requirement in the year. The borrowing has been taken out over a range of periods to best fit the Council's maturity profile of debt. Also the best possible interest rate has been sought in line with the budget for borrowing, including the continuation of the council benefitting from reduced interest rates on long term PWLB loans by 20 basis points (0.2%) due to it submitting borrowing plans to government.

c. Consideration has been made to rescheduling debt however there have been no suitable opportunities to do this. The difference between the repayment rate and the rate of a new loan has not resulted in a net discount to the Council and no savings were to be made.

8.4. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. In accordance with the 2015/16 Code the liability for the Private Finance Initiative (PFI) agreement and finance leases also impact on the CFR.

8.5. In 2015/16 the CFR was:

Capital Financing Requirement	**£000**
Opening Capital Financing Requirement 1 April 2015	422,532
New Capital Expenditure Financed by Borrowing	64,670
Minimum Revenue Provision for Debt Repayment	(5,210)
Minimum Revenue Provision for PFI	(350)
Minimum Revenue Provision for Leases	(576)
Closing Capital Financing Requirement 31 March 2016	**481,066**

8.6. As part of the setting of the treasury strategy, the Council sets annual prudential indicators to measure effectiveness of treasury management and reports against these indicators during the financial year. The indicators have not been breached during 2015/16.

8.7. Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in **Appendix B** along with an update on treasury management activity and other financial performance indicators in **Appendix C**.

9. Consultation

9.1. Detailed reports have been discussed in Departmental Management Teams and this report with the Corporate Management Team.

10. Anticipated Outcomes

10.1. That the outturn position for 2015/16 is noted.

11. Reasons for Recommendations

11.1. This monitoring report forms part of the 2015/16 closure of accounts and decision making framework culminating in the production of the Statement of Accounts and informs Cabinet of the final position.

12. Alternative Options Considered

12.1. None required.

13. Implications

13.1. Members must have regard to the advice of the Section 151 Officer.

14. Background Documents

14.1. The 2015/16 and 2016/17 Medium Term Financial Strategies.

15. Appendices

Appendix A – 2015/16 Revenue Outturn Report
Appendix B – Treasury Management Strategy – Prudential Indicators – 2015/16
Appendix C – Performance Monitoring

APPENDIX A – 2015/16 REVENUE OUTTURN REPORT

Forecast Variance in 2016/17 MTFS (Nov 15)	Department	Revised 2015/16 Budget	Contributions From Reserve	**Revised Budget**	Actual	Contributions To Reserve	**Revised Actual**	**Final Variance**
		£000	£000	£000	£000	£000	£000	£000
-50	Chief Execs Office	328	0	**328**	233	50	**283**	**-45**
0	Chief Execs Departmental Support	37	0	**37**	27	0	**27**	**-10**
-50	**TOTAL CHIEF EXECUTIVE**	365	0	**365**	260	50	**310**	**-55**
15	Director of Governance	328	0	**328**	334	0	**334**	**6**
-223	Legal & Democratic Services	3,231	4	**3,235**	3,140	15	**3,155**	**-80**
-69	Human Resources	1,423	65	**1,488**	1,219	0	**1,219**	**-269**
-121	Performance & Information	1,306	0	**1,306**	1,216	36	**1,252**	**-54**
-14	City Services & Communications (CSC) – Head of Service	443	0	**443**	416	0	**416**	**-27**
-300	CSC - Regulatory Services	337	0	**337**	-36	0	**-36**	**-373**
-56	CSC - Parking Services	-2,513	50	**-2,463**	-2,544	0	**-2,544**	**-81**
1	CSC - Communications	237	32	**269**	166	75	**241**	**-28**
92	CSC - CCTV, Resilience & Health + Safety	502	7	**509**	657	0	**657**	**148**
226	CSC - Markets, Tourism & Events	55	50	**105**	357	0	**357**	**252**
-449	**TOTAL GOVERNANCE**	5,349	208	**5,557**	4,925	126	**5,051**	**-506**
18	Director, OP & JV	454	0	**454**	187	150	**337**	**-117**
-146	Development & Construction	213	46	**259**	-131	0	**-131**	**-390**
-77	Sustainable Growth Strategy	1,302	801	**2,103**	1,727	97	**1,824**	**-279**
-116	Peterborough Highway Services	9,876	37	**9,913**	9,398	34	**9,432**	**-481**
-321	**TOTAL GROWTH AND REGENERATION**	11,845	884	**12,729**	11,181	281	**11,462**	**-1,267**
145	Director of People and Communities	18	0	**18**	697	0	**697**	**679**
68	Adult Services	36,493	2,303	**38,796**	38,721	76	**38,797**	**1**
138	Communities	4,889	180	**5,069**	5,350	30	**5,380**	**311**
-183	Children's Services and Safeguarding	24,469	27	**24,496**	23,522	35	**23,557**	**-939**
1,172	Education	3,877	0	**3,877**	4,543	788	**5,331**	**1,454**
241	Business Management & Commercial Ops	623	0	**623**	808	0	**808**	**185**
n/a	*Dedicated Schools Grant*	*266*	*417*	***683***	*-1,998*	*2,681*	***683***	**0**
1,581	**TOTAL PEOPLE AND COMMUNITIES**	70,635	2,927	**73,562**	71,643	3,610	**75,253**	**1,691**

Forecast Variance in 2016/17 MTFS (Nov 15)	Department	Revised 2015/16 Budget	Contributions From Reserve	**Revised Budget**	Actual	Contributions To Reserve	**Revised Actual**	**Final Variance**
		£000	£000	£000	£000	£000	£000	£000
0	Public Health	-455	296	**-159**	-669	510	**-159**	**0**
0	**TOTAL PUBLIC HEALTH**	-455	296	**-159**	-669	510	**-159**	**0**
2	Director's Office	231	0	**231**	230	0	**230**	**-1**
-12	Financial Services	3,382	61	**3,443**	2,742	401	**3,143**	**-300**
-2,977	Capital Finance	23,590	0	**23,590**	13,740	7,531	**21,271**	**-2,319**
146	Corporate Items	4,321	1,146	**5,467**	3,984	1,151	**5,135**	**-332**
615	Peterborough Serco Strategic Partnership	7,745	3,010	**10,755**	10,991	300	**11,291**	**536**
0	ICT	4,087	0	**4,087**	4,667	18	**4,685**	**598**
4	Commercial Group	-1,771	27	**-1,744**	-1,740	0	**-1,740**	**4**
216	Amey Peterborough & Waste Management	10,384	262	**10,646**	11,001	-2	**10,999**	**353**
75	Westcombe Engineering	96	0	**96**	190	0	**190**	**94**
-231	Energy	444	361	**805**	1,172	0	**1,172**	**367**
0	Vivacity / Cultural Services	2,545	244	**2,789**	2,688	0	**2,688**	**-102**
-32	Cemeteries, Cremation & Registrars	-1,150	99	**-1,051**	-1,223	91	**-1,132**	**-80**
515	Corporate Property	-180	20	**-160**	169	4	**173**	**333**
-1,970	**TOTAL RESOURCES**	53,724	5,230	**58,954**	48,611	9,494	**58,105**	**-849**
2,617							Other reserve adjustments	**0**
500	**SUBTOTAL**	**141,463**	**9,545**	**151,008**	**135,953**	**14,069***	**150,022**	**-986**
0							Other financing adjustments	**-42**
500							**TOTAL OVER / (UNDER)SPEND**	**-1,028**

**N.B. The reserve movements shown in the BCR do not include financing and business rates adjustments included in section 6.*

Key Departmental Variances (<>£100k):

The following table details the reasons for significant (<>£100k) variations between the budgeted for and outturn positions (before movements in reserves).

Department	Variances <>£100k £000s	Explanation
Chief Executive	None	n/a
Governance		
Human Resources	-269	Training budgets have been underspent by £188k following a period of reviewing how training activity is commissioned. Staff vacancies led to a £37k underspend, Occupational Health income exceeded target by £17k along with other minor variances.
City Services & Communications - Regulatory Services	-373	Land charges income exceeded the budgeted target by £154k, and Trading Standards income by £40k. Additional New Burdens funding of £136k has been received. Across regulatory services, spend management work undertaken to review supplies and services budgets has delivered additional savings.
City Services & Communications - CCTV, Resilience & Health + Safety	148	Income has been lower than budgeted in respect of Health & Safety (£73k) and CCTV (£54k) contracts. The cost of CCTV transmissions and communications equipment has exceeded budget (£21k) and there are measures to address this in future years.
City Services & Communications - Markets, Tourism & Events	252	Income budgets at the City Market and the Visitor Destination Centre and Travel Centre are higher than the amounts generated. Rental income from the Market is £407k which is £58k lower than budgeted. Income from the Visitor Destination Centre and Travel Centre totals £262k compared with a budgeted income of £347k. Costs exceeded budget by £49k at the Visitor Centre, and £60k across the rest of the service.
Growth & Regeneration		
Director, OP & JV	-117	Income from the Peterborough Investment Partnership joint venture was higher than anticipated (£77k), and the City wide funding unit was set up later than initially planned, saving £40k.
Development & Construction	-390	Income has exceeded the budget by £218k, mainly as a result of a late upturn in planning applications. Staffing vacancies have led to an underspend of £147k, along with £25k of supplies and services savings.
Sustainable Growth Strategy	-279	Additional income of £152k has been generated from shared service arrangements. Staff vacancies have led to an underspend of £52k, and savings have been made across supplies and services budgets of £75k.
Peterborough Highway Services	-482	The concessionary fares and bus services budgets have achieved a saving of £229k, prior to the contract renewal period. Savings in transport planning have been achieved of £101k. Staff vacancies have led to a £142k underspend, and £30k has been saved in the footbridge budget.
People & Communities		
Director of People and Communities	679	£472k of business support savings were unachievable during the year which has been addressed in 16/17. Customer Experience savings of £200k were achieved in other ways. Other minor variances of £7k.
Communities	311	Unachieved income from EPC Certificates caused pressures of £95k. Non achievement of savings targets in communities caused a pressure of £99k, YJB reduced their grant in year causing a pressure of £72k. Other minor variances across the business area

Department	Variances <>£100k £000s	Explanation
		of £45k.
Children's Services and Safeguarding	-939	Favourable movement in placement mix for Looked After Children (LAC) gave a favourable variance of £347k. Savings with turnover in agency staff gave a favourable variance of £198k. Delays in recruitment to the new teams of Quality Assurance and Quality Improvement has given a favourable variance of £263k. The Alternatively Qualified Staff proposal achieved savings of £235k which offset supplies and services adverse variances across childrens services of £105k.
Education	1,454	Non achievement of savings proposal for home to school transport of £400k and demography increases and availability of school places gave rise to further home to school transport pressures of £463k. Reduction in the Education Support Grant gave pressures of £182k. Central recharges to Dedicated Schools Grant no longer allowed £435k and minor favourable variances across education of £26k
Business Management & Commercial Ops	185	Pressures have arisen from transporting LAC of £58k. Legal and professional fees have continued to cause pressures resulting in adverse variance of £109k. Other minor variances across the business area caused pressures of £18k.
Public Health	None	
Resources		
Financial Services	-300	The underspend is mainly on staffing costs following a restructure and delays in filling posts, and also in some contractual budgets and through income being higher than planned.
Capital Finance	-2,319	Approximately half of the underspend is due to savings on interest payments for new debt and savings put aside in order to repay debt as part of the Minimum Revenue Provision (MRP). Further savings arose from recharges to Invest to Save projects not previously forecast – MRP & Interest. There was also a small variance from the receipt of a dividend from ESPO.
Corporate Items	-332	This area includes the budgets for some pension payments and for any pay awards (prior to allocation to departments). Underspends in these areas have been partly offset by the costs of bad debt provision.
Peterborough Serco Strategic Partnership	536	The 2016/17 MTFS outlined a pressure against procurement savings due to a reduction in the level of spend available to achieve those savings. This represents the 2015/16 pressure for this issue.
ICT	598	It has not been possible to achieve a previous MTFS saving aimed at centralising some staff across the organisation. Also some costs of external ICT costs have been higher than predicted.
Amey Peterborough & Waste Management	353	Income from the ERF plant is lower than budgeted, partly due to the removal of the Climate Change Levy exemption for renewable energy sources, and because of lower energy prices. Repairs and Maintenance costs on some Council buildings were also higher than expected.
Energy	367	Income from the Councils energy performance contract with Honeywell has not reached the levels expected in the current year
Vivacity / Cultural Services	-102	Lower energy prices, have led to an underspend in this area and some savings have been made on repairs and maintenance costs.
Corporate Property	333	Commercial Lease income is lower than budgeted following a rent review, and there have been additional rent, rates and service charge costs.

Appendix B – Treasury Management Strategy – Prudential Indicators – 2015/16

1. The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:
   (a) capital expenditure plans are affordable,
   (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
   (c) treasury management decisions are taken in accordance with professional good practice.

2. In taking decisions in relation to (a) and (c) above, the local authority is accountable by providing a clear and transparent framework.

3. The Code requires the Council to set a range of Prudential Indicators for the next financial year and at least the following two financial years. The Council has set out indicators for the next 10 financial years in line with setting a 10 year budget. The indicators include the Invest to Save scheme however the costs of borrowing associated with the scheme will be offset by the income generated by these projects.

4. During 2015/16 the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Annual Treasury Management Strategy.

5. The Council's outturn performance position against the 2015/16 Prudential Indicators are shown below.

Indicator 1: Capital Expenditure

This indicator is the actual capital expenditure for the year based on the Capital Programme in 2015/16.

Capital Expenditure	**2015/16 Indicator £m**	**2015/16 Actual £m**
Capital Expenditure	86.6	72.5
Invest to Save	54.8	9.3
Total	**141.4**	**81.8**

Indicator 2: Capital Financing Requirement (CFR)

The CFR measures the Council's underlying need to borrow money in the long term for capital purposes. Any capital expenditure which has not immediately been paid for will increase the CFR.

Capital Financing Requirement	**2015/16 Indicator £m**	**2015/16 Actual £m**
CFR b/fwd	482.9	422.5
Underlying Need to Borrow	45.1	49.3
Underlying Need to Borrow - Invest to Save	54.8	9.3
Total CFR C/fwd	**582.8**	**481.1**

Indicator 3: Actuals and estimates of the ratio of financing costs to net revenue budget

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt.

Ratio of net financing costs to net revenue stream	2015/16 Indicator	2015/16 Actual
Total Ratio	7.6%	4.8%

The difference between the Indicator and final ratio percentage is largely the result of the revised Minimum Revenue Provision (MRP) policy that was approved by Council as part of the 2016/17 Medium Term Financial Strategy (MTFS) process where debt repayment was rephased.

Indicator 4: Actuals and estimates of the incremental impact of capital investment on Council Tax

This indicator is intended to show the impact of the Council's decisions about capital investment on the level of Council Tax required to support those decisions over the medium term.

The calculation of this indicator has been done on the basis of the amount of the capital programme that is financed from borrowing and the interest assumption for borrowing that was included in the capital financing budget for the MTFS. The revenue costs are divided by the estimated Council Tax base for the year, and the actual performance is shown in the table below.

Incremental impact on capital investment decisions on Council Tax	2015/16 Indicator £m	2015/16 Actual £m
A – Cap Fin Budget -Previous MTFS	29,275	29,275
B – Cap Fin Budget - Current	23,567	13,803
C - Incremental change (B-A)	(5,708)	(15,472)
D - Council Tax Base (1,000's)	52.75	52.75
Total Incremental Impact (C/D)	**(108.21)**	**(293.30)**

The incremental change of £15.5m shown in the table is largely the result of the 2016/17 MTFS where the Council agreed to revise the 2015/16 MRP policy. The impact of the policy amendment is also seen in the Grant Equalisation Reserve table earlier in this document, see point 6.1, and the explanation of departmental variances shown in Appendix A.

Indicator 5: Proportion of Gross Debt to the CFR

This indicator shows the proportion of the Council's external borrowings (Gross Debt) against the CFR.

Proportion of Gross Debt to the CFR	2015/16 Indicator £m	2015/16 Actual £m
CFR	582.9	481.1
Gross Debt	513.5	402.1
% of Gross Debt to CFR	**88.1%**	**83.6%**

Indicator 6: The Operational Boundary

The Operational Boundary is a measure of the day to day likely borrowing for the Council. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

This indicator takes into consideration the capital programme over the life of the MTFS and the ability to phase the borrowing over this period. The indicator provides flexibility for the Council to take advantage of favourable interest rates in advance of the timing of the actual capital expenditure.

Operational Boundary	2015/16 Indicator £m	2015/16 Actual £m
Borrowing	648.0	363.2
Other Long Term Liabilities	38.5	38.9
Total Operational Boundary	**686.5**	**402.1**

Indicator 7: The Authorised Limit

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is "prudent".

The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year.

The limits also incorporated margins to allow for exceptional short-term movements in the Council's cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

Authorised Limit	2015/16 Indicator £m	2015/16 Actual £m
Borrowing	682.4	363.2
Other Long Term Liabilities	38.5	38.9
Total Authorised Limit	**720.9**	**402.1**

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the course of the year. The actual outturn is lower than the indicator as the Council did not need to borrow in advance of need during 2015/16.

Indicator 8: Fixed Interest rate exposure

This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the majority of borrowing was at fixed rates to provide budget certainty.

Upper limit for fixed rate exposure	2015/16 Indicator £m	2015/16 Actual £m
Upper Limit - Borrowing	682.4	363.2
Other Liabilities eg PFI/Leases	38.5	38.9
Total Upper Limit Fixed Rate Exposure	**720.9**	**402.1**
% of fixed interest rate exposure	100%	100%

Indicator 9: Variable interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing (CFR).

The limit is expressed as the value of total borrowing less investments

Upper limit for variable rate exposure	2015/16 Indicator £m	2015/16 Actual £m
Upper Limit	180.2	0.0
% of variable interest rate exposure	25%	25%

The indicator for actual outturn is zero due to the current borrowing strategy of borrowing only at a fixed interest rate in the current economic climate of volatile interest rates and also provides budget certainty for the Council.

Indicator 10: Maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflects the beneficial long term rates that are available to the Council.

Period	Upper Limit Indicator	Actual Borrowing	Actual Borrowing £m
Under 12 months*	40%	10.9%	39.5
1 – 2 years	40%	7.1%	25.8
2 – 5 years	80%	5.4%	19.5
5 – 10 years	80%	4.4%	16.1
Over 10 years	100%	72.2%	262.3
		Total 'Market' Borrowing	**363.2**

** The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 30-40 years' time, they are classified as loans repayable within the financial year due to LOBO's having a call-in date every 6 months.*

Although this table is not a Prudential Indicator it gives a breakdown of the types of borrowing held by the Council and the average interest rates for each:

Borrowing	31 March 2015		31 March 2016	
	Amount £m	Average Interest Rate	Amount £m	Average Interest Rate
Long Term:				
Public Works Loan Board	234.4	4.09%	282.4	3.90%
Market Loans	17.5	4.53%	17.5	4.53%
Short Term:				
Local Authorities	51.0	1.58%	59.5	1.44%
Other Borrowing:				
Local Enterprise Partnership	3.1	0.00%	3.8	0.00%
Total 'Market' Borrowing	**306.0**		**363.2**	
Public Finance Initiative & Leases	40.4		38.9	
Total Borrowing	**346.4**		**402.1**	

Indicator 11: Total Investments for periods longer than 364 days

Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

Interest Rate Exposure (Upper Limits)	**2015/16 Indicator £m**	**2015/16 Actual £m**
Principal sums invested >364 days	6.0	0.0

This indicator reflects the Council's current lending policy of keeping investments short term for liquidity purposes. Also the Council has run down its cash balances over the last three financial years as an alternative to new borrowing and does not have the available cash balances to invest for long periods.

The indicator was set at £6m to allow for the accounting treatment of the Local Authority Mortgage Scheme (LAMS). At present the Council has £2m deposited in the LAMS scheme with Lloyds TSB and this is treated as capital expenditure, as a loan to a third party, (see section 3.5 of the TMS). There is currently no plan to extend this initiative. The Council's external auditors highlighted in a previous Statement of Accounts report that there was some debate about the accounting treatment for LAMS. Whilst the Council is confident of its accounting treatment as a capital loan, if the accounting treatment changed for this deposit for to be classed as an investment then this indicator would cover this investment.

Appendix C – Performance Monitoring

1. Treasury Management Update – March 2015

1.1 Economic Update

The following paragraphs are based on information from the Council's Treasury Advisors (Capita Asset Services)

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.

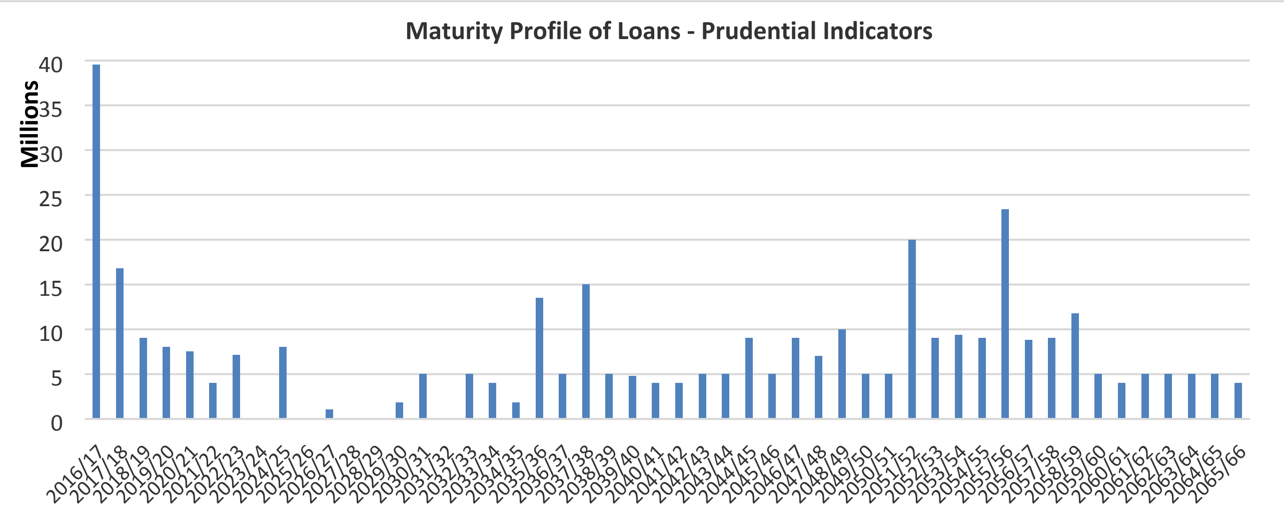
The UK are experiencing exceptional levels of volatility which are highly correlated to emerging market, geo-political and sovereign debt crisis developments.

2. Borrowing

2.1. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.

2.2. The Council's borrowing as at 31 March 2016 was £402.1m. The actual total external debt is measured against the Council's Authorised Limit for borrowing of £720.9m, which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £686.5m. The table in Appendix B, Indicator 10 shows a breakdown of the borrowing.

2.3. The following chart shows the maturity profile of the Council's debt as at 31 March 2016:



** 2016/17 includes £17.5m of market loans which are repayable in the long term but are classed as current year loans due to a callable option in the loan agreement.*

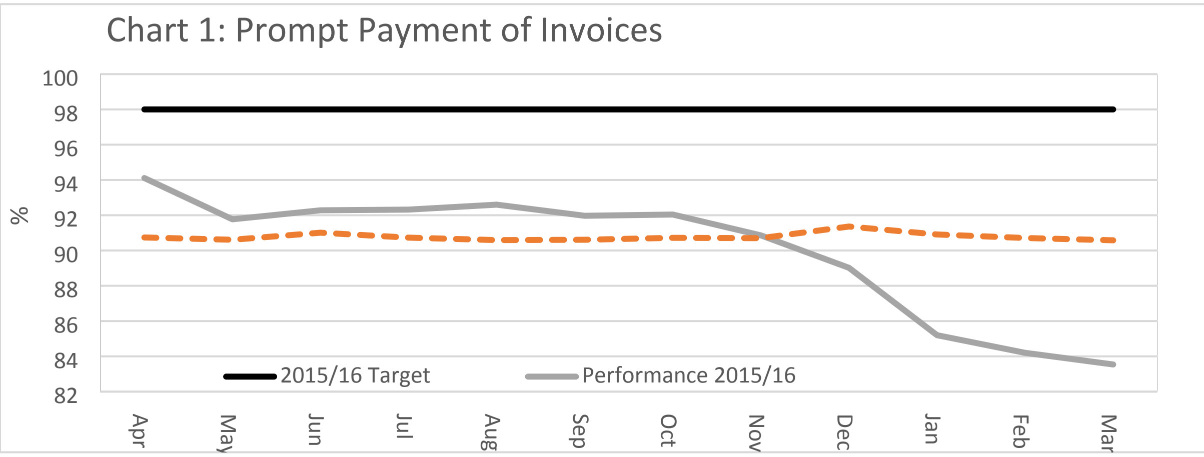
3. Investments

3.1. The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with Barclays (the Council's banking provider), Bank of Scotland, the Debt Management Office and Local Authorities.

4. Prompt Payment of Invoices (Invoices paid within 30 Days)

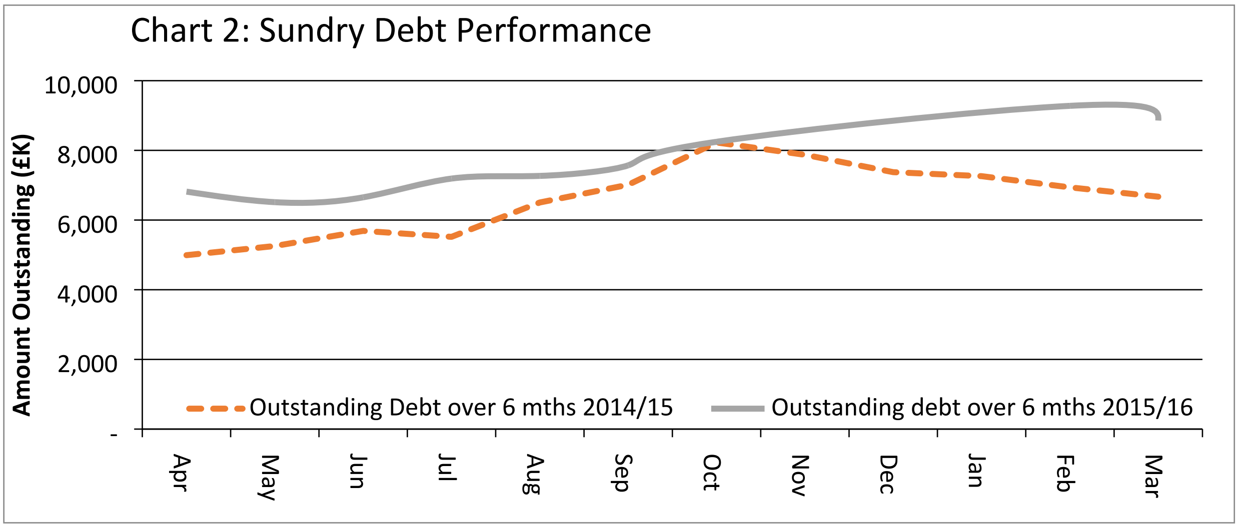
4.1. The cumulative position on prompt payment of invoices as at 31 March 2016 was 83.54%, which is below the target of 98% and 7.04% below the previous year's performance (90.58%). Performance against the prompt payment of invoices indicator was adversely affected by the implementation of the Council's new finance system. Business processes are being reviewed and updated to reflect the new financial system and this coupled with additional temporary resource will drive performance during 2016/17. The current year performance is shown alongside the equivalent figures for 2014/15 in chart 1.

4.2. Regulation 113(7) of the Public Contracts Regulations 2015 has introduced a requirement that from March 2016, all in-scope organisations must publish, on an annual basis and covering the previous 12 months, the percentage of their invoices paid within 30-days and the amount of interest paid to suppliers due to late payment. For PCC, 71,377 invoices were paid during 2015/16 of which 83.54% were paid within 30 days. No interest was paid due to late payment during this period.



5. Sundry Debt Performance

5.1. The total outstanding sundry debt in excess of 6 months old as at March is £8.86m and is set out in Chart 2 alongside comparative figures for 2014/15. The top 20 debts owed to the Council of the sundry debt and commercial rents portfolio total £9.13m of which £7.79m is current debt (up to a month old). In order to progress action against these debts, bi-monthly review meetings have been set up with each Directorate Head of Finance to discuss issues, disputes and move forward with actions top recover income.

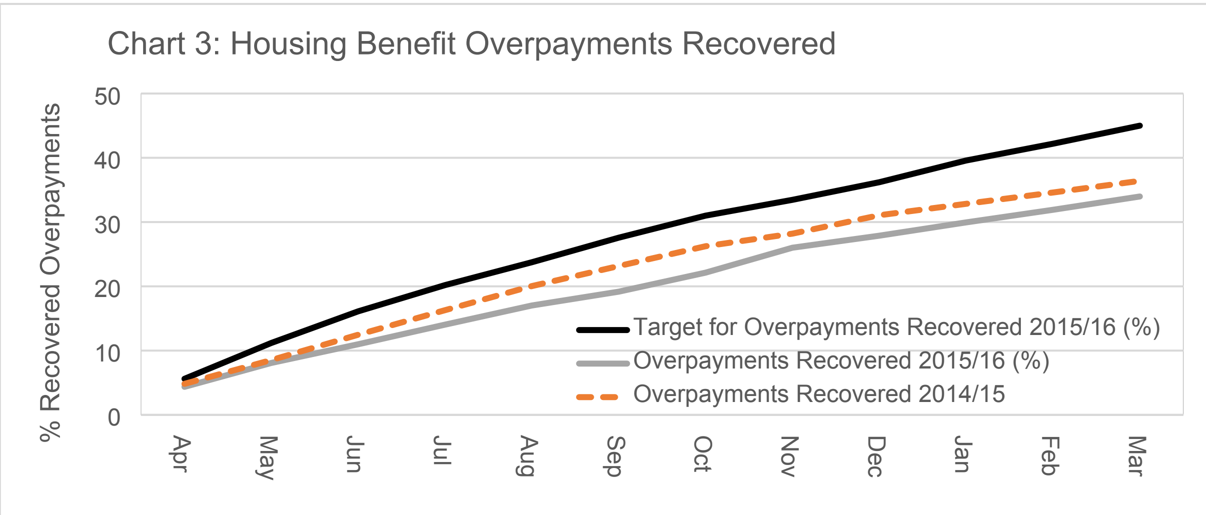


N.B. data is not available for the period Nov-Jan due to the implementation of Agresso.

6. Housing Benefit Overpayments

6.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2015/16 and the 2014/15 figures.

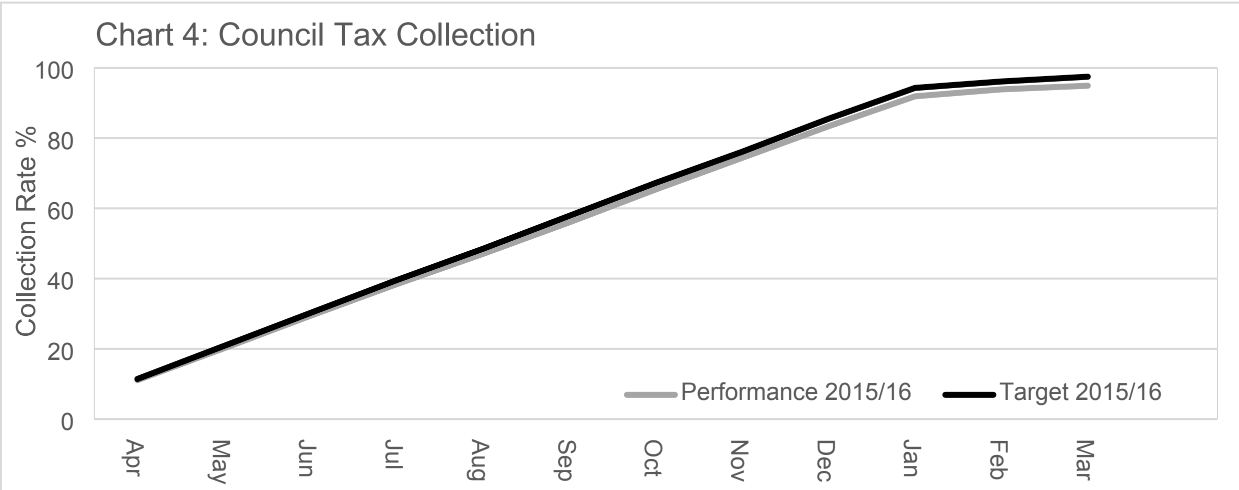
6.2. Housing benefit overpayment collection as at the 31 March 2016 was 33.98% which is below the target of 45.0% and 2.43% lower than the figure for March 2015 (36.41%). Due to the improved speed of processing claims for housing benefits the amount of new debt identified in-year reduced by 15% (down to just under £4m). This improvement had a negative effect on the percentage of overall debt recovered because much less was recent debt which is the easiest to recover. The actual value of debt collected during 2015/16 remained at the same level (£3.2m) as 2014/15.



7. Council Tax and Business Rates Collection

7.1. Charts 4 and 5 show the performance for the collection of Council Tax and Business Rates for the period to date. In year council tax collection at 31 March 2016 is 94.94%, which is 0.16% more than the amount collected by this stage in 2014/15.

7.2. The administration of the council's local council tax support scheme remains challenging and continues to impact overall council tax collected in the year. It has been recognised that greater resource needs to be directed to the recovery aspect of council tax collection and 4 new staff have been recruited to focus on this area. A third enforcement agent (bailiff) has also been appointed.



7.3. The in-year collection of business rates as at 31 March 2016 was 96.51%, which is 1.29% below the target set and a decrease of 1.27% compared with 2014/15.

7.4. The business rates liability usually reduces during March (the last 3 years has seen an average decrease of 0.61%). However, in 2015/16, it increased by 0.28%. Although this is positive for the City in terms of business growth it did adversely impact the percentage of business rates collected during the year. The remainder of the shortfall is explained by a single occupier that currently owes the equivalent of 0.44% of the total business rates due which has not been paid due to a dispute between them and the Valuation Office Agency.