

Appendix K- December 2018 Budgetary Control Report

1. DECEMBER BUDGETARY CONTROL - REVENUE

1.1. The revenue budget for 2017/18, agreed at Full Council on 8 March 2017, was approved at £146m. The revised budget is now £152m due to the additional Adult Social Care money of £3.5m announced after the budget had been approved, and the one-off drawdown of reserves.

Revised Budget 2017/18	£000
Approved Budget 2017/18	145,771
Additional Adult Social Care money	3,524
Drawdown of reserves	2,743
Revised Budget at December 2017	152,038

1.2. The forecast year-end outturn is based on reported departmental information as at the end of December 2017. The outturn is forecast to be a £2.593m under spend after allowing for departmental contributions to reserves. £2.338m will be transferred to the Capacity Reserve to support the budget in future years. £168k will be transferred to the ringfenced Public Health Reserve. The position reflects £1.8m of pressures on People and Communities, the largest overspend is homelessness costs. The People and Communities pressure is offset by savings within Growth and Regeneration, Resources and Capital Financing.

1.3. The summary position is outlined in the following table:

Directorate	Budget 2017/18	Cont. from reserve	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserve	Forecast Variance 2017/18	Forecast Variance 2017/18	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executives	1,633	217	1,850	1,677	0	(173)	-9%	(75)	(98)
Governance	4,497	115	4,612	4,595	0	(17)	0%	42	(59)
Growth & Regeneration	24,887	220	25,107	23,837	255	(1,015)	-4%	(942)	(73)
People & Communities	81,835	173	82,008	83,825	0	1,817	3%	3,179	(1,362)
Public Health	206	0	206	38	0	(168)	-82%	(167)	(1)
Resources	36,237	2,018	38,255	34,707	511	(3,037)	-8%	(3,162)	125
Total Expenditure	149,294	2,744	152,038	148,679	766	(2,593)	-2%	(1,125)	(1,468)
Financing	(149,294)	(2,744)	(152,038)	(151,951)	0	87	-2%	0	87
Contribution to Capacity reserve	0	0	0	0	2,338	2,338	0%	1,125	1,213
Contribution to Public Health					168	168	0%	0	168
Net	0	0	0	(3,272)	3,272	0	-3%	0	0

1.4. It needs to be noted that the Resources Directorate is carrying a significant risk. The revenue budget assumes that £12.7m of capital receipts will be generated which Members agreed in

the Budget to use to reduce the debt charges for capital (known as minimum revenue provision). The projected outturn assumes that the £12.7m of receipts is fully achieved, based on a risk assessment. However there remains a possibility that the receipts will fall short of the total. If this were to happen, the difference would need to be funded from reserves and balances. However if the disposals were achieved later than 31 March 2018 and therefore received in 2018/19 the receipts could be used to replenish. Cabinet are updated on the position monthly.

1.5. Further information is provided in the following appendices:

Appendix A- Detailed Revenue Budgetary Control position and explanation of Key variances

Appendix B- Risks Identified

Appendix C- Reserves position

Appendix D- Asset Investment and Treasury Budget Report

Appendix A – Detailed Revenue Budgetary Control position and explanation of Key Variances

Key Movements between the November and December Forecasts

	£000
November position	(1,125)
HR additional savings	(116)
VAT Shelter- Lower forecast received from CKH due to a lower rate of VAT on some expenditure.	288
IBCF Funding to cover Winter Pressures- including £474k on Independent Sector Placements (ISP)	(2,000)
Additional TACT pressure- highlighted in recent report from TACT and partly due to late mobilisation of the contract	600
Improvement on the Highways budget	(76)
Improvement on the overspend forecast within housing (homelessness)	(109)
Minor variances across departments	(55)
December position	(2,593)

Chief Executives

	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Previous Month Variance	Mvmt
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executive	240	0	240	189		(51)	-21%	(39)	(12)
HR	1,393	217	1,610	1,488		(122)	-8%	(36)	(86)
Total Chief Executives	1,633	217	1,850	1,677	0	(173)	-9%	(75)	(98)

Chief Executives is overall reporting a favourable variance of £0.173m against its budget.

Chief Executive

- An underspend of £0.051m is expected on the £0.240m budget for the Chief Executive due to one off savings in supplies and services budgets.

HR

- There is a £0.097m saving on the salary budget of £1.220m due to vacant posts - the budgets will be corrected in 18/19. The saving has increased by £0.058m in the month due mainly to a reduction in consultancy costs and further vacancies.
- There is an expected £0.030m saving against the £0.259m Workforce Development and Training budgets expected in this financial year.
- Other miscellaneous small overspends across the department are £0.005m.

Governance

	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Prev. Month Variance	Mvmt
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Director of Governance	395	0	395	355	0	(40)	-10%	(21)	(19)
Legal & Democratic	3,517	115	3,632	3,607	0	(25)	-1%	15	(40)
Performance & Information	585	0	585	633	0	48	8%	48	0
Total Governance	4,497	115	4,612	4,595	0	(17)	0%	42	(59)

Governance is overall reporting a favourable variance of £0.017m against its budget.

Director Of Governance

- Miscellaneous small savings of £0.040m.

Legal & Democratic

- An overspend of £0.286m is expected on the £1.740m Legal salaries budget due to a combination of the use of locums being used to cover vacancies, payment of market supplement to retain current staff and also an overspend in children's safeguarding legal costs. There has been agreement to fund an additional Lawyer and a Business Support Officer to cope with the increased workload.
- An underspend of £0.039m is expected on the salary budgets of £0.430m in the Governance support and Elections service.
- Additional income is expected of £0.122m on the £0.220m income budget for Land Charges.
- An underspend of £0.030m is expected on the elections budget of £0.205m due to the low number of elections this year. The budget will be required in full in 18/19.
- An underspend of £0.091m is forecast in relation to the Members' Allowances and other costs budget of £1.120m.
- Other miscellaneous small savings across the service area are £0.029m.

Performance & Information

- An overspend of £0.068m is expected on the £0.480m Coroner's budget due to an increase in demand. This ongoing pressure is being incorporated within the budget requirement for future years.
- An underspend of £0.020m is forecast on the £0.180m FOI Team staff cost budget.

Growth & Regeneration

	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Prev. Month Variance	Mvmt
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Development and Construction	291	0	291	361	0	70	24%	63	7
Director, OP & JV	528	185	713	(25)	150	(588)	-82%	(577)	(11)
Peterborough Highway Services	9,673	0	9,673	9,734	0	61	1%	137	(76)
Sustainable Growth Strategy	1,800	35	1,835	1,585	105	(145)	-8%	(139)	(6)
Corporate Property	639	0	639	476	0	(163)	-26%	(176)	13
Amey Peterborough & Waste Management	11,864	0	11,864	11,614	0	(250)	-2%	(250)	0
Westcombe Engineering	92	0	92	92	0	0	0%	0	0
Total Growth and Regeneration	24,887	220	25,107	23,837	255	(1,015)	-4%	(942)	(73)

Growth & Regeneration is overall reporting a favourable variance of £1.015m against its budget.

Development and Construction

- There is a forecast £0.050m variance on the £1.260m income budget within Development and Construction due to reduced external recharge income.
- Other miscellaneous small pressures across the Department are £0.020m.

Director, Opportunity Peterborough & Joint Venture

- A saving of £0.438m has been delivered in respect of the Highways roadmap efficiency programme, covering £3.98m of maintenance and related budget. This includes removing budget from the Highways contract where the same level of service is delivered at a lower cost, to “bank” the saving, (such as programme co-ordination efficiencies to avoid separate traffic management costs). It also includes receiving rebates based on a percentage of additional works put through the contract e.g. works for third parties. The ongoing elements of these savings will be factored into 18/19 budgets.
- A saving of £0.150m has been achieved against a total budget for the directorate of £24.887m, through extracting budgets from across the directorate following outturn review for car allowances, administration expenses, telephones, salaries, professional services, and computer software.

Peterborough Highway Services

- An overspend of £0.310m is expected against a budget of £0.870m due to a substantial inflationary increase in street lighting energy costs and a delayed start to the LED project. A budget adjustment is proposed for 18/19.
- Highways Development is favourable by £0.180m on a £0.470m budget due to additional income. This is partly offset by other staff costs and Community Link Bus Service costs.

- The department is also delivering a further £0.100m of savings on a £9.673m budget. This is being delivered via savings within the transport planning, street lighting maintenance and the drainage services. These will be kept under review for 18/19.
- Other miscellaneous pressures across the Department are £0.031m.

Corporate Property

- Additional rental income of £0.108m on a £4.140m budget arises from investment property purchased in Fengate in March 2017. This will be built into the budget for 18/19.
- A saving of £0.060m is reported on Utility costs against a budget of £0.500m. Expected increases in costs are likely to mean this saving will not continue for 18/19.
- Other miscellaneous pressures across the Department are £0.005m.

Amey Peterborough & Waste Management

- An underspend of £0.180m arises on an £8.600m budget for the Amey contract, in respect of a lower pension contribution rate compared with that assumed in the contract. The impact of this in future years will be considered along with a number of other potential contract costs.
- However proposed savings from Bin Sponsorship income £0.040m, and charging developers for bins £0.040m have not been achieved. This will be an ongoing pressure.
- Energy from Waste is reporting £0.100m additional income on a surplus budget of (£2.580m). The one-off additional income due to increased volume and price change
- Street Cleansing £0.050m saving on budget of £2.210m - pro rata saving from delayed start in additional cleansing

People & Communities

Budget Group	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Prev. Month Variance	Mvmt
	£000	£000	£000	£000	£000	£000	%	£000	£000
Adults	45,623	0	45,623	43,847		(1,776)	-4%	178	(1,954)
Commissioning and Commercial Operations	14,243	0	14,243	15,707		1,464	10%	905	559
Children's & Safeguarding	10,588	66	10,654	10,572		(82)	-1%	146	(228)
Director	774	0	774	330		(444)	-57%	(869)	425
Education	5,778	0	5,778	6,360		582	10%	626	(44)
Communities	4,828	107	4,935	7,008		2,073	42%	2,193	(120)
Total People and Communities	81,834	173	82,007	83,824	0	1,817	2%	3,179	(1,362)

People & Communities are overall reporting an adverse variance of £1.817m against its budget. The key variances in each of the service areas are as follows:

Adults

- Overall Adults is forecasting a £1.776m underspend
 - The Therapy, Reablement, Community Equipment service area is forecast to overspend by £0.152m against a total budget of £2.930m. Staffing is forecast to overspend by £0.309m (the 0-25 Team accounts for £0.229m of this figure), non-pay is forecast to underspend by £0.157m.
 - The Home Services Delivery Model is forecast to underspend by £0.134m against a total budget of £1.418m. This saving is part of the non-digital element of the Digital Front Door savings.
 - The Finance Service area is forecast to underspend by £2.148m against a total budget of £0.453m.
 - The forecast is £0.600m more favourable in December because £600k assumed in November to off-set pressures is no longer required.
 - The forecast is £0.293m more favourable in December because this proportion of the Department Savings target has now been found.
 - £0.474m of the Improved Better Care Fund is now reflected in the forecast. In overall Directorate terms this off-sets the pressure on the Adults placement budget
 - A commitment of £0.219m arises from the Care Act 2014. This issue will be addressed in the 2018-19 budget.
 - The Adults placement budget is forecast to overspend by £0.474m against a total budget of £28.610m. This is being mitigated by IBCF Funding held to cover Winter Pressures.
 - Other Adults savings total £0.120m.

Commissioning and Commercial Operations

- Overall Commissioning and Commercial Operations is forecasting a £1.464m overspend
 - Currently Clare Lodge is forecasting an adverse variance of £0.584m at the end of the year. This is due to three key factors:
 - A pressure of £0.250m relating to the non-achievement of the additional MTFS Income target as a result of the delay in Construction work.
 - A £0.100m pressure is as a result of non-achievement of pay terms and conditions savings.
 - A pressure of £0.234m is forecast, which is broken down as follows:
 - There is reduced occupancy and therefore Income as the result of lower demand from other Local Authority Commissioners for beds at Clare Lodge, creating a pressure of £0.380m. This may well be because other Local Authorities are in a difficult financial situation and are having to make savings on commissioned and other services.
 - Clare Lodge is also struggling to recruit and retain staff, Without the required staffing levels it can't safely staff the units and therefore can't make beds available. Due to the low staffing levels there is an under spend on this budget of £0.128m offsetting the income pressure.
 - There is also a small overspend of £0.018m on supplies and services.
 - Clare Lodge in conjunction with the responsible Local Authority Officer are working to increase occupancy
 - The Commissioning service area is forecast to underspend by £0.155m against a budget of £1.079m.
 - A pressure of £0.047m relating to Play Centre property costs has arisen as a result of the delayed Community Asset transfers.
 - An underspend of £0.187m against Children's Commissioning budgets has been identified to mitigate the reported pressure against Clare Lodge.
 - The Permanency Service (TACT) is forecast to overspend by £1.000m against a budget of £13m which is an increase of £0.600m on the previous forecast.
 - The additional cost is as a result of LAC numbers being higher at the beginning of the contract than was anticipated, work is ongoing with TACT on plans to reduce this number however this is taking longer than anticipated and as such giving rise to a pressure in year. Work is still underway to address this with results more likely to give rise to savings in 18/19. Further work is being done around placement mix and the impact on the savings built into the contract for 17/18 due to the later than planned mobilisation of the contract and therefore the changes that TACT are making were later into the contract than was originally anticipated - we are expecting further pressures to arise from this piece of work being done in January. Discussions held with TACT are that at this time it is expected that this will be resolved for 18/19 and that they will be able to deliver the level of savings that the contract require. But this will depend upon working together to get the LAC numbers back to the level that the contract was built on.
 - Other Commissioning and Commercial Operations pressures total £0.035m.

Children's & Safeguarding

- Overall Children's & Safeguarding is forecasting an £82k underspend
 - The Children's Social Care service area is forecast to overspend by £0.054m against a budget of £6.727m. This is due to a £0.187m pressure on car and travel allowances, a £0.252m saving on staffing costs, a £0.023m pressure on room hire costs & a £0.010m pressure in relation to other costs including ICT maintenance, mobile phone costs, financial assistance etc.
 - Other Children's & Safeguarding budgets are forecast to underspend by £0.028m.

Director

- Overall the Director is forecasting a £444k underspend.
 - Currently reporting a £91k pressure
 - The £0.500m savings target in relation to 'New ways of working' has not been achieved and has therefore been reported as a pressure.
 - This pressure has been partially offset by a £0.409m saving in relation to the prior year element of the Norfolk Ordinary Residence case which has recently been agreed and paid.
 - Currently reporting £400k underspend
 - The MTFS saving re 'SERCO Insight and Analytics' has been reported as a £0.163m pressure.
 - £0.563m of the departmental contingency has been released to off-set the 'SERCO Insight and Analytics' pressure, and £400k of the Permanency Service (TACT). A departmental contingency was set up to help cover some in year pressures including the TACT contract which is the first of its type in the country. It was deemed appropriate to hold a contingency in light of this especially late mobilisation of the contract, an uncommitted balance of £0.127m remains.
 - Currently reporting £135k underspend
 - A pressure in relation to non-achievement of Business Support savings of £0.015m has been reported.
 - Shared Management arrangements with Cambridgeshire have generated an underspend of £0.094m.
 - Staff vacancies in the People and Communities Finance Team have resulted in an underspend of £0.047m.
 - Non staff savings total £0.009m

Education

- Overall Education is forecasting a £582k overspend.
 - The Home to School and Children's Social Care Transport service area is forecast to overspend by £0.416m against a budget of £3.720m.
 - The Home to School Transport budget is forecast to overspend by £0.269m. This forecast includes demographic pressure and the savings arising from the recent exercise to rationalise and re-tender routes etc.
 - Children's Social Care transport is forecast to overspend by £0.107m. In part this is due to the loss of voluntary drivers and the necessity to therefore procure more taxi transport. The transport team are actively trying to recruit additional voluntary drivers.

- Other pressures total £0.040m.
- The Pupil Referral Service is forecast to overspend by £0.237m against a surplus budget of (£0.237m), this is as a result of the implementation of a new funding model. This pressure has been addressed in the 18-19 budget process
- Other Education savings total £0.071m.

Communities

- Overall Communities is forecasting a £2.073m overspend.
 - The Housing Service area is forecast to overspend by £1.594m against the total budget of £0.854m.
 - Of the overspend £1.597m relates to Homelessness / temporary accommodation costs. This is being closely monitored by Management.
 - Other Housing Service savings total £0.003m.
 - The Housing Enforcement Service area is forecast to overspend by £0.413m against the total net income budget of £0.083m.
 - Selective Licensing is forecast to overspend by £0.287m which is primarily as a result of the very high take up of an early bird discount scheme. Work is being undertaken to identify additional homes that should be licensed. The additional income should close the gap in financial years 2018/19 onwards.
 - An overspend of £0.143m has arisen due to under achievement of income in relation to EPC certificates. The income loss will be addressed in the 2018/19 budget setting process.
 - Other Enforcement underspends total £0.017m.
 - Other Communities pressures total £0.066m.

Public Health

	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont. to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Prev. Month Variance	Mvmt
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Children 0-5 Health Visitors	2,967	0	2,967	2,967		0	0%	0	0
Children 5-19 Health Programmes	1,999	0	1,999	1,999		0	0%	0	0
Sexual Health	1,817	0	1,817	1,816	1	0	0%	0	0
Substance Misuse	2,370	0	2,370	2,348	22	0	-1%	(22)	22
Smoking and Tobacco	374	0	374	322	52	0	-14%	(53)	53
Miscellaneous Public Health Services	1,875	0	1,875	1,782	93	0	-5%	(92)	92
Public Health Grant	(11,196)	0	(11,196)	(11,196)		0	0%	0	0
Total Public Health	206	0	206	38	168	0	-82%	(167)	167

Public Health is reporting a favourable variance of £0.168m against its budget, this will be transferred to the Public Health reserve. The Key variances in each of the service areas are as follows:

- Substance misuse is forecast to underspend by £0.022m against the budget of £2.370m. This underspend is as a result of an accrual for DETOX treatment which is no longer required.
- Smoking and Tobacco is forecast to underspend by £0.052m against the budget of £0.374m. This underspend is against Smoking cessation services.
- Miscellaneous Public Health Services is forecast to underspend by £0.093m against the budget of £1.875m. This underspend is as a result of an accrual for Redundancy which is no longer required (£0.060m) and the balance relates to two PH projects which will no longer be funded from 2017/18 revenue budgets. These are South Asian health checks for people aged under 40, which will no longer be implemented following changes to the relevant evidence base, and Healthier Eating in fast food outlets, which is still under discussion with the Environmental Health Team, and for which any costs will be funded from public health reserves.

Resources

Budget Group	Budget 2017/18	Cont. from reserves	Revised Budget 2017/18	Forecast Spend 2017/18	Cont.to reserves 2017/18	Forecast Variance 2017/18	Forecast Variance 2017/18	Prev. Month Variance	Mvmt
	£000	£000	£000	£000	£000	£000	%	£000	£000
Director's Office	258	0	258	307	0	49	19%	55	(6)
Financial Services	3,605	418	4,023	3,356	511	(156)	-4%	(66)	(90)
Capital Financing	12,441	1,322	13,763	11,421	0	(2,342)	-17%	(2,282)	(60)
Corporate Items	5,726	90	5,816	4,342	0	(1,474)	-25%	(1,777)	303
Peterborough Serco Strategic Partnership	7,224	0	7,224	6,674	0	(550)	-8%	(550)	0
ICT	5,995	110	6,105	6,476	0	371	6%	371	0
Commercial Group	336	0	336	309	0	(27)	-8%	3	(30)
Energy	392	0	392	1,156	0	764	195%	771	(7)
Vivacity/Cultural Services	2,473	0	2,473	2,479	0	6	0%	24	(18)
Cemeteries, Cremation & Registrars	(1,348)	38	(1,310)	(1,378)	0	(68)	5%	(36)	(32)
City Services & Communications	(865)	40	(825)	(435)	0	390	-47%	325	65
Total Resources	36,237	2,018	38,255	34,707	511	(3,037)	-8%	(3,162)	125

Resources is overall reporting a £3.037m favourable variance against its budget.

Directors Office

- An overspend of £0.049m is forecast against the Director's budget of £0.258m relating to staffing costs

Financial Services

- A favourable variance of £0.105m is forecast within Financial Services, in respect of the £1.030m Insurance budget, arising mainly from additional income of £0.066m from external recharges relating to management fees on school insurance recharges. Additional savings total £0.051m

Capital Financing

- A favourable position of £2.342m is being reported within this area. The variance includes:
 - A saving of £1.093m on Minimum Revenue Provision due to slippage in the capital programme.
 - The planned MTFS borrowing requirement was £101.276m. This comprises both capital programme requirements; the replacement of maturing debt; and the impact of making minimum revenue provision. See Appendix D for further detail. The reduced level of borrowing; better than expected interest rates achieved; and borrowing been transacted later in the year than expected have led to a favourable variance of £1.249m.
- The capital financing budget is net of £12.7m capital receipts income. Non-delivery of the income is a key financial risk and is being carefully monitored. The income consists of a £1.3m brought

forward balance; £3m of smaller disposals; and £8m of strategic disposals none of which have so far been completed.

Corporate Items

- There is a favourable variance of £1.474m within this area due to a recent review of corporate budgets. The variance includes higher than budgeted income from the Cross Keys VAT shelter (£0.140m variance on £0.380m budget). However as set out in the Key Movements table at the beginning of Appendix A, the favourable variance is less than was expected in November BCR. The favourable variance also includes the retention of £0.373m general and specific inflation not allocated to services. There was a budget allocated for the introduction of the auto enrolment of the pension scheme which was to be introduced this year, but it is expected that this budget will no longer be required (£0.412m) and a further £0.385m saved on a budget of £2.230m in respect of lump sum pension fund contributions. Pension costs for premature retirement are forecast to be £0.100m lower than the £1.260m budgeted. External Audit fees are £0.017m lower than the £0.120m budgeted. Around £0.037m has been saved in respect of the Apprenticeship Levy. Other minor savings total £0.010m. The 18/19 impact of all of these savings will be factored into budget proposals.

Peterborough Serco Strategic Partnership

- There is an additional £0.250m of Court Cost income against a budget of £0.600m based on early performance. This is expected to continue and has been factored into future budgets.
- There is a £0.300m favourable variance on the HB Subsidy Budget. The full cost of unsubsidised temporary accommodation is now charged to the People and Communities budget. It is proposed to amend the budget accordingly in future years.

ICT

- An overspend of £0.270m is expected on the £0.410m budget for the revenue impact of the IT Strategy of moving costs into the Cloud, as the cost was not fully identified at the time that the budget was set.
- There is also a pressure of £0.300m from the delay in delivering Salesforce Line Of Business applications & Box having not yet been decommissioned.
- The SLA's with our partner organisations including NPS and Opportunity Peterborough are generating a surplus of £0.050m on a budget of £0.100m.
- Other miscellaneous savings across the Department are £0.149m.

Energy

- One-off unbudgeted cost of £0.711m in relation to writing off abortive capital project costs.
- There is currently a £0.053m shortfall in the Energy Projects saving target of £0.320m expected this year. This is under review to assess the impact on the 18/19 budget.

City Services & Communications

- The off street parking income budget of £2.400m is £0.357m adverse, but this is being offset by staff parking income which is £0.095m higher than the budget of £0.310m.
- An adverse variance of £0.205m is expected within the Market, Events and Tourism service area. This is mainly due to £0.155m lower income than the budgeted £0.465m at the Market, and £0.040m variance on £0.130m budget at the Destination Centre and a £0.020m surplus generated by the PGER. The income budgets for Travelchoice and the Pedestrian Area of £0.390m are

forecasting to be adverse by £0.081m due to reduced coach company income and street advertising income. Miscellaneous savings total £0.051m

- An overspend of £0.040m on £0.460m budget is reported in respect of increased costs in Food safety following pressures in the numbers of premises in need of inspection. The 18/19 budget will include proposals to address increased demand. There is also a £0.064m pressure relating to reduced Trading Standards income.
- Health and Safety recharges are expected to be £0.050m lower than the £0.090m budgeted. A proposal to amend the baseline budget will be included for 18/19.
- The Design and Print Team is expected to break even, through recharging all costs based on jobs completed, costing around £0.250m. It is expected that £0.033m of this sum will not be recovered.
- Following a review of spending across the City Services & Communications service area, in year savings of £0.264m have been identified for 17/18, over a gross expenditure budget of £5.740m.

Appendix B – Risks Identified

The following table outlines the risks identified, which will have an impact on the councils MTFS.

Dep	Risk	Description
P&C	Clare Lodge	MTFS income savings target not achievable due to delay in construction works
P&C	Children's Health	Pressure on overtime and lack of enhancement budget at Cherry Lodge/Manor-this service is under review
P&C	Home to School Trans.	Assuming same outturn as 16/17 less agreed MTFS saving. Await new academic year for update
Res	Asset Disposals	Capital receipts included within the MTFS may not be achieved, creating a pressure. For more details see main report.
P&C	Homelessness	Included within the BCR pressures.
P&C/Res	Schools funding/ Academisation	11 schools have indicated that they will become academies in 17/18 and 11 in 18/19
P&C	SEND funding	Ceases at the end of the year.
P&C	Universal Credit	administration cost and the risk of UC implementation increasing homelessness
Gov	Legal Income	To secure external income
Gov	Employee Costs	Regrades and restructures- including the costs for redundancy, and future incremental rises.
G&R	Street Lighting	Delays to LED implementation could increase adverse already reported
P&C	ASC Placements	Continuing demand pressure
Res	Parking Income	Demand led in nature -the Summer period traditionally sees a spike in demand, mainly in off street.
Res	Court Costs Income	To be kept under review
Res	Payments & Subsidy	To be kept under review
Res	Wellington St Car Park	Lease with Pelican for Wellington St Car Park
P&C	Troubled Families	Troubled families is a performance related grant from Government that is due to finish in 2020. This grant funds a number of early intervention services that will be at risk without this funding. There is a lobbying campaign for the grant to be extended but this is an early risk alert
Res	Amey-Norse Migration	Issues around volumetrics, inflation currents savings targets and the current contract position.
P&C	EPC income	Unachievable income target
Res	Performance Information	Unachievable savings target for ICT system support savings
P&C	New ways of working	Unachievable savings target
Res	PSSP	Continuing review of this saving.

Appendix C - Reserves

The Council's departmental reserves and the capacity building reserve are monitored throughout the year and feed into the budget setting process accordingly. The next table summarises the expected balance for all reserves for 2017/18 to 2020/21

Out of the total reserves balance only £21m is deemed available or uncommitted, due to restrictions placed on the remaining reserves.

A contribution to the reserves position is projected at the end of 2017/18 through a forecast underspend and through the application of funds received from Planning Obligations Implementation System (POIS) for capital contributions.

	Balance Brought Forward 1.4.17	Contribution from reserves	Movement between reserves	Contribution to reserves	Forecast Balance 31.03.18	MTFS 2017/18 Forecast Balance 31.03.18	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Summary of Reserves							
General Fund Balance	6,000				6,000	6,000	0
Available Reserves							
Capacity Building Reserve	4,314	(1,813)	1,445	6,738	10,684	823	9,861
Risk Management Contingency	680	(23)			657	0	657
Grant Equalisation Reserve	15,639	(7,827)	0	0	7,812	4,249	3,563
Development Equalisation Reserve	1,233	(689)			544	0	544
Departmental Reserve	3,855	(1,090)	(1,445)	255	1,575	714	861
	25,721	(11,442)	0	6,993	21,272	5,786	15,486
Ring-Fenced Reserves							
Insurance Reserve	4,425			511	4,936	4,520	416
Schools Capital Expenditure Reserve	1,287				1,287	1,427	(140)
Parish Council Burial Ground Reserve	53				53	40	13
Hackney Carriage Reserve	155				155	75	80
School Leases Reserve	336			3	339	384	(45)
Future Cities Reserve	569	(569)			0	0	0
Public Health Reserve	428			168	596	428	168
Salix Carbon Reduction Reserve	0				0	15	(15)
	7,253	0	0	682	7,366	6,889	477
Total Available and Ring-Fenced	38,974	(12,011)	0	7,675	34,638	18,675	15,963

* £7.194m was drawn down as part of the budget setting process, the remaining £2.982m has been drawn down during the year as and when it has been required.

Key Changes in the movement in Reserves

Capacity Building Reserve – The £6.738m contribution is primarily available because of the under spend forecast for 2017/18 and £4.2m POIS balances. Between 2010 and 2015 the Council operated the system of Planning Obligations Implementation System (POIS) Section 106 planning agreements. Following Counsel's advice and discussions with external auditors, the balances that are held in the Strategic POIS Pool are available to apply to a capital financing purpose. The Strategic POIS balances will be used to make minimum revenue provision. This allows the resulting underspend on the capital financing budget to be transferred to reserves.

£1.4m has been transferred from earmarked reserves to Capacity reserve as no longer being required for their specific purposes.

Grant Equalisation Reserve – The balance at the end of 2016/17 was greater than expected in the budget due to additional items that were transferred into the reserve.

Departmental reserve contributions:

Growth and Regeneration

£150k - Fourth annual contribution to create £600k fund for Fletton Quays revenue costs (stamp duty etc.)

£75k - Local development plan - LDP has slipped by 9 months into 18/19 and has no recurring budget to fund (cyclical activity)

£30k - New burdens funding for self & custom build housing - to fund fixed term post.

Insurance reserve - £511k is to fund future expected claims this comes from a review of previous years' claims, plus other elements that are not covered externally such as subsidence, an average of the figures plus a review of claims trends are then used to calculate a likely figure for future claims.

Public Health – Any underspend at the end of the financial year will be transferred to the reserve.

Appendix D - Asset Investment and Treasury Budget Report as at December 2017

Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at December 2017. It also provides an estimate of the borrowing requirement for 2017/18 to fund the Asset Investment Plan.

Asset Investment Plan 2017/18

The revised Asset Investment Plan budget as at December 2017 is £92.8m, which includes £15.3m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £219.3m. The movement between the MTFS position and the £324.7m as at Apr-17 was a result of slippages mainly due to delays completing projects from 2016/17.

The actual investment expenditure as at December 2017 is £52.8m (75.9% of the revised budget to date). The latest forecast provided by project managers predicts an overall spend of £92.8m, therefore the Council is expecting to spend a further £40.0m before Mar-18.

The following table shows the breakdown of the Council's Asset Investment over the directorates and how this investment is to be financed.

Directorate	MTFS Budget	1st April Budget	Current Budget FY	Revised Budget YTD	Actual YTD	Forecast Investment & Financing
	£000	£000	£000	£000	£000	£000
Governance	-	49	-	-	-	-
Growth & Regeneration	37,064	43,204	32,000	24,000	13,413	32,000
People & Communities	65,916	79,283	36,549	27,412	21,176	36,549
Resources	23,378	32,575	8,954	6,715	4,405	8,954
Invest to Save	92,954	169,546	15,288	11,466	13,840	15,288
TOTAL	219,312	324,657	92,791	69,593	52,834	92,791
Grants & Contributions	44,259	50,297	39,773	29,829	25,421	39,773
Capital Receipts	942	1,083	1,083	812	-	1,083
Borrowing for capital programme	174,111	273,277	51,935	38,952	27,413	51,935
TOTAL	219,312	324,657	92,791	69,593	52,834	92,791

The movement of £231.9m between the budget as at April 17 (£324.7m) and the current budget of £92.8m follows a comprehensive review of the Asset Investment Plan. The Invest to Save projects have been cut

significantly, and a number of other large projects across all directorates have been reprofiled to more accurately reflect the spending over future years.

The Asset Investment Plan can be funded via three core elements, external third party income (including grants), capital receipts generated from the sale of Council assets, and borrowing from the external market. For the 2016/17 MTFS onwards the approved strategy is to use Capital Receipts as part of a contribution to the Minimum Revenue Provision (MRP) therefore they are no longer factored into the funding of the Asset Investment.

Borrowing and Funding the Asset Investment Plan

It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the approved Treasury Management Strategy. The Council borrows only to fund the Asset Investment Plan. The current plan assumes that 61.8% of the budgeted expenditure will be funded by borrowing.

The Council's borrowing as at the end of November 2017 was £416.6m (see table below). The debt is measured against the Council's Authorised Limit for borrowing of £914.1m which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £811.0m.

Borrowings	Less than 1yr £000	1-2yrs £000	2-5yrs £000	5-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	-	-	4,500	16,143	308,944	329,587	3.7
Local Authority	7,000	9,000	50,500	-	-	66,500	1.4
Market Loans	-	-	-	-	17,500	17,500	4.5
LEP Loan	-	3,000	-	-	-	3,000	0.0
Total Borrowing	7,000	12,000	55,000	16,143	326,444	416,587	3.3
% of total Borrowing	2%	3%	13%	4%	78%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

The table below shows the activity in Loans held by the Council for the year to date:

Loans Portfolio £000		
April 17 b/f		395,371
Repayment of loans to date	(11,784)	
New loans in year	33,000	
Net increase/(decrease) to date		21,216
Loans portfolio as at November 17		416,587

Total interest payable on existing loans for the year (£416.6m) is expected to be £13.5m.

As at December 2017 the Council held £23.2m of S106 and Planning Obligations Implementation Scheme (POIS) funding available for funding Asset Investment projects. To date £6.0m has been earmarked for specific projects. The process for allocation requires project managers to successfully submit project plans meeting the criteria for which the contributions were intended. The S106 Officer is responsible for approving S106 allocations.

The Capital Receipts are monitored on a monthly basis and each sale given a status of Red, Amber or Green to identify the likely receipt before March 2018. The MTFs includes a contribution of £12.7m Capital Receipts, which includes £2.2m rolled forward from uncompleted disposals in 16/17. Any shortfall of actual cash receipts in year will therefore have a direct impact on the final Revenue position and in turn the underpinning of the MTFs approach. The revenue forecast assumes that 100% of green receipts and 50% of amber receipts are achieved.

Capital Receipts				
RAG Status	Budgeted Income per MTFS £000	Revised Budget £000	Received to Date £000	Not yet received £000
Green	4,191	4,855	33	4,822
Amber	1,975	9,098	-	9,098
Red	6,572	-	-	-
Total	12,738	13,953	33	13,920

Investments

The Council aims to achieve the optimum interest on investments commensurate with the proper levels of security and liquidity. In the current economic climate the Council considers it appropriate to keep investments short term to cover cash-flow fluctuations, and only invest with Barclays (the Council's banking provider) and Bank of Scotland (part of the Lloyds Banking Group), the Debt Management Office and Local Authorities although the Council has recently opened a Money Market Fund account to help mitigate the investment risks, whilst increasing returns.

As at December 2017 the Council's external investments totalled £23.3m and have yielded £58k to date.

This page is intentionally left blank