

CABINET	AGENDA ITEM No. 6
11 JUNE 2018	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

BUDGET MONITORING REPORT FINAL OUTTURN 2017/18

RECOMMENDATIONS	
FROM: Acting Director of Corporate Resources	Deadline date: N/A
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Note the final outturn position for 2017/18 (subject to finalisation of the statutory statement of accounts) of a £6.9m underspend on the Council's revenue budget. 2. Note the reserves position outlined in section 6, which includes a contributions to the capacity building reserve of £6.9m, as a result of departmental underspends as highlighted in the revenue outturn. 3. Note the outturn spending of £80.164m in the Council's capital programme in 2017/18 outlined in section 7. 4. Note the performance against the prudential indicators outlined in Appendix B. 5. Note the performance on payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix C. 	

1. ORIGIN OF THE REPORT

- 1.1. This report is submitted to Cabinet as a monitoring item. The outturn position will be reported to Audit Committee on 16 July 2018 alongside the draft statement of accounts.

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 2017/18, subject to any changes required in the finalisation of the Statement of Accounts.

- 2.2. The report also contains performance information on 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
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4. FINAL OUTTURN 2017/18

Corporate Overview

- 4.1. The Council, at its meeting on 7 March 2017 approved a balanced budget for 2017/18 that supported the delivery of key services. The approved budget included £20.8m of savings, £9.8m of demand-related pressures and investment, and further grant reductions of £2.8m.
- 4.2. The Budget also included the use of £7.2m from the Grant Equalisation (GE) reserve. This was used in line with the purpose the reserve was initially set up for in 2015/16, which was to defer the impact of reductions in government grant, protecting as far as possible the delivery of services to our residents, while allowing officers time to develop a sustainable budget.
- 4.3. There were a number of other non-repeatable savings included within the 2017/18 budget, such as the use of capital receipts, council tax surplus and the use of the GE reserve, as mentioned in point 4.2, these are outlined in the following table:

Non Repeatable	2017/18 £000
Capital Receipts	12,738
Council Tax Surplus	173
Use of Reserves	7,194
Total	20,405

- 4.4. During the year the Corporate Management Team (CMT) have received regular reports 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 the Cabinet meetings held between November and March. Financial plans have also been considered by a cross-party budget working group.
- 4.5. Actions undertaken by the CMT and Cabinet have included:
- Departmental management teams, together with CMT have reviewed the budget position monthly and have taken appropriate action, including plans to address budget issues. These have been acknowledged in Budgetary Control Reports;
 - Regular reports to CMT have included a summary of progress with savings proposals, additional pressures and risks;

- Savings have been brought forward as part of a two stage budget process for 2018/19;
- An Officer led Capital Review Group has been established within 2017/18, meeting on a fortnightly basis this group has the responsibility of reviewing the following and reporting updated information to CMT:
 - 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;
 - Monitoring Capital receipts;
 - Utilising all opportunities to capitalise expenditure relieving pressure on the general fund; and
 - Reviewing new capital project proposals for adequacy, value for money, requirement and ensuring the Council only invests in necessary projects.
- Thorough review of the reserves balances including a review of the future planned use of reserves.
- An enhanced Risk Management Board has been established within the financial year, which will be led by the Director of Growth and Regeneration. This has been established with the purpose of challenging and supporting risk management across the council and partner organisations, and will report corporate and departmental risks into CMT.

- 4.6. The January 2018 Budget Control Report came to Cabinet on 26 March 2018, reporting a £3.5m underspend for the year. The Council can now report a departmental underspend of £6.9m, which will be added to the Capacity Building Reserve for future transformational use.
- 4.7. The final outturn position for 2017/18 is outlined in a summary table section 5 below, with additional detailed information in Appendix A.
- 4.8. In addition to this, there were a number of other items such as additional benefit received from Direct Revenue Funding which will be added to the capacity building reserve. There has also been a significant boost in the departmental reserves position as a result of a number of specific grants received in advance. Throughout the year the reserves have undergone a thorough review by officers in conjunction with the Section 151 officer. As a result of this a number of reserve commitments were released, freeing up capacity to support future council transformational change and supporting the creation of a balanced and sustainable budget for future years.
- 4.9. Officers have taken a proactive approach to addressing the financial challenge the council faces. The Council's budget for 2018/19 includes budget reductions of £26.4m and a planned use of £4.2m from the GE reserve. Included within the reductions are a number of items which are one off non-repeatable savings, such as capital receipts, MRP re-provision and Council tax surplus. The following table demonstrates the Council's transition to a sustainable budget with a reduction in non-repeatable savings currently planned over the three year period compared with the 2017/18 position.

Non Repeatable One Off Savings	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital Receipts	12,738	2,922	4,139	-	-
MRP Re-Provision	-	3,700	-	-	-
Council Tax Surplus	173	1,188	-	-	-
Use of Reserves	7,194	4,231	-	-	-
Total	20,105	12,041	4,139	-	-

4.10. The budget gap in 2019/20 currently stands at £12m rising to £19m in 2020/21. CMT and Cabinet have started work on a strategy to tackle this gap and create a sustainable budget. In 2018/19 Cabinet and Council will be updated more frequently on the budget position with the introduction of the rolling budget process as agreed at Council on 7 March.

5. REVENUE OUTTURN

5.1. The Council's overall revenue outturn shows a £6.9m underspend for 2017/18, after movements in reserves. The table below summarises the revenue outturn position by the Directorates during 2017/18.

Revenue outturn 2017/18

Directorate	Budget £000	Contributions from Reserve £000	Revised Budget £000	Actual £000	Contributions to Reserve £000	Revised Variance £000
Chief Executive	1,599	217	1,816	1,426	20	(370)
Governance	4,512	115	4,627	4,499	39	(89)
Growth & Regeneration	24,511	1,074	25,585	22,196	344	(3,045)
People & Communities	74,062	993	75,055	71,210	4,561	716
Public Health	207	0	207	1	0	(206)
Resources	40,083	862	40,945	36,386	559	(4,000)
Totals	144,974	3,261	148,235	135,718	5,523	(6,994)
					Financing Adjustment	140
					Revised Underspend	(6,854)
					Contribution to the Capacity Building Reserve	6,854
					Final Variance	0

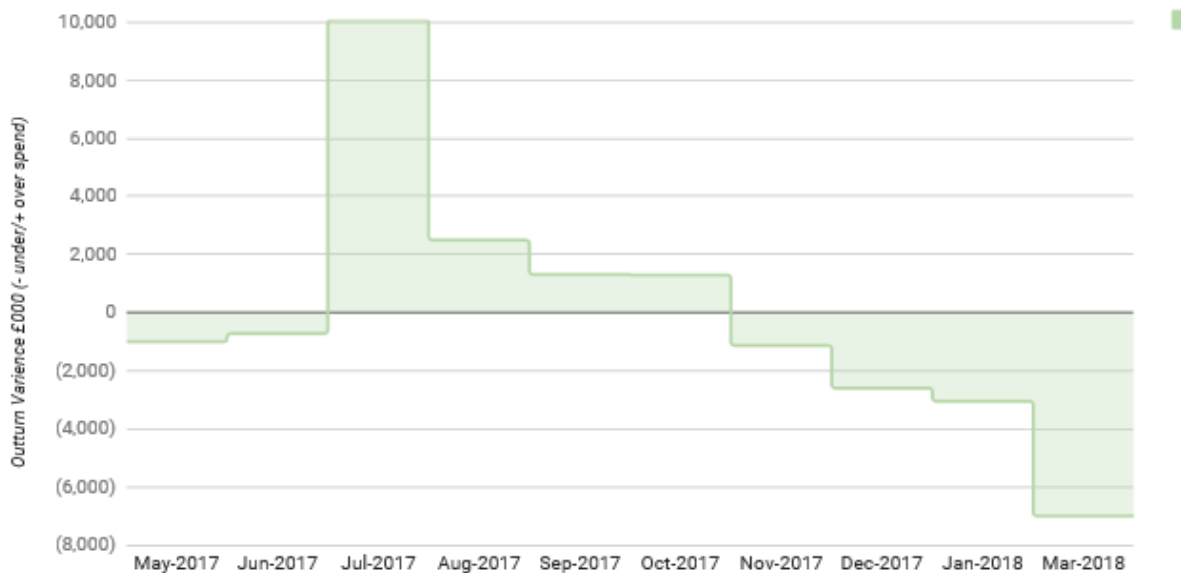
5.2. A detailed breakdown of the outturn by Directorate and explanation of the major variances is provided in Appendix A.

5.3. The overall position shows a £6.9m underspend, an improved position against a January 2018 Budgetary Control Report (BCR) forecast of a £3.5m underspend. This change is summarised in the following table:

	£000
January position	(3,466)
Chief Executives - minor variances	(79)
Governance - legal services additional income	(102)
Growth & Regeneration - savings in Highways Development team to fund temp staff	(163)
Growth & Regeneration - Business Rates	(115)
Growth & Regeneration -Energy from Waste plant additional income	(132)
Growth & Regeneration - Corporate repairs and maintenance and street cleaning underspend	(183)
Growth & Regeneration – various savings across the service including supplies and services, additional income generation, reduction in utility costs	(392)
Growth & Regeneration – reduction in unrecoverable road traffic accident costs.	(77)
Growth & Regeneration – Westcombe engineering additional income.	(35)
People & Communities - savings target in relation to 'Creation of Health and Social Care Teams' has not been achieved and is therefore reported as a pressure.	345
People & Communities - Home to School and Children's Social Care transport	(213)
People & Communities - Education - increased income from school DSG de-delegations	(408)
People & Communities - Adult Social Care	(424)
Resources - Centrally held inflation budget not allocated through bid system	(295)
Resources - Underspend against bad debt provision budget	(244)
Resources - ICT project budget underspend	(321)
Resources - Savings target in Energy Projects exceeded due to Empower extension	(480)
Resources - Income exceeded budget due to additional Cremation Fees plus allocated s106 money.	(225)
Resources - Prior year balance sheet reconciliation entries impacting on Payments and Subsidy revenue budget	367
Other Variances	(212)
Outturn position	(6,854)

5.4. The following Chart outlines the reported forecast outturn throughout the financial year:

Forecast Month by Month Outturn Variance for 2017/18



5.5. The graph demonstrates how the position reported has improved throughout the financial year for the council. This is as a result of actions taken by management to reduce the in year expenditure.

5.6. The most noticeable change is in July 2017, the forecast overspend reached £10m, this was largely the result of updated information in respect of the councils property sales, impacting the levels of capital receipts the Council was expecting to receive. Later progress updates on property sales meant that as the year progressed and further action was taken the Council was able to place greater certainty on receipts from property sales, and the Council was able to update its assumptions on this bringing down the expected overspend.

6. RESERVES

6.1. The Council's reserves are monitored throughout the year as part of the budgetary control reporting and feed into the budget setting process accordingly. The following table summarises the balance for all reserves at the end of 2016/17 against the position at the end of 2017/18, and the forecast position for future years.

	2016/17	2017/18	2018/19	2019/20	2020/21
Summary of Reserves	Balance 31.03.17	Balance 31.03.18	Est Bal at 31.03.19	Est Bal at 31.03.20	Est Bal at 31.03.21
	£000	£000	£000	£000	£000
General Fund	6,000	6,000	6,000	6,000	6,000
Available Reserves:					
Capacity Building Reserve	4,314	12,714	11,574	11,539	11,539
Risk Management Contingency	680	0	0	0	0
Grant Equalisation Reserve	15,639	8,445	4,214	4,214	4,214
Development Equalisation Reserve	1,233	1,233	0	0	0
Departmental Reserve	3,855	5,197	902	902	902
Available Reserves	25,721	27,589	16,690	16,655	16,655
Ring-Fenced Reserves:					
Insurance Reserve	4,425	4,936	4,936	4,936	4,936
Schools Capital Expenditure Reserve	1,287	1,208	1,208	1,208	1,208
Parish Council Burial Ground Reserve	53	51	51	51	51
Hackney Carriage Reserve	155	203	203	203	203
School Leases Reserve	336	244	228	178	178
Future Cities Reserve	569	240	0	0	0
Public Health Reserve	428	428	230	230	230
Ring-Fenced Reserves	7,253	7,310	6,856	6,806	6,806
TOTAL Earmarked and General Fund Balance	38,974	40,899	29,546	29,461	29,461

6.2. The earmarked reserves balances are set aside for specific purposes, the table highlights which of these are reserves are ring-fenced for specific use, or available for use. The

available for use reserves will be utilised in part over the next financial years to resource the cost of transformational change and support a sustainable and balanced budget.

6.3. The table also indicates what the expecting future reserves balances are, once the planned commitments against these have been realised.

6.4. 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.

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. In 2016/17 we expected to fully utilise the funds within this reserve, however this reserve has only seen a very small reduction in balance. As there are no further commitments against this at the end of 2017/18 the balance of this reserve has been consolidated within the Capacity Building Reserve.

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 and 2017/18 to drive forward the transformation of services to deliver savings. As part of an in year review of the reserves a number of the commitments against this reserve were released, and the current £6.9m departmental underspend has been contributed to this reserve, boosting the balance available for future transformation.

Public Health – movements on this reserve represent a net carry forward of unused Public Health grant, in relation to previous years underspends. This balance has not changed in 2017/18, however there is future planned use of the reserve as detailed in the MTFs, to support the delivery of public health services through a period of transformation.

Grant Equalisation – This reserve was created in 2015/16, with the purpose of stabilising the budget position, while the Government funding received by the Council reduces considerably. The £7.2m was used to support the position in 2017/18 and £4.2m is planned in 2018/19 as per the MTFs. There are no further commitments against this reserve at this time.

Development Equalisation Reserve - This reserve was established at the end of 2016/17 to manage cash flow in relation to a £1.2m declared distribution from the Peterborough Investment Partnership (PIP), and will be fully required in 2018/19.

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

7. CAPITAL BUDGET REPORT AS AT 31 MARCH 2018

7.1. The following provides the final position of Council's Asset Investment Plan and the Treasury activity for the financial year 2017/18. Treasury activity for the Council during 2017/18 has been compliant with the Treasury Management Strategy approved in March 2017. This information compliments the Prudential Indicators performance report as set out in Appendix B.

Asset Investment Plan 2017/18

- 7.2. The final adjusted budget for the 2017/18 financial year was £80m, which includes £13.6m 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 £80m is a result of projects not being delivered to the original timescales, and other projects being removed following an enhanced scrutiny process linking to the development of the 2018/19 MTFS. 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.
- 7.3. During the year the Council enhanced its governance arrangements for making asset investment decisions and project management in the City through the implementation of the Capital Review Group. This review group has focused on ensuring all schemes in the asset investment plan provide value for money, are correctly profiled to ensure effective borrowing decisions can be made, and project management review is strengthened.
- 7.4. The following table shows capital budgets as agreed for the 2017/18 MTFS (£219.3m), budgets containing slippage from 2016/17 (£324.7m), and the budget as reported at 31 January 2018 (£92.8m). This compares to the final expenditure for each directorates and how this investment is planned to be financed (£80.3m).

Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Governance	-	49	-	-
Growth & Regeneration	37,064	44,704	32,000	28,662
People & Communities	65,916	77,783	36,549	32,921
Resources	23,378	32,575	8,954	5,086
Invest to Save	92,954	169,547	15,288	13,584
TOTAL	219,312	324,658	92,791	80,253
Grants & Contributions	44,259	50,297	39,773	36,531
Borrowing for capital programme	174,111	273,277	51,935	42,639
Capital Receipts relating to loans	942	1,083	1,083	1,083
TOTAL	219,312	324,658	92,791	80,253

- 7.5. 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 into 2018/19.
- 7.6. Listed below are the material value projects that have been slipped into 2018/19 that have contributed to the variance between the revised budget reported at January 2018 and the reported capital programme outturn of £80.3m.
- Jack Hunt Expansion, £1.3m – scheme impacted by delays caused through Carillion collapse

- Omiston Bushfield Academy Expansion, £0.6m – delays in completion of milestones which trigger payments
- Nene Park Academy Expansion, £0.8m – review of costs required to complete scheme alongside delays in completion of milestones which trigger payments
- Clare Lodge - Phase 6, £0.7m - delays in completion of milestones which trigger payments
- Customer Experience, £0.6m – a review of the schemes making up this project was undertaken during the year which resulted in some schemes being removed, and for other schemes requirements being realigned to ensure better value for money was to be achieved which has caused some delays
- Housing Joint Venture, £4.0m – delays experienced in the Bretton Court element of the scheme
- Fletton Quays Fit Out, £2.4m – payments have not occurred in accordance with profile originally envisaged

Funding the Asset Investment Plan

7.7. In reflection of the Council's Minimum Revenue Provision (MRP) Policy, the Asset Investment Plan is funded via grants and third party contributions, and borrowing funds from the external market. Capital receipts generated from the sale of Council assets now contribute to the MRP and therefore no longer form part of the funding of the Asset Investment Plan. However, as per 4.9 it is recognised that this treatment is not sustainable position for the longer term MTFS.

7.8. 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 expenditure for new assets, and not for revenue expenditure. Just over half the expenditure incurred on asset investment will be funded via borrowing.

7.9. The Council's borrowing as at the end of the financial year is £419.6m, and the total interest paid on these loans for the year was £13.7m. The following tables summarise the overall treasury borrowing activity undertaken for the year, and summary details for the Council's debt portfolio.

Borrowing Activity for the Year	£000	£000
April 2017 Debt B/fwd		395,371
New Debt in year	43,000	
Repayment in year	(18,784)	
Net increase / (decrease) for the year		24,216
TOTAL		419,587

Borrowings	Less than 1yr	1-2yrs	3-5yrs	6 - 10yrs	10+yrs	Total	Ave. Interest Rate	Ave. length of loan
	£000	£000	£000	£000	£000	£000	%	Years
PWLB	-	-	11,628	15,715	302,244	329,587	3.68	31
Local Authority	19,000	45,500	5,000	-	-	69,500	1.28	1
Market Loans	-	-	-	-	17,500	17,500	4.53	28
LEP Loan	3,000	-	-	-	-	3,000	0.00	0
Total Borrowing	22,000	45,500	16,628	15,715	319,744	419,587	3.26	25
% of total Borrowing	5%	11%	4%	4%	76%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

7.10. 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.

Capital Receipts

7.11. As per the MTFs and the Council's MRP policy, capital receipts generated from the sale of Council assets now contribute to the MRP and therefore no longer form part of the funding of the Asset Investment Plan. However, as per 4.9 it is recognised that this treatment is not sustainable position for the longer term MTFs.

7.12. This transaction reflects the cash flow of receipts rather than the funding of the capital programme. The application provides a short term benefit to the Council's revenue budgets as the income, by its very nature, is one-off and non-recurring income and postpone the budget gap to future years.

7.13. The following table shows the amounts of capital receipts built into the MTFs for last, current and future financial years.

MTFS	Budget £000	Achieved £000	Green £000	Amber £000	Red £000	(Short) / Over
2017/18	12,738	4,310				(8,428)
2018/19	2,922		8,958	8,784		14,820
2019/20	4,319			1,850		(2,469)
2020/21	0					

7.14. Whilst the Tesam sale occurred in 2017/18 the cash was not received by the 31 March 2018 (£8,950k). It can be used in 2018/19 to offset MRP, or could be used to fund transformational investment per Sajid Javid announcement in December 2017, of a continuation of the capital receipts flexibility programme for a further three years, to allow councils to use sales of their assets flexibly. This receipt is shown in the Green column of the previous table. In order for the timing difference not to have an impact in 2017/18, funding from POIS and the MRP overprovision was used to offset MRP rather than the Tesam receipt, see table below. Therefore there are no additional funds to use in 2018/19.

	MRP	MRP Offset By:			
		Capital Receipts	POIS	Overprovision	TOTAL
£000	12,278	(7,179)	(4,437)	(662)	(12,278)

Investments

- 7.15. The Council aims to achieve the optimum interest on investments commensurate with the proper levels of security and liquidity.
- 7.16. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 7.17. In the current economic climate the Council considered 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. The Council opened a Money Market Fund account during the year to help mitigate the investment risks, whilst increasing returns. At the end of the financial year, the Council's external investments totalled £9m and the interest that has been received from all external investment activity has yielded £86k.
- 7.18. 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.

8. CONSULTATION

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

9. ANTICIPATED OUTCOMES

- 9.1. That the outturn position for 2017/18 is noted.

10. REASONS FOR RECOMMENDATIONS

- 10.1. This monitoring report forms part of the 2017/18 closure of accounts and decision making framework culminating in the production of the Statement of Accounts and informs Cabinet of the final position.

11. ALTERNATIVE OPTIONS CONSIDERED

- 11.1. None required.

12. IMPLICATIONS

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

13. BACKGROUND DOCUMENTS

- 13.1. The 2017/18 Medium Term Financial Strategy-
<https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/news/council/budgets-spending-and-performance/MediumTermFinancialStrategy201718to202627-AllStrategies.pdf?inline=true>
- 13.2. The 2018/19 Medium Term Financial Strategy-
<https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/council/budgets-spending-and-performance/MediumTermFinancialStrategy2018-19To20-21.pdf?inline=true>
- 13.3. Budgetary Control Report September 2017 (20 November 17 cabinet) – Item 8.
<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3979&Ver=4>
- 13.4. Budgetary Control Report September 2017 update (4 December 17 Cabinet) – Item 4.
<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3980&Ver=4>
- 13.5. Budgetary Control Report November 2017 (15 January 18 Cabinet) – Item 10.
<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3981&Ver=4>
- 13.6. Budgetary Control Report December 2017 (9 February 18 Cabinet)-
<http://democracy.peterborough.gov.uk/documents/s33575/8.%20Budget%20Control%20Report.pdf>
- 13.7. Budgetary Control Report January 2018 (26 March 18 Cabinet) – Item 8.
<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3984&Ver=4>