

<b>CABINET</b>	<b>AGENDA ITEM No. 6</b>
<b>22 JUNE 2020</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Finance	
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 2019/20**

<b>RECOMMENDATIONS</b>	
FROM: Acting Director of Corporate Resources	Deadline date: N/A
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Note the final outturn position for 2019/20 (subject to finalisation of the statutory Statement of Accounts) of a £0.096m underspend on the Council's revenue budget;</li> <li>2. Note the reserves position outlined in section 6 and Appendix B, which includes a contribution to the capacity building reserve of £0.096m, as a result of underspend in the revenue outturn report details contained in Appendix A;</li> <li>3. Note the implications of the COVID-19 pandemic on the Council's financial position, as outlined within section 5 and Appendix E;</li> <li>4. Note the outturn spending of £64.3m in the Council's capital programme in 2019/20 outlined in section 7;</li> <li>5. Note the performance against the prudential indicators outlined in Appendix C;</li> <li>6. Note the performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.</li> </ol>	

### **1.0 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 13 July 2020 alongside the draft Statement of Accounts.

### **2.0 PURPOSE AND REASON FOR REPORT**

- 2.1 The report provides Cabinet with the outturn position for both the revenue budget and capital programme for 2019/20, subject to any changes required in the finalisation of the Statement of Accounts.
- 2.2 The report contains performance information on the 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.

### 3.0 TIMESCALE

Is this a Major Policy Item/ Statutory Plan	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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### 4.0 CORPORATE BUDGET OVERVIEW

#### Budget 2019/20

4.1 On 6 March 2019 Council approved a balanced budget for 2019/20. The approved budget included plans for £20.7m of savings and the recognition of £11.0m of additional service pressures from increasing costs and increases in demand for services.

4.2 The budget incorporated the use of £3.1m from the Grant Equalisation (GE) reserve. This reserve was created in 2015/16 to mitigate the impact of reduced government grant, protecting as far as possible the delivery of services, whilst enabling officers time to develop a sustainable budget.

4.3 Non-repeatable savings were included in the budget, such as the use of capital receipts, council tax surplus and the use of the reserves, as mentioned in point 4.2. These are outlined in Table 1. The Council has used additional funding to deliver a balanced outturn following the Secretary of State approval to borrowing £5.6m to fund revenue expenditure (Capitalisation Direction). This has funded transformational activities undertaken during the year which lead to longer term savings and a more sustainable operating environment. For further detail see sections 5.11-12.

**Table 1: Non-repeatable Savings**

	Prior Years		Current Year	Years relating to this MTFS		
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Receipts	12,738	2,922	10,639	3,930	-	-
MRP Re-provision	-	3,700	-	-	-	-
Council Tax Collection Fund Surplus	173	1,188	201	662	-	-
Business Rates Pool & Provision Release	-	-	-	3,231	-	-
Capitalisation direction	-	-	5,564	1,217	-	-
Planned use of Reserves	7,194	4,231	3,084	1,510	-	-
<b>Total</b>	<b>20,105</b>	<b>12,041</b>	<b>19,488</b>	<b>10,550</b>	-	-
In year use of Reserves	-	2,119	-	-	-	-
In year increased Use of Capital Receipts	-	3,298	235	-	-	-
<b>Total</b>	<b>20,105</b>	<b>17,458</b>	<b>19,723</b>	<b>10,550</b>	-	-

#### In-year Budget Management

4.4 Budget managers receive detailed budgetary control information each month. A monthly budgetary control report is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and has been considered by Cabinet on a regular basis throughout 2019/20.

- 4.5 A balanced budget was set for 2019/20 however as contained in the MTF5 detailed plans for some of the savings proposals were not developed in time for the first reporting round and a forecast overspend of £5.5m was reported in the April 2019 Budgetary Control Report, reported to Cabinet on 10 June 2019. The main variance reported relating to the shared services savings targets.
- 4.6 In July 2019 the CMT implemented a series of financial management controls, designed to reduce the forecast overspend by enhancing the level of scrutiny applied to all expenditure activities and to minimise non-essential spend. These controls include:
- A panel to review all recruitment and agency requests;
  - Business case requirement for all expenditure in excess of £10k;
  - Service based Heads of Finance providing additional scrutiny and challenge of the business cases in excess of £10k with regular review from the Chief Finance Officer;
  - In November, controls were enhanced, with all expenditure over £1k requiring Chief Finance Officer approval;
  - A review of the effectiveness and operation of financial and human resource controls across the organisation;
- 4.7 A review of the robustness of all current budget assumptions was undertaken during the summer. This identified a 2019/20 budget pressure of £6.0m, with the ongoing underlying budget pressure of £9.8m. Departmental in year savings targets were established and CMT identified £4.8m of specific savings against these targets. In combination with the enhanced spending controls listed above, forecasted expenditure reduced throughout the year.
- 4.8 Other 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 reported in Budgetary Control Reports throughout the year.
  - The establishment of a Financial Improvement Programme Management Board (FIPMB), dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new savings plans and ensuring the delivery of financial targets.
  - Regular reports to CMT have included a summary of progress on the delivery of savings proposals. Savings delivery has been monitored by the Rapid Implementation Team (RIT), which was established in September 2019.
  - Regular review of additional budget pressures and risks, in order to identify mitigating actions to reduce the council's expenditure.
  - An officer led Capital Review Group has met on a regular basis. This group has the responsibility of reviewing and reporting 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 is required 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 from asset sales.
    - Scrutinising capital investment proposals relieving pressure on the general fund.
    - Reviewing new capital project proposals to ensure value for money and are truly necessary projects.
  - Thorough review of the reserves' balances including a review of the future planned use of reserves.
  - The Risk Management Board has met regularly throughout the year, led by the Acting Corporate Director of Resources. The purpose of this board is to challenge and support

risk management across the council and partner organisations and reports corporate and departmental risks into CMT.

- 4.9 The January 2020 Budget Control Report was published on the Council's ['Our Finances' webpage](#). This was originally scheduled to go to Cabinet on 30 March 2020, but in response to the COVID-19 social distancing measures all public meetings were cancelled. This report outlined a £3.5m forecast outturn overspend.
- 4.10 The Council's final position is an underspend of £0.096m which contributes to the Capacity Building Reserve balance. The final outturn position for 2019/20 is outlined in a summary table in section [Error! Reference source not found.](#), with detailed information in Appendix A.
- 4.11 The Council's finance and service-based officers have worked extremely hard throughout the course of the year to achieve this final financial position. Officers have shown enthusiasm and dedication to ensure the Council's financial position remains viable, while ensuring services continue to be delivered. Officers have worked together with the CMT to reduce expenditure by implementing the enhanced financial controls and generating new ideas to save money, increase income generation or create efficiencies within the existing Council processes.

### **Medium Term Financial Strategy**

- 4.12 The Council has been able to set a balanced budget for 2020/21, as a result of identifying budget reductions, additional funding and the use of one-off savings (as outlined within Table 1). However, with deficits of £14.2m in 2021/22 and £14.8m in 2022/23, the Council needs to put in place structural organisational change, to deliver the required level of expenditure reduction to operate within its financial envelope and secure the Council's future.
- 4.13 The CMT have undertaken a Lean Cost Structure Review (LCSR) to develop a revised operating model for the Council. The Council has continued to work with Grant Thornton to investigate and challenge existing service delivery. The Council has accessed expertise and support from the Local Government Association (LGA). The LCSR findings will result in:
- Reduced contractual expenditure and a tighter contract management.
  - Redesign of delivery of services including:
    - Delivering services at a lower cost, enhanced value for money, and more efficient manner;
    - Providing a lower level of services or make them 'leaner'.
    - Reduction in service provision.
  - Cost reduction, sharing and integration.
- 4.14 The Council was originally scheduled to take an options paper to Cabinet in spring, with a final model being recommended for approval in summer. However, due to the pandemic the timescales have slipped in order for the CMT and officers to focus on the COVID-19 response to support businesses, residents and the community. Additional funding from central government has been made available in 2020/21 for COVID-19 expenses. However, ambiguity remains on the total quantum of funding available in response to the emergency and the ongoing medium to longer term impact of the pandemic to the council.
- 4.15 The delivery of the LCSR remains a key priority for the Council to ensure the delivery of a balanced budget in 2021/22. The financial envelope of the Council means that transformational change to council services is required and this position is further impacted by COVID-19 implications. For further detail see sections 5.13-15 and Appendix E.

4.16 At this stage the Council has assumed that key funding streams will remain unchanged from the Local Governments Fair Funding Review (FFR). However, on 28 April MHCLG have confirmed that the FFR and the anticipated changes to the Business Rates system have all been postponed adding to the Council's uncertainty over future funding levels.

## 5.0 FINAL REVENUE OUTTURN 2019/20

5.1 The Council's overall revenue outturn shows an underspend of £0.096m for 2019/20. The table below summarises the revenue outturn position by directorates during 2019/20.

**Table 2: Revenue outturn 2019/20**

Directorate	Budget	Cont. from Reserve	Revised Budget	Actual	Cont. to Reserve	Revised Variance
	£000	£000	£000	£000	£000	£000
Chief Executive	1,526	284	1,810	1,584	-	(226)
Governance	4,273	71	4,344	4,393	-	49
Place & Economy	18,189	1,012	19,201	18,501	83	(618)
People & Communities	71,559	3,391	74,950	76,930	1,004	2,985
Public Health	(164)	392	228	241	-	13
Resources	44,678	4,843	49,521	44,949	3,680	(893)
Customer & Digital Services	7,256	509	7,765	7,783	-	18
Business Improvement	764	361	1,125	1,071	-	(54)
<b>Directorate Outturn</b>	<b>148,081</b>	<b>10,863</b>	<b>158,944</b>	<b>155,452</b>	<b>4,767</b>	<b>1,274</b>
Capitalisation Direction applied	-	-	-	(5,564)	-	(5,564)
Asset Sales shortfall	(2,821)	-	(2,821)	-	-	2,821
CCG- Credit notes	-	-	-	1,631	-	1,631
Financing Adjustment (Business Rates Levy Surplus)	-	-	-	(258)	-	(258)
<b>Revised Outturn</b>	<b>145,260</b>	<b>10,863</b>	<b>156,123</b>	<b>151,261</b>	<b>4,767</b>	<b>(96)</b>
Contribution to the Capacity Building Reserve						<b>(96)</b>
<b>Final Variance</b>						<b>Nil</b>

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

5.3 In summary the directorate service budgets show an overall overspend of £1.3m, which is a £2.2m (63.6%) improvement against the January 2020 £3.5m forecast outturn overspend. The movement between the last forecast outturn and final position is summarised in Table 3.

**Table 3: Departmental Variance Summary**

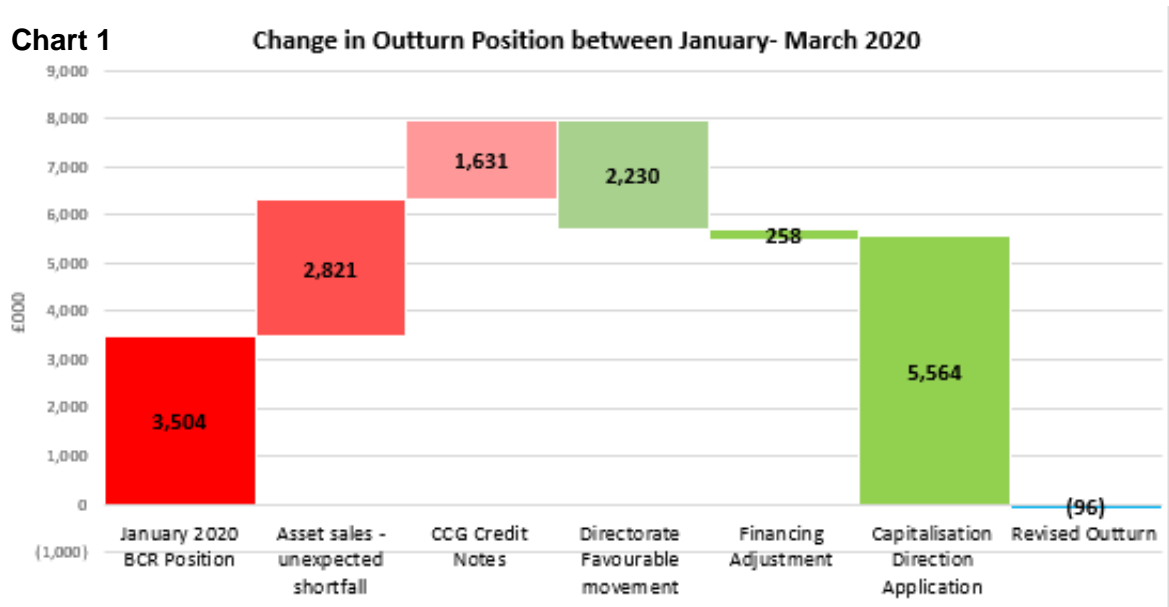
Variance Change	£000
<b>January 2020 position</b>	<b>3,504</b>
Chief Executive	(51)
Governance	46
Place & Economy	(751)
People & Communities	(510)
Public Health	(48)
Resources	(548)
Customer & Digital Services	(369)
Business Improvement	1
<b>Outturn position</b>	<b>1,274</b>

5.4 Larger movements which incurred late in the year include:

- A shortfall on the previously forecast level of capital receipts from a reduction in completed asset sales following implementation of COVID-19 restrictions.

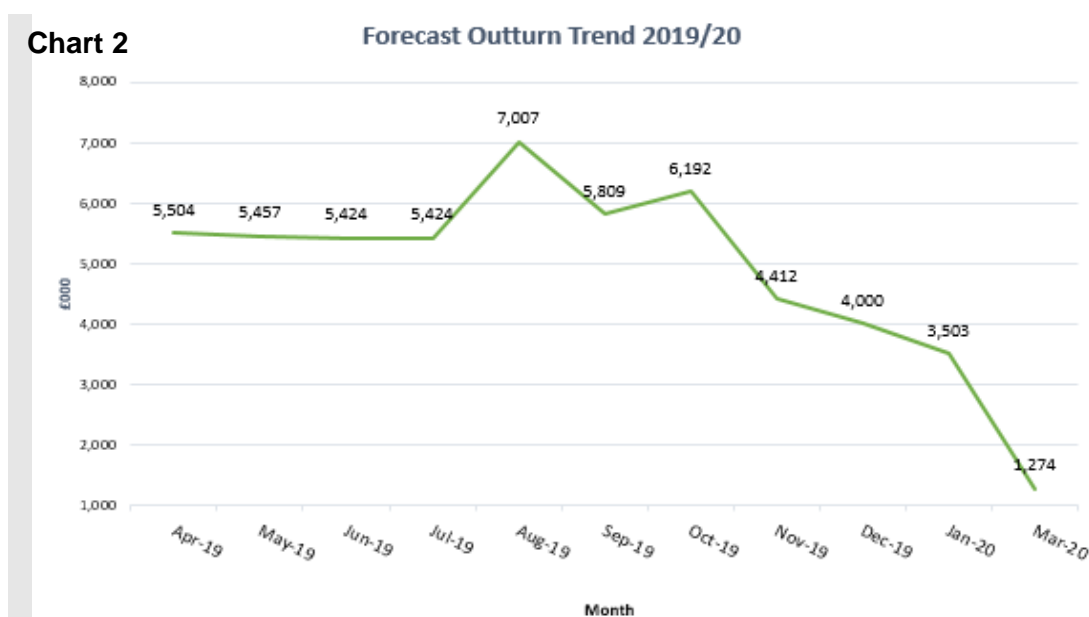
- The issue of credit notes to prior year invoicing discrepancies with Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).
- The application of the capitalisation direction which enabled the council to borrow to fund revenue expenditure. This is outlined in more detail in sections 5.12-14.

5.5 Chart 1 summarises the movement from January 2020 forecast outturn position to final outturn.



5.6 The CMT have implemented a series of actions including enhanced financial management and HR controls, and a full review of the all current budget to ensure robustness and appropriateness of all assumptions. External advice and support has been utilised, with the CMT and senior officers working collaboratively with Grant Thornton on the development and implementation of savings proposals.

5.7 Chart 2 outlines the directorate forecast outturn variance reported throughout 2019/20. This tracks the forecast outturn overspend and the reduction following implementation of spending and HR controls, detailed reviews of the capital programme and the early implementation of 2020/21 savings plans leading to the improved position.



\* note no BCR reporting completed in February

- 5.8 In July 2019 the Council received a structural review report of the Northminster car park. The report highlighted significant concerns for the structural integrity of the car park, which could pose a risk to the general public. The Council considered the options available and concluded to demolish the carpark with it closing to the public. The Council sought approval for this action and the associated £2.75m forecast costs via [CMDN](#) published in August and has since published further information on the [website](#), including the structural review reports. This created additional financial burden to the Council, from the one-off costs from moving operations and demolition, to the ongoing revenue budget implications from the loss of carpark income.
- 5.9 The Council launched a Voluntary Redundancy (VR) scheme in January 2020 to deliver savings. The redundancy costs from this scheme and others incurred as part of the delivery of specific service-based savings plans are expected to cost £6.6m.
- 5.10 With the in-year position forecasting an overspend, the additional costs of transformation required to deliver the level of change required for the Council to operate within its financial envelope, and additional financial pressures from the Northminster Carpark, the Council's financial resilience was reduced. As outlined in the MTFS Robustness Statement the reserves balances were forecast to reduce to a perilously low level. As a result, and in consultation with Local Members of Parliament, the Council made an application to MHCLG for a Capitalisation Direction to enable the council to fund revenue expenditure from borrowing. This application was approved and has enabled the Council to have sufficient resilience to be able to react to emergencies and develop the LCSR proposals.

### **Capitalisation Direction**

- 5.11 In January 2020 the Council made an application to MHCLG to fund the costs of transformational activities, including expenditure incurred through acceptance of voluntary redundancies, from borrowing (Capitalisation Direction). The Secretary of State has the power, under section 16(2)(b) of the Local Government Act 2003, to issue such a Direction. The effect of a direction is that specified revenue expenditure may be funded from capital sources e.g. borrowing, thereby increasing a local authority's financial flexibility.
- 5.12 MHCLG wrote to the Council on 30 March 2020 to confirm that a Capitalisation Direction up to a total of £6.9m (£5.7m in 2019/20 and £1.2m in 2020/21) had received approval and could be applied to the appropriate expenditure. In 2019/20 the Council has identified and applied £5.6m to transformational expenditure. The approved Capitalisation Direction is £2.1m short of the £9.0m applied for by the Council. This shortfall has contributed to reduced reserve levels in the medium term, in comparison to those projected within the [Medium Term Financial Plan 2020/21-2022/23](#).

### **Coronavirus COVID-19**

- 5.13 On the 24 March 2020 the Council declared a critical incident which enabled the Council to enact the emergency policy. This provides the Council with:
- Governance structure of Gold, Silver and Bronze Command Groups to operate, with regular diarised meetings to ensure swift and effective decision making takes place, and actions are implemented.
  - Additional guidance to ensure that vital services are delivered by redeploying staff to key roles and staffing levels are maintained to deliver vital services.
  - Business Continuity Plans are reviewed and daily communication to the organisation is undertaken via email and on the intranet site.

- 5.14 The Council responded quickly to the COVID-19 pandemic, to maintain key services and to provide the additional support to the community and businesses. A Coordination Hub has been established in partnership with other Local Councils and is focused on supporting those residents that are at the highest risk and those that have no reliable support network. The hub is ensuring that critical services across the public sector, such as care for the elderly, can continue through the support of staff who have been redeployed from other Council services, partner organisations and the support of volunteers. This work includes ensuring our most vulnerable residents have access to food, medicines and other important supplies, as well as ensuring broader social needs are met as far as possible. With the introduction of the social distancing measures the Council has transitioned to a working from home model, building on the already successful agile working policy. The Council has provided support, advice and flexibility to staff to ensure services can continue and staff wellbeing is considered and actively managed.
- 5.15 The impact of the pandemic will affect the Councils financial position in the current 2020/21 financial year, and the financial position in the medium term. These are outlined in further detail within Appendix E.

## 6.0 RESERVES

- 6.1 The Council's reserve balances are monitored throughout the year as part of the BCR process and feed into the budget setting process. Table 6 summarises the balance for all reserves at the beginning of 2019/20 and end of 2019/20, and the forecast position for future years. A more detailed outline of the reserves is outlined in Appendix B.

**Table 6: Council Reserves Summary Position**

Summary of Reserves	Balance at 31.03.19	Balance at 31.03.20	Est. Balance at 31.03.21	Est. Balance at 31.03.22
	£000	£000	£000	£000
General Fund	6,000	5,111	6,000	6,000
Usable Reserves (inc. COVID-19 funding)	26,076	23,401	7,429	7,429
Ring-Fenced Reserves	5,140	4,063	4,054	4,054
<b>Total Earmarked &amp; General Fund Balance</b>	<b>37,217</b>	<b>32,575</b>	<b>17,483</b>	<b>17,483</b>

- 6.2 The balance on reserves at the end of 2020/21 is favourable compared to the estimated balance contained in the MTFS. It was estimated that the balance for earmarked reserves and General Fund would be £22.4m, compared to £32.6m outlined in Table 6. Contributory factors include:
- The receipt of the £5.3m COVID-19 response fund on 27 March 2020 which was identified as un-ringfenced and will be used in 2020/21 to cover the additional cost incurred as a result of the pandemic.
  - Improvement on the BCR position in comparison to that outlined in the MTFS and the January BCR report.
  - A change in the profiling of commitments on the departmental reserves balances - originally it was anticipated that the majority of this balance would be utilised within 2019/20, but a combination of further grants being received and a change in the timing of planned expenditure has meant that the balance was £3.9m greater than forecast.
  - A change in the timing of expenditure relating to transformational activity committed from the Capacity Building Reserve.
  - A reduction in the commitment relating to the Northminster car park demolition. A commitment of £2.75m was included within the reserves forecast in July, and over the



course of the year a proportion of this has been identified as capital expenditure and funded via the capital programme.

6.3 Despite these favourable movements the overall forecast for reserve balances at the end of 2021/22 has decreased by £2.5m, compared to the MTFS reported to Council in March 2020. This is the result of:

- The £1.6m of credit notes which were issued to the CCG.
- Reduction in the value of capital receipts due to less asset sales as the market reacted to the restrictions from the pandemic.
- Within the MTFS the Council had assumed that the full application for the Capitalisation Direction would be approved by MHCLG, however the approval received was for costs up to £6.9m, £2.1m less than applied.
- The re-profiling of reserve commitments as outline within 6.2, has meant that there is a healthier balance on the reserves at the end of 2019/20, however this expenditure is expected to take place in 2020/21, therefore reducing the reserves balance by the end of the year.

6.4 The earmarked reserves balances are set aside for specific purposes, the table highlights which of these reserves are ring-fenced for specific use, or available for use on change programmes. The Change Programme Funds will be utilised in part over the next financial years to fund the cost of transformational change to support the development of a sustainable and balanced budget.

6.5 The table also indicates what the estimated future reserves balances are, once the planned commitments against these have been undertaken.

6.6 Key reserves 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. This reserve balance has reduced to £5.0m from £6.9m, this is due to a combination of use of a number of grants which have been received for projects covering multiple years. These include:

- Family Safeguarding Innovation Programme Pilot £1.8m
- Integrated communities £0.9m
- Controlled Migration Fund £0.4m

**Public Health** – movements on this reserve represent a net carry forward of unused Public Health grant, in relation to previous years underspends. This reserve has reduced in 2019/20 to £0.009m, as £0.355m has been utilised in year due to the identification of unfunded costs as a result of work completed on a new Section 75 agreement for children's public health services with Cambridgeshire and Peterborough NHS Foundation Trust. This pressure has now been recognised and factored into future budgets.

**Capacity Building Reserve** - this reserve is held to meet one off costs of service transformation and the delivery of savings within the Medium-Term Financial Strategy (MTFS). A number of transformation programmes have been committed against this reserve including the ICT strategy, Adults Positive Challenge programme and the delivery of savings programmes across the Council, which includes the cost of Grant Thornton, who have been supporting the Council with this work. The reserve has reduced by £2m and has funded the final 2019/20 position, as outlined in Table 1.

**COVID-19 Reserve**- the government have been keen to ensure Local Authorities do not encounter any issues with cash flow. The Council received COVID-19 funding on 27 March 2020. The grant is un-ring-fenced and at this point the Council had incurred little expenditure as a result of COVID-19, therefore it is held in a reserve to support the additional costs incurred 2020/21.

**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. The £7.2m was used to support the position in 2017/18, £4.2 in 2018/19 and £3.1m in 2019/20. The remaining balance was transferred to the Capacity Building Reserve during 2019/20.

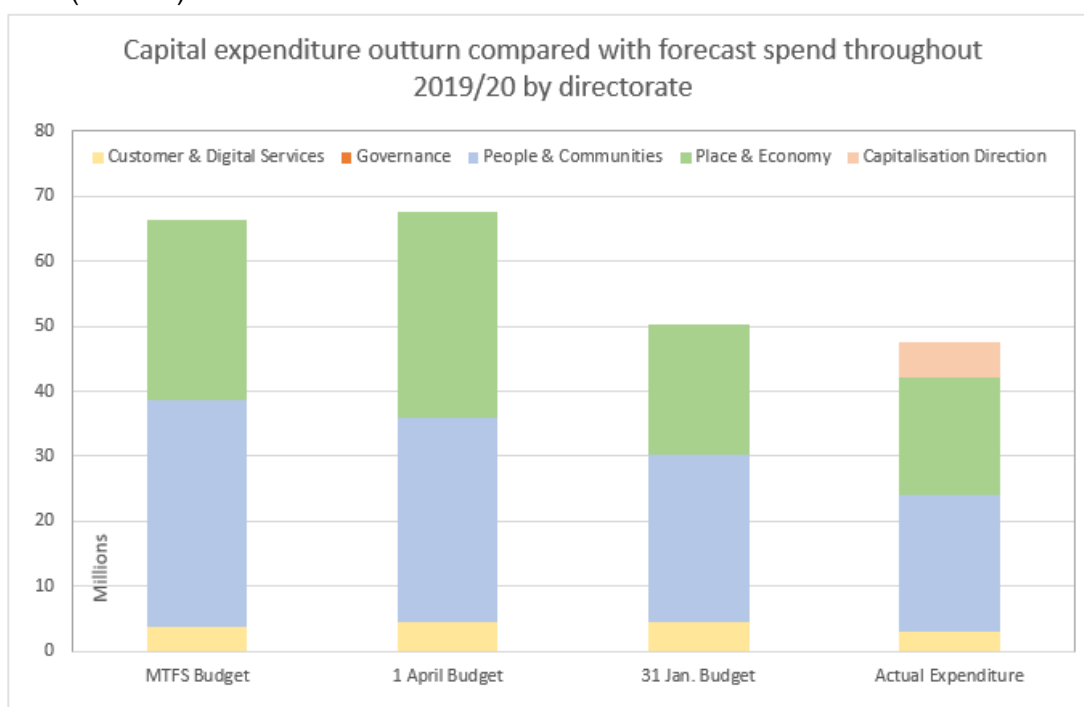
**General Fund** – the general fund level is at £6.0m, however in 2019/20 a timing difference of section 31 grant income associated with Business Rates has been identified which meant income received was £0.889m lower than anticipated within the 2019/20 budget. This amount is expected to be fully received in 2020/21, and therefore the General Fund reserve has been used in 2019/20 to mitigate the variance and will be fully replenished in 2020/21. This was identified within the Budgetary Control Report- May 2019, and reported to [Cabinet on 15 July 2019](#).

## 7.0 FINAL CAPITAL OUTTURN 2019/20

7.1 This report considers final position of the Council's Capital Programme and the treasury activity for the financial year 2019/20. Treasury activity for the Council during 2019/20 has been compliant with the Treasury Management Strategy approved in March 2019 as part of the MTFS process. This information compliments the Prudential Indicators performance report as set out in Appendix C.

### Capital Programme Outturn 2019/20

7.2 The Council's final revised capital budget was £94.2m which includes the budget for the Invest to Save (I2S) Schemes of £24.8m for the 2019/20 financial year. The agreed capital budget as per the Medium Term Financial Plan (MTFS) was £114.1m. The following chart and table shows the movement in capital programme throughout the year with the final position. Capital budgets as agreed for the 2019/20 MTFS (£114.1m), budgets containing slippage from 2018/19 (£124.4m), and the budget as reported at 31 January 2020 (£94.2m). These budgets are then compared to the final expenditure for each directorate and how this investment is financed (£64.3m).



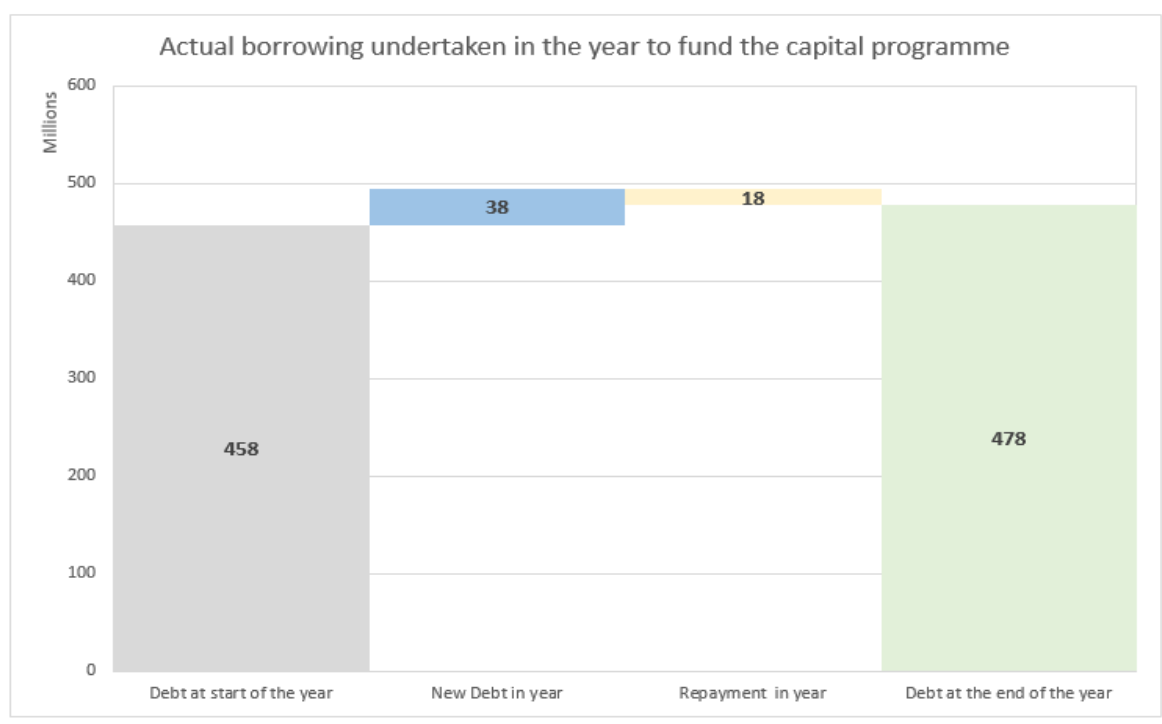
Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Customer & Digital Services	3,800	4,415	4,463	3,026
Governance	90	90	-	-
People & Communities	34,671	31,521	25,715	20,986
Place & Economy	27,873	31,560	20,084	18,066
Resources	11,700	20,051	19,069	16,689
Capitalisation Direction	-	-	-	5,564
<b>TOTAL</b>	<b>78,134</b>	<b>87,637</b>	<b>69,331</b>	<b>64,331</b>
Grants & Contributions	26,826	32,855	34,252	36,225
Capital Receipts	23,150	23,150	23,150	-
Borrowing	28,158	31,632	11,929	28,106
<b>TOTAL</b>	<b>78,134</b>	<b>87,637</b>	<b>69,331</b>	<b>64,331</b>
Invest to Save (100% funded from borrowing)	35,999	36,799	24,849	-

- 7.3 The movement between the MTFS position and the £64.3m actual outturn is a result of the in-depth review of the capital programme by the Capital Review Group (CRG) and Corporate Management Team (CMT) under taken throughout 2019/20 to ensure that the capital programme is both affordable and appropriate and to realise revenue savings to address the forecast overspend reported.
- 7.4 A number of projects across all directorates have been reprofiled to reflect the spending over future years and other projects removed following an enhanced scrutiny process linking to the development of the 2020/21 MTFS. The Capitalisation Direction notification was received late in March 2020 and is included in these outturn figures for 2019/20, the strategy for which is as outlined and approved in the 2020/21 MTFS.
- 7.5 Invest to Save projects have been reduced over the next few years due to no planned expenditure. The two big schemes contained in this budget are the Fletton Quays hotel where the drawn down of the loan has been delayed, and from acquisitions of commercial properties where there were no opportunities became available which met the Council's investment criteria. It should be noted that this does not impact the Council's revenue capital financing budgets as these projects are schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.
- 7.6 Listed below are the material value projects that have slipped into 2020/21 that have contributed to the variance between the revised budget reported at January 2020 and the reported outturn of £64.3m.
- Heltwate Special School - £3.8m
  - Hampton Lakes Primary - £1.7m
  - Marshfields School Expansion - £1.8m
  - Northwestgate Development - £3m
  - North Town Hall Works - £2.1
  - A605 Whittlesey Access – Phase 2 Stanground - £3.2m
  - Safety Fencing Network - £1.4m

### Funding the Capital Programme

- 7.7 In reflection of the Council's Minimum Revenue Provision (MRP) Policy, the Capital Programme is funded via grants and third party contributions, and borrowing funds from the external market. Capital receipts generated from the sale of Council assets are now used to repay debt as per the MRP policy.

- 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 to fund expenditure for new assets, and for the Capitalisation Direction granted by the Secretary of State.
- 7.9 The Council's total borrowing as at the end of the financial year is £477.6m, and the total interest paid on these loans for the year was £14.7m. The following chart summarise the overall treasury borrowing activity undertaken for the year, and summary details for the Council's debt portfolio.



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	-	4,500	20,128	14,520	330,439	<b>369,587</b>	3.5	30
Local Authority	85,500	5,000	-	-	-	<b>90,500</b>	1.0	-
Market Loans	17,500	-	-	-	-	<b>17,500</b>	4.5	26
<b>Total Borrowing</b>	<b>103,000</b>	<b>9,500</b>	<b>20,128</b>	<b>14,520</b>	<b>330,439</b>	<b>477,587</b>	<b>3.0</b>	<b>28</b>
% of total Borrowing	18%	2%	4%	3%	73%			
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 are used to repay debt and therefore form part of the MRP calculation.
- 7.12 The following table shows the amounts of capital receipts built into the MTFs and the actual capital receipt received in 2019/20. The total amount of capital receipts used to repay debt as

per the MRP policy in 2019/20 was £10.9m which included the Bayard Place sale, overage received, and other asset sales completed in the 2018/19 financial year and carried forward for use in 2019/20.

Budget	Assets sold in year	Other receipts	Variance
£000	£000	£000	£000
10,639	823	10,051	(235)

### Investments and Loans to Third Parties

- 7.13 The Council aims to achieve the optimum interest on treasury investments commensurate with the proper levels of security and liquidity.
- 7.14 The Council has small surplus cash balances to cover the Council's treasury function, 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.
- 7.15 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) the Debt Management Office and a Money Market Fund.
- 7.16 The Council has also secured loans to third parties to advance the Council's strategic interests. The loans are only made after the Council's formal decision-making process has been followed. This includes formal approval by the Acting Corporate Director: Resources.
- 7.17 As part of the formal decision to make the loan, the security for the loan was assessed as to its adequacy in the event of the third party defaulting on repayment and individual loan agreements provided for the recovery of the capital loan in the event of the default.
- 7.18 The Council's secured capital loans to third parties are set about in the following table.

Third Party Details	Loan Amount	Status
ECS Peterborough 1 LLP	Capital Loan £23.2m	Due in 2020/21
Vivacity	Capital Loan £0.4m	Due in 2024/25

- 7.19 At the end of the financial year, the Council's external investments totalled £9.7m. The interest that has been received from all external investment activity including the Council's loans to third parties, and the dividend payment from Eastern Shires Purchasing Organisation (ESPO) has yielded £1,989k.
- 7.20 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix C along with an update on treasury management activity and other financial performance indicators in Appendix D. For two of the indicators final performance against estimated performance in the MTFS was greater:
- Indicator 3 - this is linked to the capital financing expenditure (as report monthly as part of BCR) where the MRP was greater than budgeted due to the number of assets with shorter lives than originally estimated, and delays with the development of the hotel in Fletton Quays which meant interest receipts were lower than budgeted.
  - Indicator 4 - shows the proportion of debt to capital financing requirement. It shows the council to be in an 'under borrowed' position – ie using the strength of the balance sheet to 'internally borrow' in order to keep borrowing costs low. Overall the amount of borrowing taken in year, was lower than estimated but proportionally more when compared to the capital financing requirement.

## **8.0 Consultation**

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

## **9.0 Anticipated Outcomes**

9.1 That the outturn position for 2019/20 is noted.

## **10.0 Reasons for Recommendations**

10.1 This monitoring report forms part of the 2019/20 closure of accounts and decision-making framework culminating in the production of the Statement of Accounts and informs Cabinet of the final position.

## **11.0 Alternative Options Considered**

11.1 None required.

## **12.0 Implications**

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

## **13.0 Appendices:**

- APPENDIX A - 2019/20 Revenue Outturn Report
- APPENDIX B - Council Reserve Position
- APPENDIX C - Treasury Management Strategy – Prudential Indicators 2019/20
- APPENDIX D - Performance Monitoring Report Prompt payment of invoices
- APPENDIX E – COVID-19 Financial position

## **14.0 Background Documents:**

- [Budget Book Tranche One 2020/21-2022/23](#)
- [Budget Book 2019/20-2021/22](#)
- [Budget Monitoring Report- Final Outturn 2018/19 \(item 14\)](#)
- [Budgetary Control Report- April 2019- 17 June Cabinet \(item 13\)](#)
- [Budgetary Control Report- May 2019- 15 July Cabinet \(item 7\)](#)
- [Budget Process Report- Council 24 July 2019](#)
- [Budget Process Report Appendix- Council 24 July](#)
- [Budgetary Control Report- June 2019- 23 September Cabinet \(item 9\)](#)
- [Budgetary Control Report- September 2019- 4 November Cabinet](#)
- [Budgetary Control Report- November 2019- 3 February Cabinet \(item 6\)](#)
- [Budgetary Control Report December 2019- 25 February Cabinet](#)
- [Budgetary Control Report January 2020- Published online due to cancellation of Cabinet meeting due to Covid-19](#)
- [Council Taxbase 2020/21 and Collection Fund Declaration](#)