AUDIT COMMITTEE	AGENDA ITEM No. 11
29 JULY 2021	**PUBLIC REPORT**

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

BUDGET MONITORING REPORT FINAL OUTTURN 2020/21

RECOMMENDATIONS	
FROM: Director of Corporate Resources	Deadline date: July 2021

It is recommended that Audit Committee:

1. Note the final outturn position for 2020/21 (subject to finalisation of the statutory statement of accounts) of a £3.975m underspend on the Council's revenue budget.

2. Note the reserves position outlined in section 7, which includes a contribution to the capacity building reserve of £3.975m, resulting from the underspend highlighted in the revenue outturn report in Appendix A.

3. Note the implications of the COVID-19 pandemic on the Councils Financial position, as outlined within section 5.

4. Note the outturn spending of £56.8m in the Council's capital programme in 2020/21 outlined in section 9.

5. Note the performance against the prudential indicators outlined in Appendix C.

6. Note the performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.

1.0 ORIGIN OF THE REPORT

1.1 This report is to the Audit Committee as part of their annual financial reporting cycle.

2.0 PURPOSE AND REASON FOR REPORT

2.1 The report provides Audit Committee with the outturn position for both the revenue budget and capital programme for 2020/21.

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 Audit Committee to consider under its terms of reference 2.2.1.16:

"To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council."

3.0 TIMESCALE

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

4.0 EXECUTIVE SUMMARY

4.1 The Council has been operating in challenging financial circumstances. This financial context has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. A structural deficit is inherent in the Council's funding envelope, with little recourse to alternative options.

4.2 Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial challenges and since 2019 has implemented an enhanced series of expenditure controls. Immediate action to reduce the costs of its operations in the medium term was underway in January 2020, however newly identified and current MTFS savings had to be impaired as a direct result of the C-19 pandemic response and recovery.

4.3 This financial year the Council experienced additional expenditure and loss of income relating directly to C-19, with the forecast overspend reaching £11.3m in August. However the government responded by providing further specific and un-ringfenced funding which has largely covered these additional pressures. The Council has received approximately 70 new grants, totalling c£170m. Some of these grants have been passported directly to businesses, social care providers or individuals, others have funded specific activities, and have required additional monitoring reports to be submitted to government on a regular basis. Whilst this has provided some financial stability in 2020/21, it is expected there will be a longer term service impact from C-19, for which longer-term funding is unconfirmed.

4.4 Due to the Council's underlying financial challenges, the C-19 pandemic has had a significant impact on the Council's financial position. The pandemic introduced an additional layer of financial complexity and uncertainty. National government decisions, funding and changes to legislation have been announced fluidly throughout the year, with a further two national lockdowns announced at short notice. The unpredictability as a result of the C-19 has made financial and operational planning and forecasting problematic.

4.5 As a result of the challenges placed on the Council's finances, in October 2020 the Council approached Ministry of Housing Communities and Local Government (MHCLG) to enable the further exploration of alternatives to issuing a S114 notice. The Council has been engaged in regular discussions with MHCLG in respect of the Council's finances and has received conditional approval for Capitalisation Directions (borrowing) of up to £4.8m in 2020/21 and up to £20.0m in 2021/22. This conditional exceptional support enabled the Council to set a legal balanced budget for 2021/22.

4.6 The Council continues to work closely with MHCLG to develop a delivery model to secure financial sustainability and provide assurance to satisfy the conditions attached to the exceptional support. Without the receipt of the exceptional support, the Council would not have been able to set a balanced and legal budget in 2021/22.

4.7 The Council's overall revenue outturn shows an underspend of £3.975m for 2020/21. This is after taking account of the additional C-19 expenditure and grant income, and contributing £15m to C-19 funding and tax income reserves, to mitigate further pressures anticipated in 2021/22. It is important that the continuing underlying financial challenge is understood and has not gone away. It is characterised by low usable reserves and considerable latent service demand as a result of C-19, which creates a forecast funding gap of £27m for 2022/23, rising to £29m in 2023/24. The final outturn position is outlined in further in section 6 and in more detail in Appendix A.

5.0 IMPACT OF THE CORONAVIRUS (C-19) PANDEMIC ON COUNCIL SERVICES AND FINANCES

5.1 On 23 March 2020 the Prime Minister announced the first national UK lockdown in order to halt the growth of the C-19, to protect the NHS and ultimately save lives. Since this time the Council has navigated through unprecedented times, facing uncertainty and overcoming new and difficult challenges. This has included:

- Supporting residents and businesses through a further two periods of national and local lockdowns
- Worked collaboratively with the NHS to ensure that where it is appropriate to do so, people are moved out of hospital and that as many people as possible were supported within the community to avoid hospital admissions
- Working closely with providers and mitigating the potential impact and risks to the delivery of key services, particularly the **sustainability of Adult Social Care services**
- The establishment of a **Coordination Hub** to provide residents, that were vulnerable or shielding, access to food, medicine and other essential support
- **Ensuring children are supported** by working with schools to support vulnerable children and those children of key workers, and ensuring those disadvantaged children have access to online resources and school's lessons from home, by purchasing additional ICT equipment
- The **provision of accommodation for rough sleepers** to ensure they could safely self-isolate
- Ensuring front line services and care workers had **Personal Protective Equipment (PPE)** to enable safe working and to minimise transmission and spread of the virus
- Carrying out proactive and intervention activities to minimise the spread of the virus and ensure **Containment of the Outbreak**. This included targeted testing for hard-to-reach groups, enhanced communications and marketing, targeted support for schools and education settings, and additional resource to ensure compliance with restrictions
- Administering the various grant schemes to individuals and businesses including:
    - £90m of grants and rate reliefs to businesses
    - 4,180 Test and Trace support payments to individuals
    - £1.4m of Local Council Tax Support Hardship payments
    - £0.744m of Winter Grant which has supported families with the cost of food, fuel and provided additional support.

  Further detail on these schemes is outlined in Appendix D.
- Agile working practices and ICT systems have enabled the majority of staff to work from home. With most of the workforce working from home, additional mental health and wellbeing support has been provided to all staff, and regular communication updates and meetings have been provided.

5.2 The Council has through all the services it provides, experienced both societal and financial impacts of the pandemic. During 2020/21 the Council has reported additional C-19 related expenditure of £30.2m, offset through receipt of £32.3m additional government funding to support the cost of the pandemic. Although this funding has outweighed the additional costs, the significant needs of our communities, resulting in significant financial pressures as a result of C-19 will be long-lasting. The Council has experienced a delay in the anticipated service demand for reasons such as families caring for loved ones at home as an alternative to using residential care and delays in the anticipated levels of children's referrals due to school closures during Lockdown 3 and the continuation of financial support schemes such as furlough. As a result of this the Council is already forecasting an additional net cost of £12.8m in 2021/22. As outlined in table 2, the Council has contributed surplus funds from 2020/21 to a C-19 specific reserve to ensure these additional pressures in 2021/22 are funded.

5.3 The impact of C-19 on the Council's financial situation has been on all services, with examples including:

- **A loss of £2.2m on parking revenue** as a result of reduced footfall in the City centre
- A **Council Tax deficit of £0.7m** as a result of people being unable to pay at this time, and an increase in households receiving council tax support
- A **Business Rates deficit of £11.5m** as a result of businesses being unable to pay the rates at this time because of the impact on the business operations. The Council is actively recovering these outstanding balances, and is closely monitoring the position
- An **additional £11.7m of costs as a result of providing Adult Social Care** services differently during the pandemic
- An **additional £1.9m Children's Social Care,** although lower than originally forecast this is one of the areas where the Council is seeing real signs of demand emerging in services designed to protect children.
- An additional cost of **£2m to provide accommodation for all rough sleepers**, in order to isolate safely as directed within government national policy
- An **inability to deliver £5.6m of existing MTFS savings plans** that the Council expected to achieve this financial year, because of the need to respond to the demands of the C-19 pandemic. This creates additional budget pressures in the current and future financial years
- A **loss of income totalling £5.8m** (including parking). MHCLG have provided a scheme to compensate Councils in part for the loss of Sales Fees and Charges Income, this is included within the final position.

5.4 In addition to the costs pressures outlined in section 5.3, in June 2020 the Council started the re-organisation of its Leisure and Cultural services, as a result of the Council's provider, Vivacity, serving notice of termination as a force majeure arising from C-19 and the impact on its ability to continue to deliver the contracted services. In August 2020 the Council approved a decision to transfer the services to Aragon Direct Services, and City College Peterborough, with the successful transfer completing on 30 September 2020.

5.5 This is a good example of how C-19 has placed financial strain on businesses because of lost income. The Council has been able to put a solution in place, overseeing all of the legal, financial and Human Resources activities, at the same time as actively responding to the pandemic. These services are now coming into a period of recovery as the governments road map and post lockdown 3.0 progresses. It is noteworthy that even through the toughest times, staff within TUPED services have made a vital contribution to the C-19 response through redeployment to support other services, such as waste collection.

6.0 FINAL REVENUE OUTTTURN 2020/21

2020/21 MTFS- Budget Position

6.1 The revenue budget for 2020/21, agreed at Full Council on 4 March 2020, was approved at £163.7m. The table 1 outlines the changes which have been made to the budget to arrive at the revised budget of £156.737m:

Table 1: Revised Budget 2020/21	**£m**
Approved Budget 2020/21	**163.743**
Use of reserves per MTFS	1.510
Capitalisation Direction	1.217
Transfer of IBCF and ASC grant from financing into People & Communities	(11.939)
Use of Reserves:	
People & Community (use of previous years grants e.g Safeguarding Families, Integrated Communities)	1.353
Place & Economy (use of previous years grants e.g New Towns Funds)	0.266
Capacity Reserve Contribution (ICT and Housing)	0.428
Other Reserve (Insurance and Parish's)	0.156
Revised Budget 2020/21	**156.737**

6.2 The Council's overall revenue outturn shows an underspend of £3.975m for 2020/21, after contributing £15.143m to C-19 funding and Tax income reserves, to support needs n our communities resulting from C-19 in 2021/22. The table below summarises the revenue outturn position by directorate in 2020/21.

Table 2: Revenue outturn 2020/21

Directorate	**Budget £000**	**Final Outturn £000**	**Cont. to Reserves £000**	**Variance £000**
Chief Executives	1,303	1,220	-	(83)
Governance	4,322	3,925	-	(397)
Place & Economy	21,716	22,639	109	1,032
People & Communities	72,940	80,611	1,690	9,361
Public Health	(372)	(494)	122	-
Resources	19,254	19,643	607	996
Customer & Digital Services	7,764	6,629	-	(1,135)
Business Improvement	623	692	-	69
Capital Financing	29,187	24,789	-	(4,398)
Total Expenditure	**156,737**	**159,654**	**2,528**	**5,445**
COVID-19 Response Fund Grant*	-	(18,665)	-	(18,665)
COVID-19 – Sales Fees Charges and Local Tax Income Guarantee Scheme	-	(6,015)	-	(6,015)
Financing	(156,737)	(177,728)	21,108	117
Net	**-**	**(42,754)**	**23,636**	**(19,118)**
Contribution to C-19 Funding Reserve to cover expected needs within our communities in 2021/22				12,841
Contribution to C-19 Tax Income Reserve to mitigate the impact of future expected Business Rates and Council Tax pressures				2,302

	Final Outturn	(3,975)

**including Covid-19 Response Fund- Tranche One received in 2019/20- £5.3m*

6.3 The final outturn position outlines an a £5.445m overspend on the Council's service directorate budgets, with the most notable overspend of £9.361m reported for the People and Communities directorate. This reflects the service areas most affected by C-19 pressures and additional activity such as with Adults and Children's Social Care, parking income and leisure services.

6.4 This overspend has been off-set by the un-ringfenced C-19 additional funding received from government, which has led to an overall £19.118m underspend. Following a detailed review of this position it is concluded that the presentation of the C-19 forecast pressures arising from the needs of our communities, have been delayed but will continue in to 2021/22 and future years. The Council incorporated some demand and cost increase assumptions into the future year's budget estimates. However, at the time of budget setting, due to the level of uncertainty, as to how C-19 would really impact on the demand for Council services, it proved difficult to develop meaningful assumptions on which to base income receipts levels and demand led expenditure budgets. The Council now forecasts an additional net cost of £12.841m in 2021/22. As outlined in table 2, the Council has made a contribution to a specific C-19 funding reserve to ensure these additional pressures in 2021/22 are funded, bringing the **final outturn position to an underspend of £3.975m.**

6.5 In addition to the key pressures outlined within section 5.3 the following variances and practices, have contributed to the final £3.975m underspend position:

Capital Financing

- **Capital Receipts** - asset sales have exceeded budget by £2.4m, as a result of the late sale of the POSH football stadium and The Mill on Fletton Quays, which both completed on 31 March 2021.
- **Capital Financing** - a lower cost of borrowing due to reduced capital expenditure for the year from delayed schemes, and cash flow benefit of additional Government grants has generated an underspend against budget of £2m. Further detail contained in Appendix A and section 9.

Practices and Savings

- **Good financial management** - the Council has remained committed to ensuring financial scrutiny is maintained and only essential expenditure is still undertaken, even in pandemic times. An enhanced layer of internal reporting was implemented during 2020 to ensure all C-19 related financial implications were incurred as a result of implementing government policy, that all had relevant financial governance approvals, and the C-19 related financial position was reported, reviewed and controlled regularly to CMT and Cabinet.
- **Early delivery of savings** - although there has been impairment to the Council's savings plans, due to the impact of C-19, the ICT department has not only supported the Council to become fully agile and insourced the service, previously delivered by Serco, but delivered planned MTFS savings in advance creating a favourable variance of £0.5m.

Pressures

- **Latent social care demand -** towards the end of 2020/21, it became apparent that some of the anticipated social care demand in both Children's and Adults services had been delayed. This is due to a number of reasons, such as people keeping family members at home for longer as an alternative to care, the expected rise in children's social care referrals being delayed due to the school closures, the delay in financial hardship as a result of the extension of many government schemes such as Furlough, Winter Grant Scheme, and grants to businesses. It is anticipated that once these interventions cease there will be a resulting increase in demand, (sections 6.6- 6.10 cover this in more detail).

- **Culture and Leisure services-** as outlined in section 5, this service underwent significant change during 2020/21 with the services being transferred from Vivacity and split between Aragon Direct Services and City College Peterborough. This put additional financial strain on the Council, causing a £1.8m pressure as a result of the income loss due to lockdown restrictions, undelivered savings plans and the cost or re-organisation.

Key Areas of Underspend

- **Elections** - £0.2m underspent as a result of the national postponement of the May 2020 Local Elections
- **Empower Loan** - additional £0.6m of income received due to loan interest (see further explanation in sections 6.11 to 6.17)
- **Bereavement Services Income** - exceeding its income target by £0.7m, due to the rise in deaths as a result of C-19
- **Business Rates Pool -** the Council is part of the Cambridgeshire and Peterborough Business Rates Pool. The Pool takes into account the business rates levy owed by each of the authorities, pooling them together, to produce a lower percentage levy calculation for member councils. This year the Pool gain has exceeded its original forecast with the council benefiting an additional £0.2m, above the level budgeted
- **Tax Income Guarantee (TIG) scheme -** the government has introduced of a TIG scheme whereby Local Authorities are compensated for 75% of lost Business Rates and Council Tax income. The Council has calculated compensation of £2.3m, which forms part of the contribution to the C-19 Tax Income Reserve to mitigate the financial impact of any future collection shortfalls
- **Highways –** this service area finished the year in a favourable position of £1.4m, which is the result of income generation exceeding targets, savings on staffing costs and the lower cost of street lighting

Latent Social Care Demand

6.6 C-19 has caused impacts on many different groups of people, some clear and obvious, some known to public services, and others more hidden. This aligns with the national context, which has seen C-19 take an extraordinary toll on the nation's health, with a disproportionate burden placed on the most disadvantaged groups.

6.7 Previous demand modelling undertaken by the Council applied historical demand patterns to future demographic assumptions. C-19 has affected demand in ways the sector has never experienced and there are many unknowns around what the longer-term impacts might be. Over the last 15 months the Council has seen varying patterns of impact on service provision, which have been difficult to extrapolate into a longer-term trend. Whilst the Government has provided additional funding to help meet the demands of C-19, this has been time limited in nature and announced at short notice, which hinders the Council's ability plan in the longer term, and the uncertainty making it very difficult to accurately forecast, especially as the Council believe there is a level of latent demand which is yet to present.

6.8 A year-end review of statistics on adult and children's social care services are indicating a number of areas where the latent demand is starting to present and is likely to impact 2021/22 and future years budgets. These include:

6.9 **Adult Social Care:**

- Higher numbers of mental health act assessments and referrals to brokerage, whilst hospital referrals have been reduced. Whilst there has been a reduction in safeguarding enquiries, the Council believes this is likely to be due to hidden need which may present as a latent demand.
- Increased numbers of contacts from sources other than the hospitals, adult early help referrals.
- Higher acuity of need and more complex packages of care.
- Permanent admissions to residential care settings for over 65-year olds in the last 6 months of 2020/21 were 30% higher than the same period in 2019/20. Whilst overall spend on residential care did not increase in line with this last year, the high rates of C-19 deaths are likely to have masked this.
- Demand for support for younger adults, those aged 18-64, has increased in the last year. Contacts for new clients were up by 8%, with numbers transitioning from children's service more than doubling. This resulted in a net increase of this age group receiving long term services within the year of 2.1%.
- Increased pressures on independent sector providers, leading to increased costs of care.

6.10 **Children's and Education**

- Increasing demand for early help and child protection services.
- Increase in child protection plans by 37%, as latent demand starts to become visible. In turn there is a risk that we will see an increase in the numbers in care as a result of this.
- Cost of care is rising as a result of the following:
    - Increase in young people in care with more complex needs, which can cost up to c. £0.250m per annum for one child.
    - Impact of C-19 on provider costs, e.g. additional staffing for cover and social distancing measures, PPE and cleaning.
    - Increasing numbers of children and young people in Tier 4 inpatient provision liable for section 117 (Mental Health Act) after care support on discharge. This requires complex levels of support from providers.
    - Increasing complexity of children becoming looked after, which can mean an increase in the risk of a placement breakdown and increasing placement costs as a consequence.
    - More teenage children entering care, lack of suitable foster placements across the board, but specifically in-house.
    - Substantial increase in the numbers of children being referred for residential services provision. An Independent Fostering Agency (IFA) placement is £845 per week and residential now £3,750+ per week.
- During the pandemic there has been a reduction in Unaccompanied Asylum-Seeking Young people entering care, the Council is well below its quota so anticipate greater numbers in the coming months as borders open/channel crossings.
- Education Health Care Plans (EHCP) continue to increase, and we will see a significant increase in the number of EHCPs based on current trends.

Empower

6.11 During the financial year 2020/21 the Council were in negotiations with ECS Peterborough 1 to put the existing short-term construction loan facility on to a long-term basis (SEP20/CAB/31), which if successful, would have been backdated to 1 April 2020. The proposed repayment profile of the new facility would have included both interest and loan principal repayment and the forecast outturn reflected this assumption.

6.12 In the final month of the financial year, the loan negotiations were not successful and on 30 March 2021 Notice of Repayment was issued to ECSP1. The money received on account was allocated according to the existing short-term loan facility agreement which incorporated a higher interest rate and no loan principal repayment. The outturn movement for Empower of £0.6 reflects this increased level of interest income which was not forecast during the year while negotiations were proceeding with ECSP1. For additional information see the report Empower on the Cabinet Agenda 21 June 2021.

6.13 The amendment to the loan status has also impacted the final sign-off of the 2019/20 accounts as the Council has been required to consider a Post Balance Sheet Event (IAS10) with regards to the valuation of the loan on the Council's balance sheet. The Council's accounts were closed with the best knowledge known at the time of the 31 March 2020. The condition existing at this time is the Coronavirus pandemic which influenced the refinancing activity being undertaken at this time in relation to the loan.

6.14 As part of the consideration the Council has requested Deloitte to undertake a valuation of the loan which puts the fair value of the loan, based on commercial terms, at a mid-point of £15.4m were the Council seeking to sell the loan in the open market. Whilst this is a fair commercial assessment based on market conditions as at 31 March 2020, the Council is considering a report from Teneo Restructuring Ltd which has considered various options, recommending one which will maximise the return to the Council. The Council considers the value of the loan calculated from the underlying Net Present Value (NPV) of the forecast cash flows as more appropriate and as such this is used for the value of the loan at 31 March 2020. This value has been calculated by Deloitte at £20.4m using the same underlying financial model as that used for the market sale valuation. As well as restating the value of the loan, it has also been re-classified as a long-term debt to more accurately reflect the underlying transaction.

6.15 The loan to ECSP1 falls within the definition of Capital Expenditure under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 section 25. The requirement under this regulation necessitates the loan be classed as capital expenditure for the purposes of its accounting treatment. As part of the Council's Minimum Revenue Provision policy, which forms part of the yearly approval of the Medium-Term Financial Strategy by Council, any revaluation of the loan will be attract an annual revenue charge over the remaining life of the assets.

6.16 Further information can be obtained from the Cabinet 21 September 2020 agenda item 6, and Audit Committee 25 January 2021, item 4. Reports on the Empower Loan are also scheduled for the Cabinet and Audit Committee on 21 June 2021.

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

7.0 RESERVES

7.1 The Council's reserve balances are monitored throughout the year as part of the BCR and budget setting process. Table 3 summarises the balance for all reserves at the beginning and end of 2020/21, and the forecast position for future years. For additional information see Appendix B.

Table 3: Council Reserves Summary Position	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	Balance 31.03.20	**Est Bal at 31.03.21**	**Est Bal at 31.03.22**	**Est Bal at 31.03.23**
	£000	**£000**	**£000**	**£000**
General Fund	5,111	6,000	6,000	6,000
Usable Reserves (Capacity and Departmental)	12,992	20,415	16,674	15,886
COVID-19 Tax Income Reserve	5,077	22,521	2,316	-

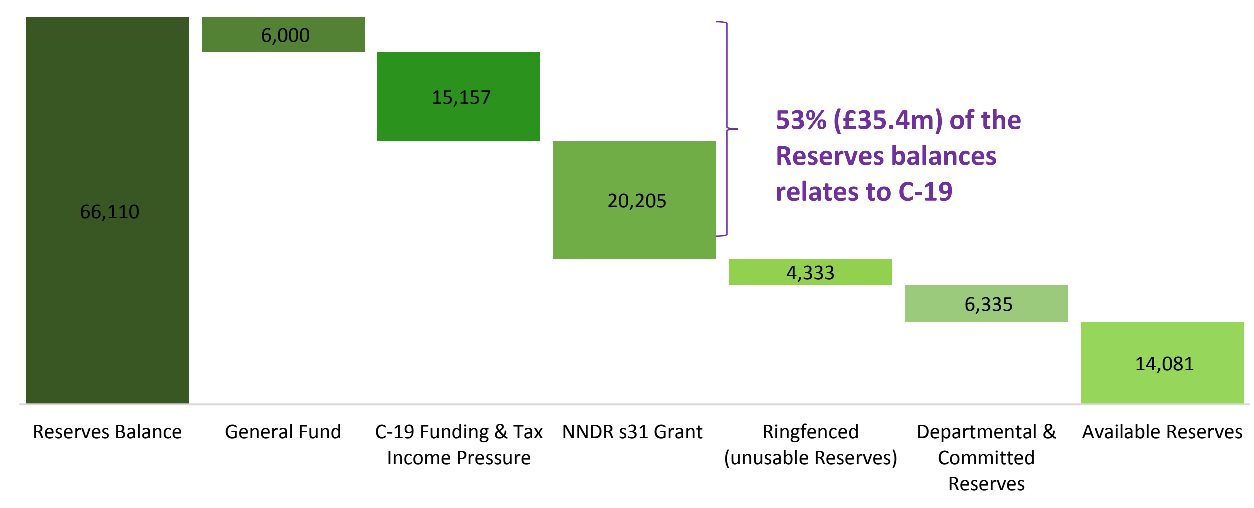
COVID-19 Funding Reserve	5,332	12,841	-	-
Ring-Fenced Reserves	4,063	4,333	4,333	4,333
TOTAL Earmarked and General Fund Balance	**32,575**	**66,110**	**29,323**	**26,218**

7.2 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. The available reserves often relate to a grant funded programme or are used to invest in transformational change to support the implementation of service savings proposals.

7.3 The table outlines a significant rise in reserves levels at the end of 2020/21, with the balance £66.1m. This increase in reserve balance is expected to be reflected nationally, with most Local Authorities reporting increased reserve levels due to the accounting treatment of grant balances. The biggest driver of this increase is the inclusion of the Business Rates section 31 grants (explained further in section 7.5) and funding being committed to meet the additional C-19 expenditure expected. Both of these reserves are forecast to be fully utilised, and in the case of the Business Rates section 31 grant the full use of this reserve has been built in to the 2021/22 budget to mitigate the financial impact of the Collection Fund loss.

7.4 Our Reserves remain very tight with **only £14.1m remaining uncommitted, un-ringfenced and available for use** for transformational investment or for any unforeseen incidents, such as a major child protection issue, a structural building issue putting the public as risk (Northminster Car Park in 2019/20) or another significant incident. The following chart breaks down the £66.1m reserves balances at the end of 2020/21, with further explanation on the reserves movements included within section 7.5:

Reserves Balance Breakdown- 31 March 2021 (£000)



7.5 Key reserves movements are as follows:

COVID-19 Funding Reserve - the opening position in 2020/21 related to the first tranche of un-ring-fenced C-19 response fund, received from MHCLG at the end of 2019/20. Following the application of the accounting rules this was put into reserves for use in 2020/21 (included within table 1). During the year the government provided substantial financial funding to support Local Authorities (LA's) with the cost of additional activities, but also more generally, as it was recognised that the financial hardship caused by C-19 was impacting on LA's ability to generate income and deliver saving plans. This funding has provided a vital lifeline to the Council, and has enabled it to promptly and successfully respond to the pandemic. However, the additional pressures are expected to continue in to 2021/22, some of which represent the latent demand in respect of Adult and Children's Social Care. The Council has reviewed its financial position regularly and within its assumptions being reported within financial monitoring reports submitted monthly to MHCLG, the Council has identified a net pressure of £12.8m (after applying specific grant funding) for 2021/22. Therefore £12.8m has been placed in this reserve and committed to funding this additional forecast cost, minimising the financial volatility between years.

COVID-19 Tax Income Reserve – this reserve includes two elements outlined in the following points, both relating to local taxation, and result from grant received in respect of C-19:

- **Business Rates (NNDR) section 31 grants (£20.2m):** this reflects the grant received in 2020/21 to compensate the Council for the additional cost of providing 100% business rates relief to businesses in retail, leisure, hospitality and nurseries. Section 31 grants are accounted for through the General Fund, whereas business rates income is accounted for through the Collection Fund. The estimated balance on Collection Fund at the end of 2020/21 is exceptionally low as a result of the additional discounts applied to business rate payers, and this balance carries forward as a deficit in to 2021/22. This grant has been put into reserves and will be drawn down in 2021/22 to smooth the budgetary effect of this deficit and the Collection Fund accounting. This action has been factored into the Council's MTFS.
- **Tax Income Guarantee (TIG) scheme (£2.3m):** the government has recognised the strain C-19 has had on LA core funding by implementing a number of schemes. These schemes include the spreading of Collection Fund deficits, providing support to businesses and households, and the introduction of a TIG scheme whereby LA's are compensated for 75% of lost Business Rates and Council Tax income in comparison to budget. The government issued proforma has been used to calculate compensation of £2.3m, and in accordance with accounting policies this grant has been included within the 2020/21 final position and form part of the contribution to reserves to mitigate future reductions in Council Tax and Business Rates, as a result of C-19.

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 increased from £5.0m to £5.4m through an increase in the Peterborough City College reserve and a combination of specific grants which have been received for projects covering multiple years. The reserves include balances in respect of:

- Family Safeguarding Innovation Programme Pilot £1.3m
- Integration Area Programme (Integrated communities) £1.1m
- Controlled Migration Fund £0.4m
- Peterborough City College £1.8m

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. The reserve has increased by £2.0m, which included the contribution from the final 2020/21 underspend (£3.975m), as outlined in Table 2.

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 increased from in £0.009m to £0.131m.

General Fund – the General Fund is the Council's working balance to manage in year risks. It is usually held at a balance of £6.0m but was temporarily reduced in 2019/20 due to the identification of a timing difference in Business Rates, which meant income from section 31 grants was £0.9m lower than originally budgeted. The income has been received in 2020/21 and the General Fund replenished to a balance of £6.0m.

8.0 2021/22 BUDGET OVERVIEW

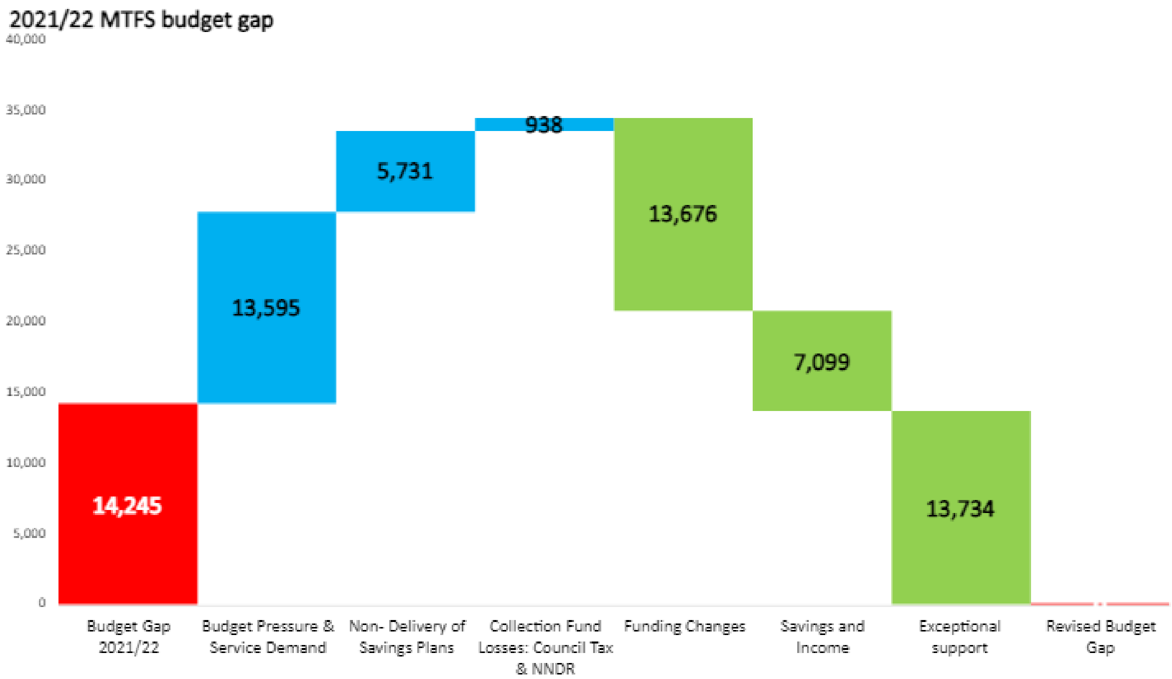
8.1 The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. Despite this financial context the Council has continued to perform well, providing vital services to its 202,000 residents, whilst at the same time managing demand and keeping expenditure low. However, it is because of this financial context that the impact from the C-19 pandemic has had such a pervasive impact on the Council's finances.

8.2 Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial challenges and in 2019 it implemented an enhanced series of expenditure controls.

8.3 The Council undertook an intensive period of investigative and service review work in the early 2020, to close the 2021/22 £14.2m deficit. At the commencement of lockdown £11.9m of savings opportunities had been identified with full validation process and more detailed business case development to be undertaken. However, as a direct result of responding the C-19 pandemic these opportunities were impaired to £3.6m.

8.4 The C-19 pandemic response and recovery the Council has reported an additional £30.2m of C-19 related expenditure and loss of income in 2020/21, and whilst this has largely been covered by additional government funding, it is expected that there will be long term impacts for which future longer-term funding is still unknown. An estimated of the longer-term impact of C-19 has been factored in to the 2021/22 budget with pressures such as the rising costs of Adult Social Care, Local Tax losses and the non-delivery of existing MTFS saving plans.

8.5 The Council has continued to review its budget assumptions and identify saving opportunities, which has enabled it to reduce the budget gap. This included a review of the Council Tax and NNDR income base assumptions, a review of the cost of borrowing and debt redemption using capital receipts and the incorporation of a further £12.7m funding in 2021/22, of which £8.9m is one-off in nature. This has provided the Council with some short-term security to meet the pressures from C-19 and the rising costs of Adult Social Care. The remaining budget Gap of £13.7m is expected to be met by the use of Capitalisation Direction (further detail in point 6.6). The following chart outlines the 2021/22 budget position:



8.6 In October 2020 the Council approached MHCLG to enable the further exploration of alternatives to issuing a S114 notice. The Council has been engaged in regular discussions with MHCLG in respect of the Council's finances and has now received conditional approval for a Capitalisation Direction (borrowing) of up to £4.8m in 2020/21 and up to £20.0m in 2021/21. This exceptional support has enabled the Council to set a balanced budget for 2021/22, which was approved at Full Council on 3 March 2021. The Council will continue to work closely with MHCLG, to develop a delivery model to secure financial sustainability and provide assurance to satisfy the conditions attached to the exceptional support funding.

9.0 FINAL CAPITAL OUTTURN 2020/21

9.1 The final position of the Council's Capital Programme and the treasury activity for the financial year 2020/21 follows. The Council's treasury activity during 2020/21 has been compliant with the Treasury Management Strategy approved in March 2020 as part of the MTFS process. This information compliments the Prudential Indicators performance report as set out in Appendix C.

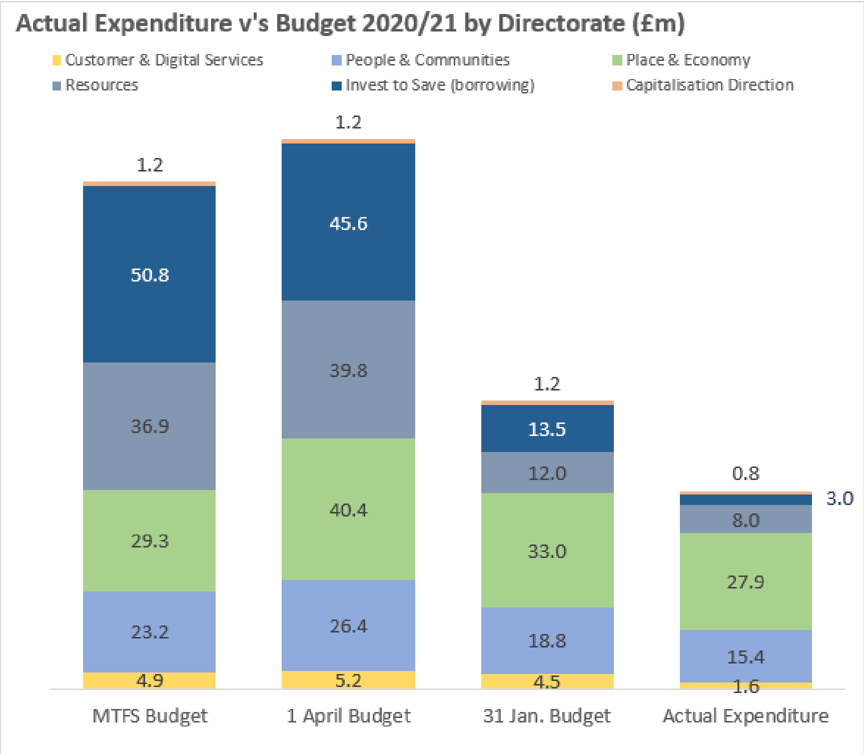
Capital Programme Outturn 2020/21

9.2 The Council's final revised capital budget was £83.0m which includes the budget for the Invest to Save (I2S) Schemes of £13.47m for the 2020/21 financial year. The agreed capital budget as per the Medium Term Financial Plan (MTFS) was £146.35m. The following chart and table shows the movement in capital programme throughout the year with the final expenditure. Capital budgets as agreed for the 2020/21 MTFS £146.4m, budgets containing slippage from 2019/20 £12.24m, and the budget as reported at 31 January 2021 £83.0m. These budgets compared to the final expenditure for each directorate and how this investment is financed £56.76m.

9.3 The movement between the MTFS position and the £56.76m 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 2020/21 to ensure that the capital programme is both affordable and appropriate and to realise revenue savings to address the forecast overspend reported. A number of projects across all directorates have been reprofiled to reflect the spending over future years and other projects removed following the scrutiny process linking to the development of the 2021/22 MTFS.

Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Customer & Digital Services	4,920	5,169	4,481	1,593
People & Communities	23,214	26,424	18,809	15,439
Place & Economy	29,275	40,401	33,008	27,917
Resources	36,927	39,778	12,010	8,025
Capitalisation Direction	1,217	1,217	1,217	763
TOTAL	**95,553**	**112,989**	**69,525**	**53,737**
Grants & Contributions	26,778	32,707	30,716	29,455
Capital Receipts	-	-	-	-
Borrowing	68,775	80,282	38,809	24,282
TOTAL	**95,553**	**112,989**	**69,525**	**53,737**
Invest to Save (funded by borrowing) **	50,800	45,602	13,470	3,026

*** within the MTFS budget was £10m for ADS Fleet renewal, as the business case developed this was subsequently removed from Invest Save, this is reflected in the 31 Jan. Budget figures*



9.4 Invest to Save projects have been reduced over the next few years due to no planned expenditure. However 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.

9.5 Listed below are the major projects that combined comprise the majority of the total capital expenditure of £56.76m.

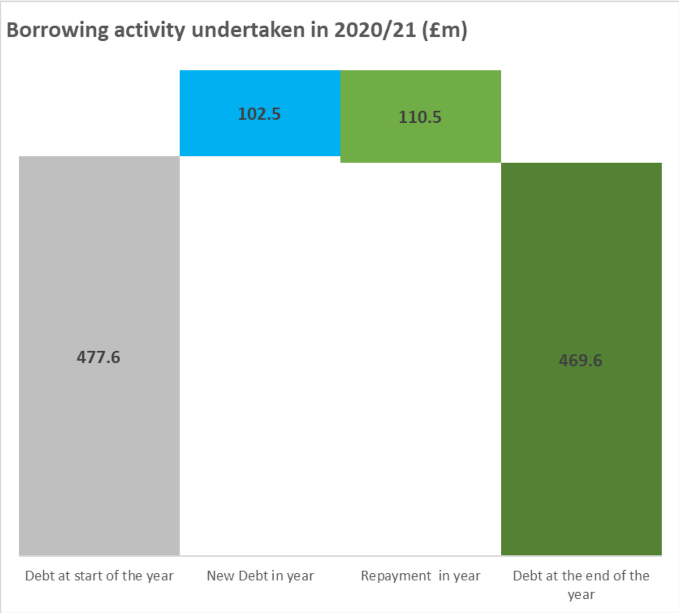
- Schools (including the new Manor Drive and Hampton Lakes schools and the expansion of Marshfields school) - £15m
- Highways - £20.8m
- The Vine: New Library and Cultural Hub £4.0m
- Fletton Quays Hotel - £3.0m
- Purchase of 88 Lincoln Road to convert into residential flats as 'next steps accommodation' to house former rough sleepers - £2.0m

Funding the Capital Programme

9.6 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 used to repay debt as per the Council's Minimum Revenue Provision (MRP) Policy.

9.7 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.

9.8 The Council's total borrowing as at the end of the financial year is £469.6m, and the total interest paid on these loans for the year was £16.4m. The following chart summarise the overall treasury borrowing activity undertaken for the year with an overall reduction in borrowing being achieved of £8.0m. The following table provides a summary of the Council's debt portfolio. Further information is contained in the capital financing section of Appendix A.



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	12,128	13,000	14,520	325,439	**369,587**	3.5	28
Local Authority	77,500	5,000	-	-	-	**82,500**	0.4	-
Market Loans	17,500	-	-	-	-	**17,500**	4.5	16
Total Borrowing	**102,500**	**17,128**	**13,000**	**14,520**	**325,439**	**469,587**	**3.0**	**23**
% of total Borrowing	21%	4%	3%	3%	69%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

9.9 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

9.10 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.

9.11 The following table shows the amounts of capital receipts built into the MTFS and the actual capital receipt received in 2020/21. The total amount of capital receipts used to repay debt as per the MRP policy in 2020/21 was £6.36m which included the sale of POSH.

Budget	Assets sold in year	Other receipts	Variance
£000	£000	£000	£000
4,302	6,114	243	(2,055)

Investments and Loans to Third Parties

9.12 The Council aims to achieve the optimum interest on treasury investments commensurate with the proper levels of security and liquidity.

9.13 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.

9.14 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.

9.15 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 Corporate Director: Resources.

9.16 As part of the formal decision to make the loans, the security for the loans are assessed as to their adequacy in the event of the third party defaulting on repayment and individual loan agreements provide for the recovery of the capital loan in the event of the default.

9.17 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 £23.0m	Under review see Cabinet report 21 June 2021
Fletton Quays Hotel Ltd	Capital Loan £15.0m	Due in 2022/23

9.18 At the end of the financial year, the Council's external investments totalled £18.1m. 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 £1,844k.

9.19 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 A.

10.0 Consultation

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

11.0 Anticipated Outcomes

11.1 That the outturn position for 2020/21 is noted.

12.0 Reasons for Recommendations

12.1 This monitoring report forms part of the 2020/21 closure of accounts and decision-making framework culminating in the production of the Statement of Accounts and informs Audit Committee of the final position.

13.0 Alternative Options Considered

13.1 None required.

14.0 Implications

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

15.0 Appendices:

- APPENDIX A – 2020/21 Directorate Revenue Outturn Report
- APPENDIX B - Reserves Position
- APPENDIX C - Treasury Management Strategy – Prudential Indicators 2020/21
- APPENDIX D - Performance Monitoring Report Prompt payment of invoices

16.0 Background Documents:

- Medium Term Financial Strategy 2020/21 - 2022/23
- Budget Setting Process: (Item 9a, Cabinet Report, Appendix A)
- COVID-19 Financial Update: 11 May Cabinet, Item 5
- Final Outturn Position20219/20: 22 June 2020 Cabinet, Item 6
- Budgetary Control Report April 2020: 22 June 2020 Cabinet, Item 8
- Budgetary Control Report May 2020: 13 July 2020 Cabinet, Item 6
- Budgetary Control Report July 2020: 21 September 2020 Cabinet, Item 8
- Budget Setting Process: (Item 9a, Cabinet Report, Appendix A)
- Budgetary Control Report August 2020 – 26 October 2020 Cabinet, Item 5
- Budgetary Control Report October 2020: 30 November 2020 Cabinet, Item 8
- Medium Term Financial Strategy 2021/22 TO 2023/24 - PHASE ONE: 30 November 2020 Cabinet, Item 6
- Budgetary Control Report November 2020- 18 January 2021 Cabinet Item 6
- Council Tax Base and Collection Fund Cabinet Report, Appendix A, Supplementary Report
- Budgetary Control Report December 2020- 23 February 2021 Cabinet (item 7)
- Budgetary Control Report January 21- 15 March 2021 Cabinet (item 4)

Appendix A- 2020/21 Directorate Revenue Outturn report

People & Communities- £9.4m Overspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Director	1,282	1,631	-	348	Overspend
Education	3,779	3,755	30	6	Overspend
Adults - Commissioning	24,989	29,042	-	4,053	Overspend
Adults - Operations	9,661	9,095	-	(567)	Underspend
Children´s - Operations	11,194	11,039	116	(39)	Underspend
Children´s Commissioning	16,240	16,750	-	510	Overspend
Commissioning Team and Commercial Operations	487	1,151	-	664	Overspend
Communities - City Centre Management	232	440	-	208	Overspend
Communities - Cohesion and Integration	551	(209)	778	18	Overspend
Communities - Community Safety	(2)	1,413	657	2,072	Overspend
Communities - Think Communities	2,826	4,644	-	1,818	Overspend
Communities-Regulatory Services	1,696	1,803	23	130	Overspend
Children's & Safeguarding (DSG)	5,748	6,424	-	676	Overspend
Commissioning and Commercial Operations (DSG)	-	11	-	11	Overspend
Education (DSG)	(5,745)	(6,377)	86	(546)	Underspend
Total People & Communities	**72,940**	**80,611**	**1,690**	**9,361**	Overspend

Directorate Variance Analysis	
Director	£0.447m pressure due to the non-achievement of planned Medium Term Financial Strategy (MTFS) savings, in relation to reduced agency staff expenditure. This saving was allocated across the directorates based on current agency budgets, however due to the directorate's reliance on these budgets to ensure there are adequate levels of social care workers and care staff, these savings will be difficult to extract. This pressure has been incorporated within the Council's budget for 2021/22. £0.0.99m saving as a result of a reduction in supplies and services and staffing, this includes travel, training and conference expenditure not undertaken due to the pandemic.

Directorate Variance Analysis	
Education	£0.179m pressure due to the reduced income generation in respect of attendance fixed penalty notice fines and School Improvement traded services, as a result of C-19. In line with Government advice, no penalty notice and / or prosecution has been initiated for any new offences between March and July 2020. The Council has started to fine parents whose children do not attend school from September, however there is discretion where the reason is C-19 related and Lockdown 3.0 has had a further impact on this target.
	£0.470m pressure relating to Home to School and Children's Social Care transport of which £0.279m is the non-achievement of the home to school transport MTFS saving. A number of savings work streams were initiated in conjunction with Cambridgeshire County Council (CCC) i.e. Route Optimisation, promoting the take up of Personal Transport Budgets, the development of a Dynamic Purchasing System and Independent Travel training, however due to the additional C-19 guidance and restricting factors, these savings have not been realised.
	£0.407m increase in relation to Schools Direct Revenue Financing (DRF). This is due to an increase in the value of schools funding being transferred from revenue into capital. Part of this increase in DRF has arisen as a result of schools purchasing laptops to support children studying at home over the pandemic.
	£0.106m saving due to increased Schools & grant Income which off-sets other Education General Fund expenditure
	£0.037m saving in respect of the pre 1998 pension costs. This point at which Peterborough became a unitary authority and inherited pension costs associated with pensioners (ex-employees) at that point. As the years have progressed a number of these have now passed away, which in-turn has reduced the cost to the council £0.093m saving on smaller variances across staffing costs, supplies and services and fees and charges budgets.
Adults - Commissioning	£1.05m pressure relating to a 10% uplift awarded to care providers until the end of June to assist with the additional costs and the impact of C-19. There is also a £0.814m pressure in relation to additional care package expenditure due to C-19.
	£0.458m pressure due to inflationary increases applied to care provider contracts to support the ongoing increased costs being experienced. In previous years, the Council has held off awarding uplifts to provide contracts in order to manage the rising cost of adult social care, however, with the largest increase in the National Living Wage, providers have requesting additional support. £0.636m is due to additional residential and nursing beds required, to free up hospital capacity to support with the C-19 case load. This has significantly reduced from the £2.950m adverse variance reported in January, as £1.4m of the previously forecast expenditure is expected to now take place in 2021/22.
	£1.515m pressure from reduced savings delivery due to C-19. Savings plans such as Adults Positive Challenge, Self-Funders, Care Suites and Lifeline have all been affected due to resources focusing on responding to discharges and other pressures arising C-19. As a result of C-19, savings previously declared in relation to Adult Social Care Demography and the National Living Wage can no longer be delivered.
	£0.478m saving - Section 75 Mental Health Agreement - Additional budget was allocated which is not required (£0.221m), this has been corrected within the budget for 2021/22. In year CPFT underspend £0.257m arising mainly from vacancy savings.
	£1.097m favourable variance due to reduced independent audits and peer reviews across adults and children’s as part of inspection preparation, reduced number of external investigators for complaints, planned work around transitions and complex needs delayed, children’s collaborative work delayed - all due to Covid-19. Funding for ADCS and ADASS professional conferences not spent due to cancellation and regional work development work in LD and ASD postponed.
	£0.579m pressure on care packages due to a rise in demand and costs of new packages as well as the need to credit back some invoices to the Clinical Commissioning Group (CCG) as these were raised in error. £0.620m Pressure as result of a settlement agreement with the CCG to resolve historic outstanding balances.

Directorate Variance Analysis	
Adults - Operations	£0.107m pressure - MTFS saving no longer achievable due to the delay in the implementation of the Liberty Protection Safeguards (LPS). The scheme was designed to replace Deprivation of Liberty Standards (DoLS) in October 2020 but has been confirmed to be put back to April 2022 due to the pandemic and the need for further consultation before implementation. Conversely due to C-19 Best Interest Assessor and section 12 doctors' fees have underspent by £0.178m due to the pandemic and the lack of court sittings and backlogs now currently.
	£0.110m pressure due to the loss of income from Care and Repair as a result of C-19. The service receives income from work carried out under the Disabled Facilities Grant (DFG), care and Repair staff have been redeployed to Reablement and other teams to respond to C-19, so are unable to generate the contributions. There has also been a reluctance of those shielding to have workmen in during pandemic.
	£0.661m favourable on Community, Therapy and Reablement Teams as a result of staff vacancies. This saving is only temporary, a media campaign to recruit Reablement workers has not been successful and agency staff are now being recruited.
Children´s - Operations	£0.194m saving - Children's Social Care Quality Assurance vacancy savings (QA Chair and Policy Manager & Conference and Review Chair). These posts are currently being recruited to and therefore are not a permanent saving.
	£0.110m pressure due to loss of Income at Cherry Lodge from changes in the delivery of Children's packages to work in a C-19 compliant way.
	Within the Children's Social Care Teams, the Council previously reported additional forecast expenditure of £0.263m in 2020/21. However the anticipated increase in referrals from schools has not yet happened due to the Lockdown 3.0 and associated school closures, this expenditure is now forecast to happen in 2021/22.
Children´s Commissioning	£0.949m pressure in respect of additional C-19 spend. This includes: * Pressure in respect of Children in Care placements costs. This results from a small increase in young people with very complex needs, requiring specialist placements. * Pressure which covers the cost of providing an uplift to Children's Social Care providers, to cover their additional costs during the lockdown and the recovery phase. * Pressure to cover Home Care support / Short Breaks, Integrated Community Equipment Services to meet additional demand. Of the £1.895m previously reported specific C-19 CSC Placements spend, £1.260m has been re-profiled into financial year 2021/22 due to Lockdown 3.0 School Closures.
	£0.339m pressure on children placements costs resulting from complexity of need and shortage of appropriate placements.
	£0.077m pressure - as a result of the delayed re-commissioning of Children's Centres due to the C-19 pandemic.
	£0.563m saving on Looked after children psychology services, Access to Resources Team, High Level Family Support, School Behaviour Project, Emergency Duty Team and Interpretation expenses. Savings within this area could not be declared until now as the C-19 impact on demand for these services has been difficult to predict.
	£0.099m saving Child Health, which is broken down in to a £0.081m pressure on additional Children with Disabilities costs, £0.225m saving on CCG contributions and £0.036m pressure on an Early Help post.
	£0.188m savings Short Breaks Commissioning, on contracts as a result of C-19- £0.100m Action for Children, £0.060m Circles one to one support (2019/20 accrual not required), £0.010m DIAL Information Advice and Guidance. Alternative services being commissioned for 2021/22.
Commissioning Team and	£1.2m pressure due to reduced income generated from Clare Lodge, as a result of the C-19 pandemic. Children are only being moved and accommodated on emergency basis and new procedures require new admissions to self-isolate for 14 days which is also influencing decision making by placing authorities. The delay

Directorate Variance Analysis	
Commercial Operations	to the Capital project to refurbish lounges means that two lounges are currently unavailable for use, these are now expected to be operational imminently. The £1.2m loss of Income has been offset by other savings of £0.365m as a result of reduced occupancy.
	£0.148m saving Commissioning Team staffing in part due to revised Shared Service recharge from Cambridgeshire County Council.
Communities - City Centre Management	£0.291m pressure as a result of lost Income in respect on-street Traders, the City Market , the Great Eastern Run and City Centre Events. This can be directly linked to the C-19 pandemic.
Communities - Community Safety	£2.236m pressure due to loss of income across multiple services including: * £1.656m from Parking charges. * £0.434m from Parking Enforcement. * £0.145m from Environmental Enforcement. Parking income has been significantly less than budget due to the reduction in footfall within the town centre due to the pandemic. Enforcement staff have been redeployed to support the C-19 Emergency Hub & more recently to Marshalling duties, however enforcement is now operational again but income levels are lower than previous levels due to C-19 impact on staffing productivity, suspension of parking bays, pop up cycle lanes etc.
	£0.469m pressure as a result of impaired MTFS savings in relation to increased parking charges & Parking / Environmental Enforcement. Parking charge increases were intended to be implemented from April 2020 but as parking charges were temporarily suspended for the initial lockdown period. Income has been lower since parking charges have been reinstated. New way of working for Environmental and parking Enforcement Teams was not implemented from the April 2020 and the role of Environmental Enforcement Officers changed in response to C-19.
	£0.108m savings C-19 impact arising from a reduction in parking cash collections, reduced Contractor spend, reduced charges for online permits and an underspend on administration of the blue badge scheme.
	£0.134m favourable re Parking Services mainly reduced contractor costs & Nortminster Business Rates refund of costs.
	£0.149m favourable position in respect of the Targeted Youth Support Service, mainly due to staffing vacancies, but also as a result of reduced contract, travel, premises and programme costs.
Communities - Think Communities	£1.777m pressure due to additional expenditure to support the transition of Vivacity services to Aragon and Peterborough City College. Early on in that C-19 Pandemic Vivacity gave notice on its contracts to the Council due to the financial difficulty placed on the operations as a result of C-19.
	£0.179m pressure in respect of non-delivered MTFS saving in respect of Vivacity services. Given Vivacity's decision to give notice on the Culture and Leisure contract, it is highly unlikely that this saving will be achieved.
	£0.400m pressure due to forecast loss of income on the Premier Fitness profit share scheme (Vivacity) - this is a result of the C-19 pandemic.
	£0.640m saving of which £0.438m is Premises costs including utility costs, £0.130m provision for loss of Income as Vivacity balances not yet transferred, £0.063m saving re Supplies and Services including photocopying and postage.
Communities-Regulatory Services	£0.333m pressure due to additional C-19 spend on the Coroners Service 0.072m to manage the backlog and complexity of cases and for the Councils share of temporary mortuary costs £0.210m. Increased cost of PCC share of Coroners contract £0.051m.
	£0.142m pressure due to reduced Income from Licensing in relation to Food premises, Street Traders & Taxi's as a result of businesses / taxi operators being closed and allowing for permanent closure of businesses.

Directorate Variance Analysis	
	£0.099m saving Housing Enforcement of which £0.086m is employee vacancies, posts weren't recruited as a result of C-19.
	£0.248m saving Regulatory Services Underspend on staffing £0.093m Trading Standards £0.092m, Legal Costs £0.014m, Hackney Carriage inspections £0.021m and reduced spend on Licenses £0.028m.
DSG (net position)	£0.131m pressure due to additional forecast spend to ensure the sustainability of Nursery Education providers, as a result of the potential closures which could be caused as a result of C-19.

Public Health- On Budget

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Children 0-5 Health Visitors	3,907	4,074	-	167	Overspend
Children 5-19 Health Programmes	942	942	-	0	On Budget
Sexual Health	1,999	1,843	-	(156)	Underspend
Substance Misuse	2,218	2,214	-	(4)	Underspend
Smoking and Tobacco	295	233	-	(63)	Underspend
Miscellaneous Public Health Services	1,390	1,324	-	(66)	Underspend
Public Health Grant	(11,124)	(11,124)	122	122	Overspend
Total Public Health	**(372)**	**(494)**	**122**	**(0)**	Underspend

Directorate Variance Analysis	
Children 0-5 Health Visitors	£0.167m pressure due to Agenda for Change cost increases. Contracts include the requirement to uplift contract cost where staff are employed on Agenda for Change Terms and Conditions. For the first two years, Public Health (PH) England provided additional funding to pay for these contract price increases but in year three the PH grant was increased to cover the contract price increases. However the uplift in grant value and its purpose was announced in March after the Council had set its budget, and provisional increase in PH grant had already been factored in to the budget, unaware of the government's commitment for this increase. This has been accounted for in the 2021/22 MTFS.
Sexual Health	£0.200m favourable position on sexual Health Services. This can be broken down into: * £0.072m Long Acting Reversible Contraception (LARC) * £0.056m Emergency Hormonal Contraception (EHC) * £0.030m Genitourinary Medicine * The 2019/20 accruals estimates were overstated as key Public Health staff were engaged in providing the C-19 outbreak response.
	£0.044m pressure due to additional cost of the sexual health contract. This has resulted from a delay in implementing new contract as the service was focussed on providing the response to the pandemic. This was a temporary pressure, no pressure expected on the 2021/22 budget.
Smoking and Tobacco	£0.060m saving on GP and Pharmacy costs due to lower uptake as a result of C-19. It is anticipated that demand will resume.
Miscellaneous Public Health Services	£0.083m Saving on the adult's weight management and obesity, in relation to two contracts. One which changed supplier part way through the year, the other due to reduced costs as a result of C-19.
	£0.054m saving on prescribed health check services due to low up take of check as a result of C-19 social distancing and lockdowns.

Directorate Variance Analysis	
	£0.044m pressure as a result of a delayed start to new healthy lifestyles contract, The new contract now commenced, however it was delayed due to C-19.
	£0.015m pressure as a result in a delayed start to the new contract starting in respect of the National Child Measurement Programme. This was delayed as a result of C-19
Substance Misuse	£0.015m pressure - additional expenditure on drug and alcohol services, to ensure that the service could operate safely, within the C-19 restrictions. eg- maintaining social distancing, additional cleaning materials & PPE.

Place & Economy- £1m Overspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Development and Construction	(70)	(34)	-	36	Overspend
Director Place & Economy	100	105	-	5	Overspend
Peterborough Highway Services	4,236	2,869	-	(1,367)	Underspend
Sustainable Growth Strategy	1,652	1,362	39	(251)	Underspend
Waste, Cleansing and Open Spaces	12,750	13,648	-	897	Overspend
Westcombe Engineering	144	316	-	173	Overspend
Director of Housing	2,219	3,858	-	1,638	Overspend
Growth & Regeneration	685	516	70	(100)	Underspend
Total Place & Economy	**21,716**	**22,639**	**109**	**1,032**	Overspend

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Directorate Variance Analysis	
Development and Construction	£0.308m Pressure in relation it planning fee income is reduced due to C-19, especially in Quarter 1; applications have picked up but income remains lower than budgeted.
	£0.154m Favourable variance on other development income is currently forecast higher than budget, this includes S106 and Community Infrastructure Levy (CIL) Administration fees in respect of developments at Wittering, Hampton and Thorney.
	£0.118m Favourable variance on other variances including increased Building Control income and reduced staff costs, reduced legal costs as no challenges for Planning, partly offset by shared service and staff recharges
Peterborough Highway Services	£0.290m Favourable variance on concessionary fares as significant reduced usage of concessionary passes
	£0.131m Favourable variance on Bus Service Operators Grant (BSOG) used to fund 60's
	£0.460m Favourable variance on network Management Permitting Income. Higher than anticipated income, with significantly higher income late in the year. Also lower direct costs on permitting.
	£0.067m Favourable variance on staffing costs as a result of vacant posts.
	£0.188m Pressure as a result of extra highways costs associated with C-19 and reduced income in street naming/numbering. The Council has also incurred additional costs as a result of damage to assets caused by Road Traffic Collisions (RTC).
	£0.286m Favourable variance on street lighting costs this is due to a net saving on the energy pricing, corrections to last year and out of contract costs. In addition to operating a dimming regime due to the reduced traffic caused by C-19.

Directorate Variance Analysis	
	£0.107m Favourable variance on staff costs due to recharges to capital projects and the Cambridgeshire and Peterborough Combined Authority (CPCA), where staff have been assisting on projects.
	£.0157m Favourable variance on Highways Development savings and additional income.
	£0.057m Favourable position on other minor variances including savings on drainage flood & risk costs, road safety and Transport Planning, partly offset by Queensgate Bus Station reduced departure fee income due to C-19
Sustainable Growth Strategy	£0.121m Favourable due to additional income generated from recharging planning policy services to other local authorities.
	£0.130m Favourable across various areas including staffing, supplies & services, trees & conservation projects and LDF statutory functions
Waste, Cleansing and Open Spaces	£0.240m Pressure as a result of reduced Brown Bin fee Income, this was due to the Council not charging for the 1st 3 months due to C-19.
	£0.218m Pressure in relation to the Energy from Waste (EFW) Plant. Electricity Income loss due to a fall in wholesale demand leading to drop in export price. The export price has increased in recent months hence why the pressure has reduced.
	£0.123m Pressure due to additional costs at Household Recycling Centre due to C-19, such as signage, cleansing, staffing and Traffic Management costs
	£0.195m Favourable due to a refund of Climate Change Levy liability from HM Revenue & Customs, following detailed discussions on the relevant application of the tax rules which removed the Council's liability.
	£0.233m Pressure on waste treatment costs due to increased residential waste- This is an implication of C-19 as residents have been at home more due to lockdown measures, school closures and working from home guidance.
	£0.425m Pressure as a result of the Impact of C-19 on Aragon Direct Services, causing loss of income and additional costs. These are broken down in to: * £206k for the Covid-19 impact on Refuse Collections * £80k for Parks, Trees & Open Spaces * £67K workshop * £38k Property costs * £34k Transport costs. Additional measures provided for include an additional vehicle for increased domestic refuse tonnage; additional cleaning costs, and additional personnel for Covid-19 secure measures, including enabling "bubbles" to be maintained for transport services. This position has improved by £377k compared to the initial forecast from Aragon Direct Service. Aragon is operated by the Council owned company Peterborough Limited, and appropriately funding the impact of these measures has ensured that the company can continue to deliver to its business plan, maintain a positive balance sheet, and commence repayment of the initial set up loan provided by the Council.
	£0.131m Pressure due to additional vehicle hire and staffing costs on waste collection rounds.
	£0.277m Favourable on smaller variances across the service including: * £0.075m reduced repairs and maintenance spend across open spaces & play areas * ££0.068m spring clean not undertaken in Q4 * £0.040m no charges for garden waste administration for 2020/21,

Directorate Variance Analysis	
	* £0.046m savings on utilities and business rates, * £0.053m few additional properties and lower adhoc costs- eg a milder winter has meant less reactive work such as fencing and repairs.
Westcombe Engineering	£0.172m Pressure - Reduced income as reduced capacity due to C-19
Growth & Regeneration	£0.099m Favourable - Savings on employee costs and various Directorate wide savings held here, partly offset by no income generated from Peterborough Destination Centre
Director of Housing	£1.638m net pressure - Mostly as a result of the C-19 pandemic, as the Council has taken steps to ensure that rough sleepers, homeless families and individuals have temporary accommodation, and a safe place to self-isolate. This is net pressure includes:
	* £1.982m Pressure in relation to additional hotel, B&B, employee, security and repair costs.
	* £0.366m net saving on temporary accommodation. This is the result of pressure caused by the decision not to purchase St Michaels Gate, but to extend the lease instead, which is being offset by savings due to a delay in Bushfield Court coming on line and the decision not to approve the Walton Road proposal. The latter two had been budgeted for the full year.
	* £0.153m Pressure - Cost of Interim Director of Housing Needs and Supply
	* £0.564m Favourable- As a result of the two grants £0.028m to fund initial short term costs and £0.426m, to fund ongoing short term costs until March 2021 (part of NSAP bid). Now also Cold Weather Fund and Protect plus additional grant funding
	* £0.104m Pressure - Housing Project Management Costs
	* £0.228m Pressure - Landlord Incentive Payments - significant increased cases
	* £0.139 Pressure - Subsidy & rental incomes, final claim for subsidy less than mid-year estimates
	* £0.038m Favourable - Other variances including reduced legal costs, savings on Traveller Site maintenance and other small savings across the Service.

Customer & Digital Services - £1.1m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
ICT	7,071	5,856	-	(1,214)	Underspend
Marketing & Communications	355	422	-	67	Overspend
Resilience & Health & Safety	263	272	-	9	Overspend
Director of Customer & Digital Services	75	79	-	3	Overspend
Total Customer & Digital Services	**7,764**	**6,629**	-	**(1,135)**	Underspend

Directorate Variance Analysis	
Marketing & Communications	£0.042m Favourable - Other savings within the service area.
	£0.109m Pressure due to a reduction in sponsorship income and reduced design & print recharge. Some of this pressure has been accounted for within the 2021/22 budget.
Resilience & Health & Safety	£0.021m Favourable variance on Salary costs
	£0.010m Pressure in relation to C-19 related spend on Fletton Site.
	£0.020m Pressure on C-19 related expenditure on body storage and funeral director costs.
ICT	£0.044m Pressure due to additional computer software costs, such as digital signature software, people planner and form software to support agile working and social distancing measures required as a result of C-19.
	£0.068m Favourable due to unbudgeted income in year relating to schools broadband
	£0.454m Favourable on the software budget due to unrequired products, and items costing less than initially expected. Some of this underspend is one off, but some forms part of the early delivery of contract savings, which have been built in to the 2021/22 MTFS.
	£0.224 Favourable due to a rebate received in relation to Customer Relationship Management licensing and support contract. The Council agreed to end use of the system earlier than originally planned, and following a reconciliation of payments already made this rebate was due to the Council.
	£0.512m Favourable as a result of the early delivery of 2021/22 savings, through underspends on contract exit, staffing and supplies and services.

Chief Executives- £0.1m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Chief Executive	157	134	-	(23)	Underspend
HR	1,147	1,086	-	(61)	Underspend
Total Chief Executives	**1,303**	**1,220**	-	**(83)**	Underspend

Directorate Variance Analysis	
HR	£0.035m Favourable on salary costs. This is the result of two vacant positions, however to ensure the service had the appropriate level of resources the planned Voluntary Redundancies were delayed, with these now expected to take place in June 2021.
	£0.024m Pressure - As a result of additional training costs and loss of occupational health income due to C-19.
	£0.050m Favourable - Other variances within the service.
Chief Executive	£0.004m Pressure - Additional salary costs following delay of Voluntary Redundancy, due to C-19.
	£0.027m Favourable - Other minor variances in the service.

Business Improvement - £0.1m Overspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Programme Management Office	623	692	-	69	Overspend
Total Business Improvement	**623**	**692**	**-**	**69**	Overspend

Directorate Variance Analysis	
Programme Management Office	£0.72m pressure due to additional staffing and consultancy costs. The additional staffing cost have now been accounted for within the 2021/22 Medium Term Financial Strategy (MTFS)
	£0.003m favourable - other

Governance - £0.4m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Director of Governance	151	121	-	(30)	Underspend
Legal Services	1,928	1,950	-	22	Overspend
Constitutional Services	2,027	1,686	-	(342)	Underspend
Performance & Information	216	169	-	(47)	Underspend
Total Governance	**4,322**	**3,925**	-	**(397)**	Underspend

<table>
<tr><th colspan="2">Directorate Variance Analysis</th></tr>
<tr><td>Legal Services</td><td>£0.022m overall pressure, which relates to:
* £0.082m pressure on Land Charges Income
* £0.077m pressure on Children Services Legal Team costs
These have been offset by other favourable income in Legal Services and staff costs.</td></tr>
<tr><td rowspan="2">Constitutional Services</td><td>£0.169m favourable position on election services broken down in to:
* £0.146m favourable variance is as a result of the national postponement of the May 2020 Local Elections.
* £0.023m saving in respect of costs relating to the Electoral Register.</td></tr>
<tr><td>£0.172m Favourable position mainly as a result of saving on the Members Allowances budget. This underspend is the result two vacant posts, due to the death of two of Councillors during 2020 and reduced expenditure relating to surgeries, travel and training, due to the C-19 social distancing restrictions. These savings are only temporary as the May 2021 elections have meant that all 60 councillor seats filled.</td></tr>
</table>

Resources- £1.0m Overspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Director's Office	276	272	-	(4)	Underspend
Financial Services	3,496	3,339	386	229	Overspend
Corporate Items	8,020	8,095	7	83	Overspend
Peterborough Serco Strategic Partnership	6,409	7,841	214	1,646	Overspend
Corporate Property	2,028	2,252	-	224	Overspend
Energy	478	(147)	-	(625)	Underspend
Cemeteries, Cremation & Registrars	(1,453)	(2,009)	-	(556)	Underspend
Total Resources	**19,254**	**19,643**	**607**	**996**	Overspend

Directorate Variance Analysis	
Financial Services	£0.041m Favourable variance within Internal Audit due to lower salary costs. This is due to a member of the team being seconded to support the C-19 Co-ordination hub.
	£0.103m Favourable variance on the insurance premium budget and underspend on the Risk Management budget. These underspend is not repeatable as insurance premiums rise in 2021/22.
	£0.081m Favourable position across the whole strategic Finance Service, including car lease saving, miscellaneous income and supplies and services.
	£0.454m pressure in relation to an increase in the amount required in the sundry bad debt provision. This is a result of the economic impacts of C-19, which has meant the level of debt outstanding to the Council is now higher. An increase in the bad debt provision mitigates the risk of the Council being unable to recover this debt in full in the future.
Corporate Items	£0.419m Pressure against available pay award budget. This has resulted due to the following: * £0.477m pressure as pay award was agreed nationally at 0.75% higher than budgeted * £0.058m favourable as a result of Voluntary Redundancies (VR) which were agreed and accounted for in 2019/20, where staff have now been redeployed in to different roles, which has been off set with additional tax and NI cost identified following a review of VR payments
	£0.415m Favourable as a result of the VAT shelter income from Cross Keys Homes (CKH) exceeding the budget. This favourable position has been driven by additional maintenance work CKH has carried out on its properties throughout 2020/21
	£0.098m Pressure due to an increase in external audit fees. As the Council has low financial resilience, and therefore a higher risk, lower materiality levels set by the auditors, which in turn means additional audit testing. The auditors also carried out a thorough Value for Money (VFM) and an

Directorate Variance Analysis	
	assessment of the impact of C-19 (a national requirement). Both of these factors have driven the increase in audit costs. It is anticipated that additional costs will continue in future year, and has been factored in to the 2021/22 MTFS.
Peterborough Serco Strategic Partnership	£1.149m Pressure due to savings on Business Support not being realised. These savings have been difficult for the Council to deliver at a time when the C-19 pandemic has demanded additional resource and staffing capacity to support with the response.
	£0.209m Pressure on various areas including Annual Delivery Plan/Business Transformation and Strategic Improvement (BTSI) costs, and contractual growth income received but not budgeted in year. This growth income was recently re-profiled and this revised profile has been factored in to the 2021/22 MTFS.
	£0.256m Pressure due to the lack of recovery activity, which has been restricted over the pandemic. This has meant court cost income collected has been reduced. There is no corresponding saving in administration costs.
	£0.072m Pressure on the Housing Benefit Subsidy budget.
Corporate Property	£0.475m Pressure - Additional letting of Sand Martin House, which was incorporated within the 2020/21 Medium Term Financial Strategy (MTFS) has not been possible, due to the impact the pandemic has had on the requirement for office space. There has been a significant shift to home working across the country and it is thought that this saving will be difficult to achieve in the future. For that reason this saving has been removed from the 2021/22 MTFS. However the Council will look at how it can maximise the use of its assets as part of its C-19 recovery plan.
	£0.119m Favourable - Rental income following purchase of new site.
	£0.079m Favourable - Other variances across the service
	£0.054m Favourable - In response to C-19 there has been additional costs such as cleaning, and signage at Sand Martin House, however this has been offset by reduced Utilities and Security costs.
Energy	£0.625m Favourable as a result of additional loan interest income received in respect of the Council's Solar Rooftop asset portfolio through its Strategic Partnership with Empower. The Empower loan was to be transferred onto a long term basis by the end of the year, and as such the money received on account was to be split between interest and loan repayment. As the new loan agreement was not signed by the end of the year the money received on account reflects the short term loan agreement and so interest is charged on the higher basis.
Cemeteries, Cremation & Registrars	£0.159m Pressure resulting from a £0.196m underachievement of Registration Services incomed which has been partially offset with a reduction in expenditure of £0.037m, this is fully attributable to C-19.
	£0.747m Favourable variance on the Bereavement Services income budget. This is due to the rise in deaths as a result of C-19. Between January and March this increased by £0.193m as a result of the third spike in cases and deaths over Lockdown 3.0.

Capital financing- £4.4m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Status
Capital Financing	29,187	24,789	-	(4,398)	Underspend
Total Capital Financing	**29,187**	**24,789**	**-**	**(4,398)**	Underspend

Capital Financing and Capital Receipts Overview

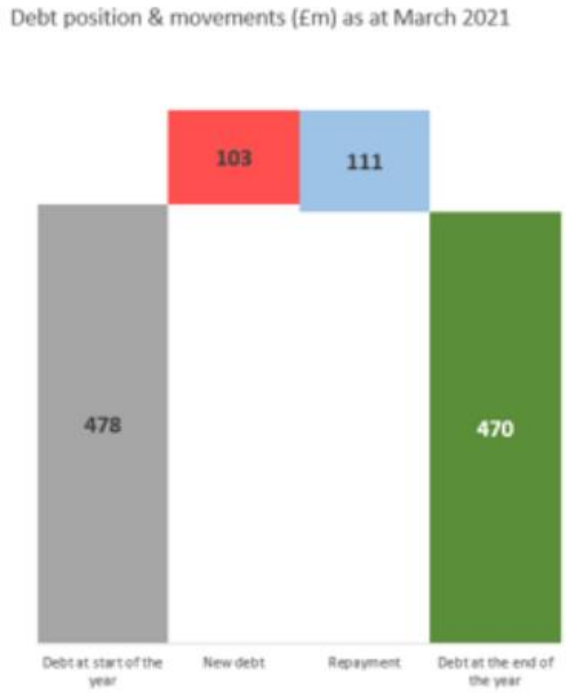
The Capital Financing budget has underspend compared to budget by £4.4m and reflects three key aspects which have been noted as influencing factors throughout the year. The previous forecast outturns reflected the risk in achieving asset sales in the current economic climate, which had been offset by the cost of borrowing for new debt being lower and later in the year than anticipated in the MTFS.

Directorate Variance Analysis

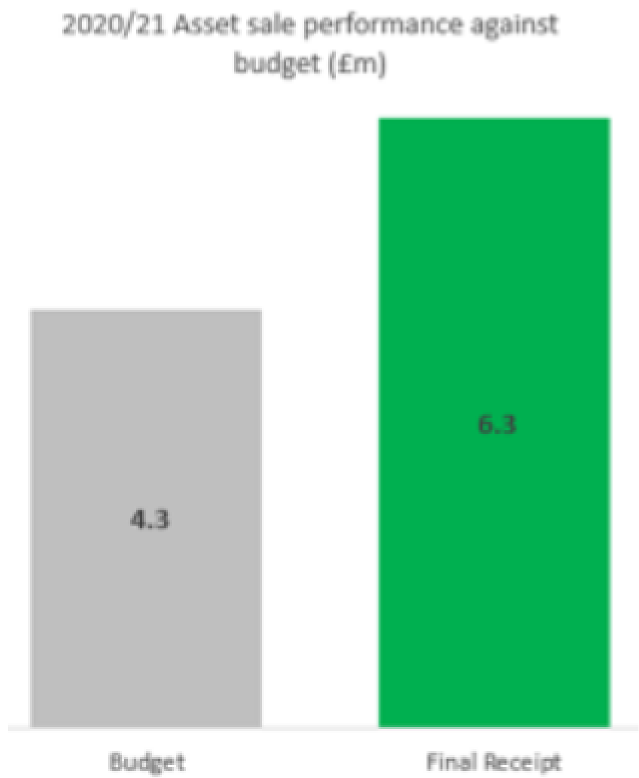
Tight management of the Council's cash flow has led to savings being realised by extending the time before borrowing was undertaken, reducing the amounts of borrowing taken, and at the lower, shorter length interest rates. All borrowing undertaken has been used to fund capital expenditure or refinance maturing loans. The Council's cash flow has benefitted from the additional funds provided by government in relation to funding the direct additional C-19 activity and grants provided to businesses to support them through the pandemic. The Council's capital programme has not progressed in the timescales originally planned, and was affected by the downtime for construction resulting from Lockdowns experienced. The benefits realised from these factors led to savings in year of £1.2m. These 2020/21 factors built on the 2019/20 position where less borrowing was undertaken for the capital programme in 2019/20 than budgeted for in the MTFS resulting in less budget being required to fund existing borrowing.

The minimum revenue provision (MRP) calculation had been delayed due to resource constraints in the Corporate Finance Team which resulted in an estimated being used in reporting. The final calculation included in this position has taken into account the lower completion rates of schemes from the 2019/20 capital programme and resulted in a lower provision of £1.3m compared to the MTFS budget.

Interest receipts generated from loans the Council has issued has been lower than the estimate in the MTFS as a result of the delay in the drawdown for the loan granted to the hotel build in Fletton Quays. This has been offset through the reduction in new borrowing required to fund the loan, per previous commentary above, and better performance than expected from the ESPO dividend. Final performance was £0.5m less receipt than originally planned.



Capital Receipts
Capital Receipts are used as part of a contribution to repay debt. Close monitoring of the Capital Receipts is maintained as any change has a direct impact on the revenue position. 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 2021. As per the MTFS policy Capital Receipts will be used to repay debt and forms part of the calculation of the reducing the overall debt through MRP. If capital receipts are not received, the debt will need to be repaid via revenue resources.
The Council had identified over £8.2m of asset sales in order to achieve the MTFS budget of £4.3m. Although the impact from C-19 pandemic on asset sales is created a challenging environment in which to finalise final exchange and therefore the timing of the final receipt, the Council realised £6.3m of receipts with a further value of £1.2m deferred for cash receipt in future years. This has resulted in additional capital receipt income above that estimated in the MTFS of £2.4m.



Appendix B: Council Reserves Position

Summary of Reserves	Balance C/Fwd 01.04.20 £000	Contribution from Reserve £000	Contribution to Reserve £000	Movement between Reserves £000	Balance at 31.03.21 £000	Estimated Balance at 31.03.22 £000	Estimated Balance at 31.03.23 £000
General Fund Balance	**5,111**	-	**889**	**-**	**6,000**	**6,000**	**6,000**
Usable Reserves							
Capacity Building Reserve	12,992	(1,936)	3,975	5	15,035	14,081	14,081
Departmental Reserves	5,077	(1,620)	1,927	(5)	5,380	2,593	1,805
COVID-19 Tax Income Reserve	-	-	22,521	-	22,521	2,316	-
COVID-19 Funding Reserve	5,332	(5,332)	12,841	-	12,841	-	-
	23,401	**(8,888)**	**41,265**	**-**	**55,778**	**18,990**	**15,886**
Ring-Fenced Reserves							
Insurance Reserve	3,073	(144)	386	-	3,315	3,315	3,315
Schools Capital Expenditure Reserve	752	(181)	86	-	658	658	658
Parish Council Burial Ground Reserve	56	(6)	7	-	57	57	57
Hackney Carriage Reserve	173	-	-	-	173	173	173
Public Health Reserve	9	-	122	-	131	131	131
	4,063	**(332)**	**601**	**-**	**4,333**	**4,333**	**4,333**
Total Earmarked Reserves and General Fund Balance	**32,575**	**(9,220)**	**42,755**	**-**	**66,110**	**29,323**	**26,218**

Appendix C - Treasury Management Strategy Prudential Indicators Outturn 2020/21

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

(a) capital expenditure plans are affordable;
(b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
(c) treasury management decisions are taken in accordance with professional good practice.

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

The Code requires the Council to set a range of Prudential Indicators for the forthcoming financial year and at least the following two financial years. During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Annual Treasury Management Strategy.

The outturn for the Prudential Indicators for the financial year are detailed below. The indicators include the Invest to Save scheme. The costs of borrowing associated with these schemes will be offset by the income or savings generated by these projects.

The 2020/21 Prudential Indicators are shown below and the Council's performance to date against them. All performance is within the limits.

1. Indicator 1: Capital Expenditure

This indicator is the capital expenditure for the year based on the Capital Programme.

Capital Expenditure	**2020/21 Indicator £m**	**2020/21 Actual £m**
Capital Expenditure	72.4	53.0
IFRS16 Transition adjustment	22.0	-
Capitalisation Direction	1.2	0.8
Invest to Save	50.8	3.0
Total	**146.4**	**56.8**

The actual capital programme expenditure outturn is £56.8m which is lower than the MTFS indicator due to a number of projects across all directorates being reprofiled to more accurately reflect the spending over future years and other projects removed as part of an enhanced scrutiny process linked to achieving additional savings in 2020/21 to mitigate the forecast overspend during the year and as part of the development of the 2021/22 MTFS.

Invest to Save projects have been reduced over the next few years due to no planned expenditure. However, this does not impact the Council's capital financing budget as this is for schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.

An extension to the IFRS16 – Capital Lease Accounting transition was granted in order to help the management of workloads within local government as it responded to the pandemic.

2. **Indicator 2: Capital Financing Requirement (CFR)**
The CFR measures the Council's underlying need to borrow money in the long term for capital purposes. Any capital expenditure which has not immediately been paid for will increase the CFR.

Capital Financing Requirement	**2020/21 Indicator £m**	**2020/21 Actual £m**
CFR b/fwd	598.3	588.4
Underlying Need to Borrow	37.4	6.6
Underlying Need to Borrow - Invest to Save	40.0	3.0
IFRS16 Transition adjustment	22.0	-
Capitalisation Direction	1.2	0.8
Total CFR C/fwd	**698.9**	**598.8**

3. **Indicator 3: Actuals and Estimates of the Ratio of Financing Costs to Net Revenue Budget**
The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt. The actual performance of 12.8% is reflected in the explanatory text for capital financing as contained in the Appendix A.

Ratio of net financing costs to net revenue stream	**2020/21 Indicator**	**2020/21 Actual**
Total Ratio	16.1%	12.8%

4. **Indicator 4: Proportion of Gross Debt to the Capital Financing Requirement (CFR)**
This indicator shows the proportion of the Council's external borrowings (Gross Debt) against the CFR. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose. The Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

Proportion of Gross Debt to the CFR	**2020/21 Indicator £m**	**2020/21 Actual £m**
CFR	698.9	598.8
Gross Debt (inc PFI & Leases)	**627.6**	**518.4**
% of Gross Debt to CFR	89.8%	86.6%

This indicator shows that the Council maintained an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement (CFR)), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used. This strategy was prudent as investment returns were low and counterparty risk was still an issue that needed to be considered.

5. **Indicator 5: The Operational Boundary**
The Operational Boundary is a measure of the day to day likely borrowing for the Council. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

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

Operational Boundary	2020/21 Indicator £m	2020/21 Actual £m
Borrowing	686.9	469.6
Other Liabilities (PFI & Leases)	70.5	48.8
Total Operational Boundary	**757.4**	**518.4**

6. **Indicator 6: The Authorised Limit**
The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is "prudent".

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

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

Authorised Limit	2020/21 Indicator £m	2020/21 Actual £m
Borrowing	801.4	469.6
Other Liabilities (PFI & Leases)	70.5	48.8
Total Authorised Limit	**871.9**	**518.4**

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the course of the year. The actual position is lower than the indicator as the Council does not currently anticipate borrowing in advance of need due to the additional cost of holding the funds until required.

7. **Indicator 7: Fixed Interest rate exposure**
This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the majority of borrowing was at fixed rates to provide budget certainty.

Upper limit for fixed rate exposure	2020/21 Indicator £m	2020/21 Actual £m
Upper Limit	801.4	469.6
% of fixed interest rate exposure	100%	100%

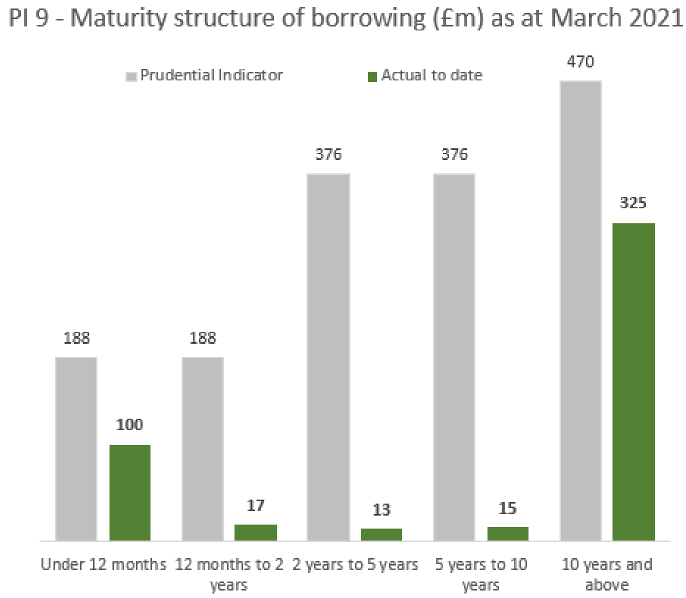
8. **Indicator 8: Variable interest rate exposure**
This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing (CFR). The limit is expressed as the value of total borrowing less investments.

Upper limit for variable rate exposure	2020/21 Indicator £m	2020/21 Actual £m
Upper Limit	200.4	0.0
% of variable interest rate exposure	25%	0%

The indicator is zero due to the borrowing strategy of borrowing only at a fixed interest rate in an economic climate of volatile interest rates. Borrowing at fixed interest rates provides budget certainty for the Council.

9. **Indicator 9: Maturity structure of borrowing**
The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The borrowing that the Council has actually taken is £469.5m (shown in the indicator below).

Period	Upper Limit Indicator	Actual Borrowing £m	
Under 12 months*	40%	21%	102.5
1 – 2 years	40%	4%	17.1
2 – 5 years	80%	3%	13.0
5 – 10 years	80%	3%	14.5
Over 10 years	100%	69%	325.5
		Total Borrowing	**469.6**



** The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 22-34 years' time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every six months.*

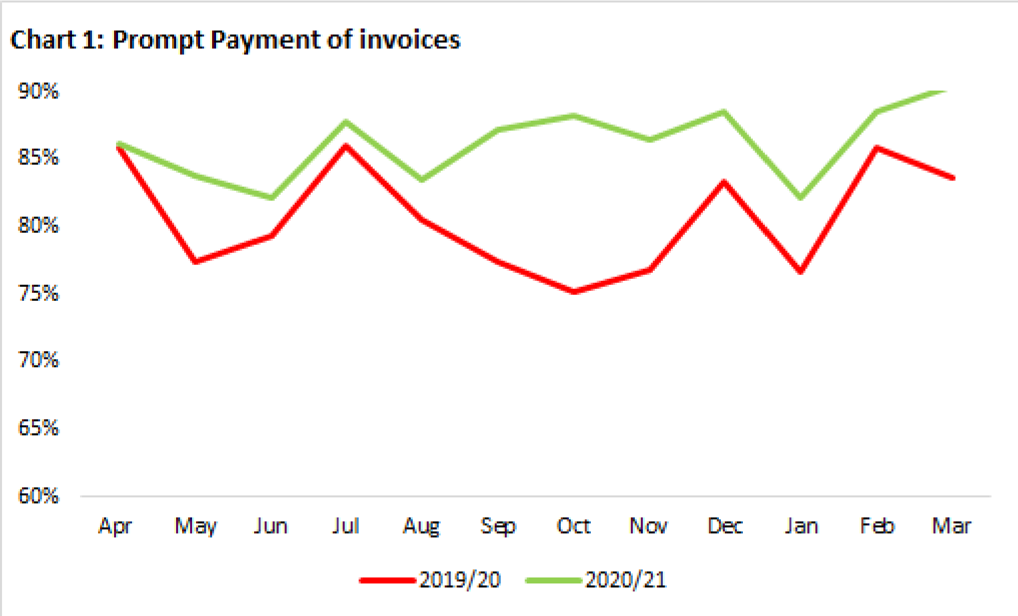
10. **Indicator 10: Total Investments for periods longer than 364 days**
Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

This indicator reflects the Council's current lending policy of keeping investments short term for liquidity purposes. The Council has used its cash balances as an alternative to new borrowing and does not have the available cash balances to invest for long periods.

	2020/21 Indicator £m	2020/21 Actual £m
Principal sums invested >364 days	10.0	0.00

Appendix D –Debt and Payment Performance Monitoring

1.1. The prompt payment outturn based on received date was 86.2% (80.8%, 2019/20), which is 5.4% up on the previous year's performance. During 2020/21, the Accounts Payable team processed Covid-19 related support payments to taxi drivers, Integrated Community Equipment Service users (Adult Social Care) and business receiving re-start grants. The performance for 2020/21 is shown alongside the equivalent 2019/20 figures within chart 1.



1.2. During 2020/21, system workflow has been further improved and tightened to help drive improved financial compliance. Adult Social Care payments are now processed through a system interface and work continues to automate other payments where possible. As a result of changes to the ICT contract all BACS payments are now processed via Local Government Shared Services (LGSS). The Accounts Payable team continue to work closely with the procurement team and the Council to ensure suppliers are paid quickly wherever possible.

1.3. In 2020/21 a total of 75,308 payments were paid out, of which 67,958 were paid within 30 days (based on the invoice date)

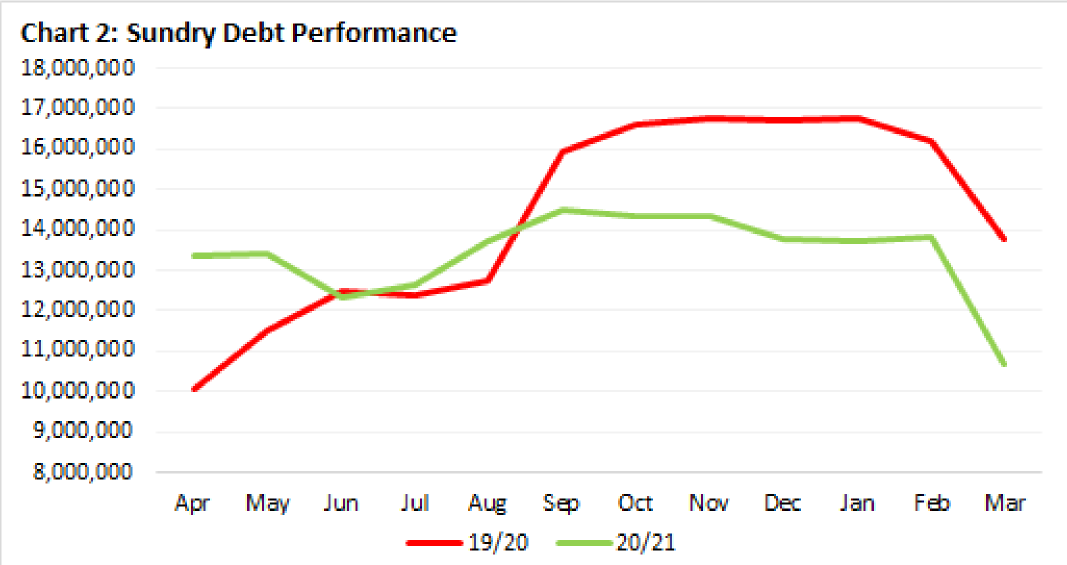
1.4. The total value of payments made was £313.9m of which.

- £313.5m (99.6%) was paid electronically, by either BACS or CHAPS.
- £0.405m (0.4%) was paid via a cheque- 268 cheques, 432 less cheques in 2020/21.

2. Sundry Debt Performance

2.1. The total outstanding sundry debt on 31 March 2021 was £21.8m (£27.1m, 31 March 2020), a reduction of £5.3m in comparison to the previous year. Of this £10.7m, accounted for debt aged over 6 months old (6m+ debt), this is set out in Chart 2 alongside the comparative figures for 2019/20.

2.2. Of the £10.7m (6m+ debt), £7.7m (72%) is in respect of debt outstanding from NHS organisations and the Clinical Commissioning Group (CCG). It should be noted that £0.957m of NHS/CCG payments are unallocated and have not been included within the figure quoted, this is due to the poor quality of information on remittances that have been received.



2.3. A review of the end-to-end debt recovery process is ongoing. This will include an internal audit report outlining the Councils strengths, weaknesses and making recommendations for improvements. It is anticipated outcomes of this work will include:

2.3.1. Enhanced reporting and monitoring tools to assist budget managers and directors with recovery action. This action is already in train following the finance team piloting a new dashboard report with the Corporate Management Team.

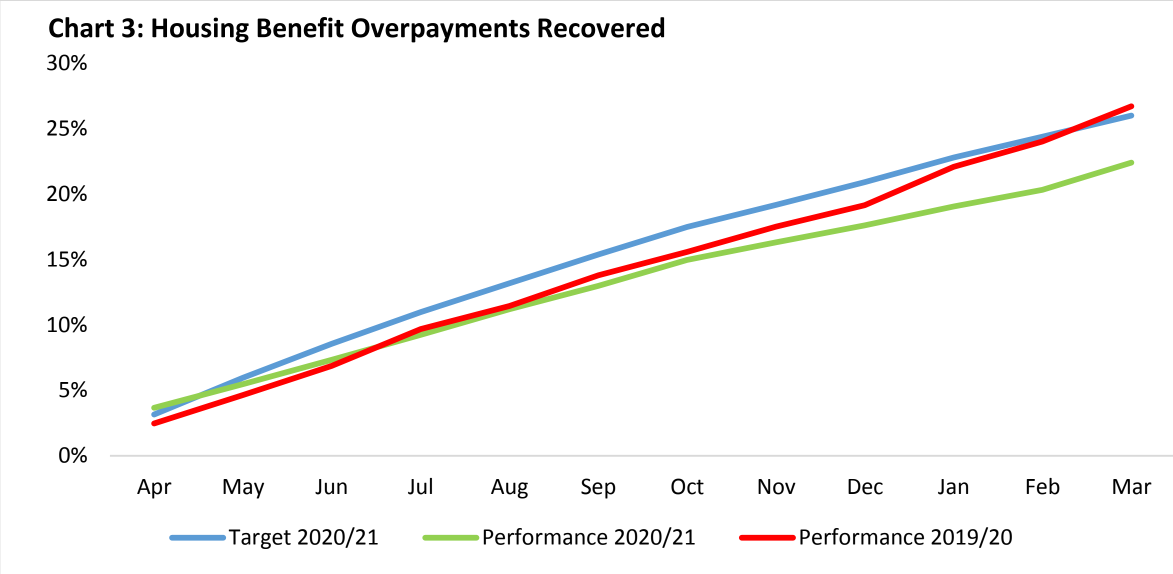
2.3.2. The introduction of additional controls at the billing stage, which will improve accuracy for invoices and ensure evidence is strong to support latter stage recovery action, should it be required.

2.3.3. Closer working between Serco's Sundry Debt team, and the Councils service directorates continues to be positively developed, with budget holders and budget managers becoming more involved in terms of reviewing debt.

2.4. In 2020/21 a total of £69.7m invoices were raised, with a total of £64.4m being collected against the total outstanding debt. Serco have been carrying out two projects, to recover aged debt, during 2020/21, £0.447m had been collected across the two projects, however these are now reaching the end of their life.

3. Housing Benefit Overpayments

3.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2020/21 and the 2019/20 performance.



3.2. Housing benefit overpayment collection as at the 31 March 21 was 22.39%, which is below the target of 26.0% and 4.31% lower than the figure for March 2020 (26.70%). The amount of debt carried forward from 2019/20 was c£6m and the amount of newly identified debt in 2020/21 was £0.5m lower than 2019/20, and £1.6m lower than 2018/19. As a result, the age profile of the debt continues to get older.

3.3. Collection has been affected in 2020/21 by the impacts of Covid-19. DWP suspended debt collection processes for 'attachments of benefit' cases for most of the year and recovery via wage deductions was also impacted.

3.4. Despite this, the value of debt collected as a percentage of new debt raised continues to increase. In 2019/20 this was 135% of the value of the debt raised in year and in 2020/21 this has increased to 148%. This is resulting in a reduction of overall debt levels.

3.5. Overall overpayments are reducing for a number of reasons, including:

   3.5.1. Universal credit is reducing the caseload of Housing Benefit claims. The reduction in identification of new debt is of overall benefit to the Council, but this does mean the achievement of the KPI becomes increasingly difficult.

   3.5.2. Benefits processing is significantly more up to date that it has been historically, leading to fewer overpayments caused by delays in processing.

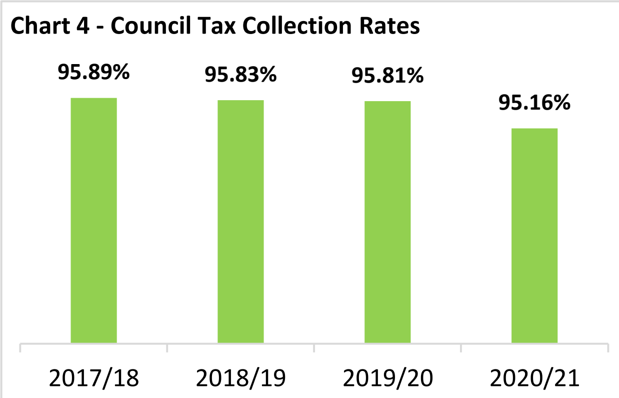
   3.5.3. Recent data matching of earnings with DWP and HMRC has led to claims being more promptly updated when changes occur.

3.6. While the age profile of the debt is making achievement of the KPI increasingly difficult the actual underlying levels of outstanding debt are continuing to decrease after several years of increases.

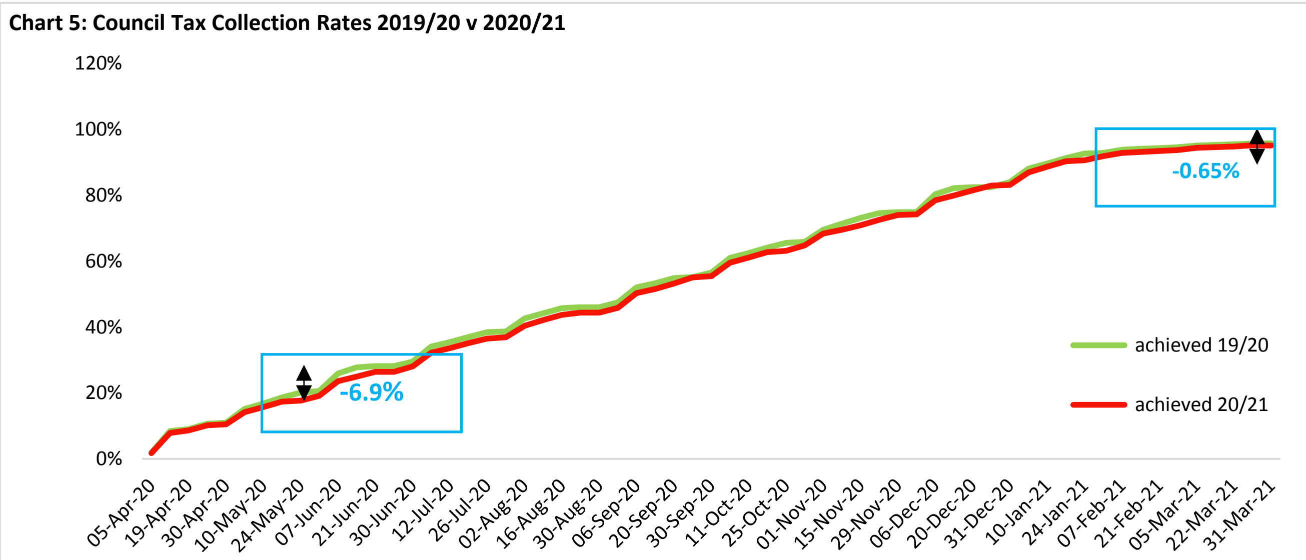
4. Council Tax and Non-Domestic Rates Collection

Council Tax

4.1. Chart 4 shows the performance in respect of Council Tax collection over the last four years, which outlines a very steady trend. Although the in-year collection rate for 2020/21, has reduced by 0.65% in comparison to 2019/20, this position is much improved from forecasts earlier in the year, where the collection rates were 6.9% lower.



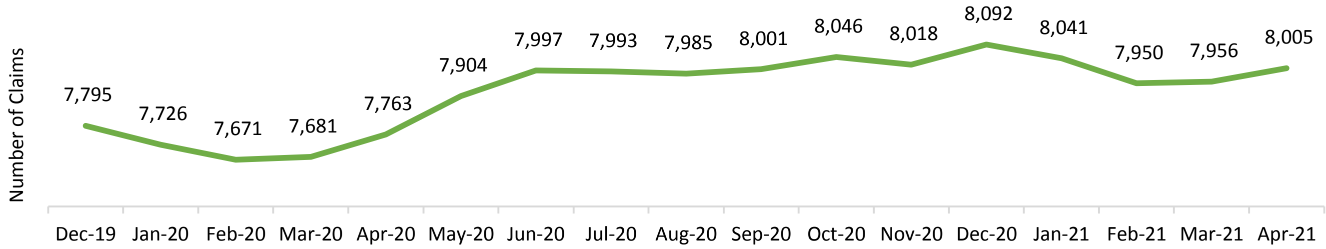
4.2. Council Tax recovery was initially on hold (as advised by the government) and as a result of this, unemployment rates rising and increased economic uncertainty caused by the pandemic the collection rates fell 6.9% behind the 2019/20 achieved position. With recovery action resuming in August, initially with 'soft' reminders, followed by more formal recovery action in September. Collection rates have remained strong despite the 3 lockdowns and downturn in the economy, with in-year collection being 0.65% down on 2019/20 rates. Chart 5 outlines the rate throughout 2020/21 and 2019/20, highlighting the point at which collection rates dropped and the closing position.



4.3. Prior years (arrears) debt collection has been affected by Covid-19, with the amount of Council Tax arrears collected in 2020/21 reducing by 11.37%, against a target of 14.31%. The suspension of DWP debt recovery processes and suspension of formal recovery action until September has impacted the remaining debt recovery process.

4.4. During the year the Council has seen a steady rise in the working age Local council Tax Support (LCTS) caseload. At the start of the pandemic the increase was sharp in line with the rise unemployment, lockdown 1.0 and the introduction of furlough. Chart 6 outlines the trend throughout the year and demonstrates the impact on LTCS claims the change in economic climate, caused by the reducing of lockdown measures in summer and then the re- introduction of further lockdowns in November and January had. Although the claim levels now seem to be steady around 8,000 this is still much higher than the reducing pre-Covid-19 trends, and there is potential for to increase further once the furlough scheme ends in 2021.

Chart 6: Working Age- Local Council Tax Support Claims



Non Domestic Rates

4.5. Chart 7 shows the performance for the collection of Non-Domestic Rates (NNDR) over the last 4 years. This usually remains steady at around 97.85%, however Covid-19 has significantly impacted the collection of NNDR income during 2020/21, with the collection rate reducing by 16.06% compared to the level achieved in 2019/20. In monetary terms this equates to £11.5m of uncollected NNDR income. Early in the year the Collection rate for NNDR deteriorated before remaining constant at c15-20% behind 2019/20, as show in in chart 8.

Chart 7: NNDR Collection Rates

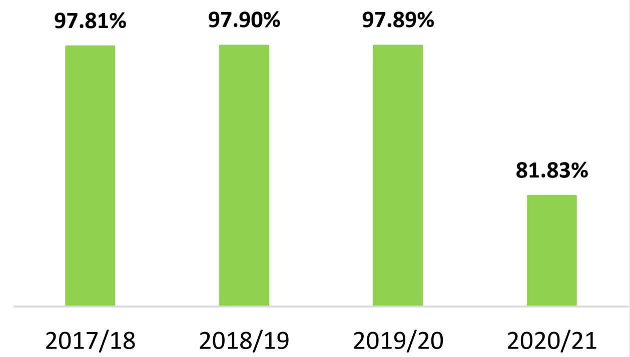
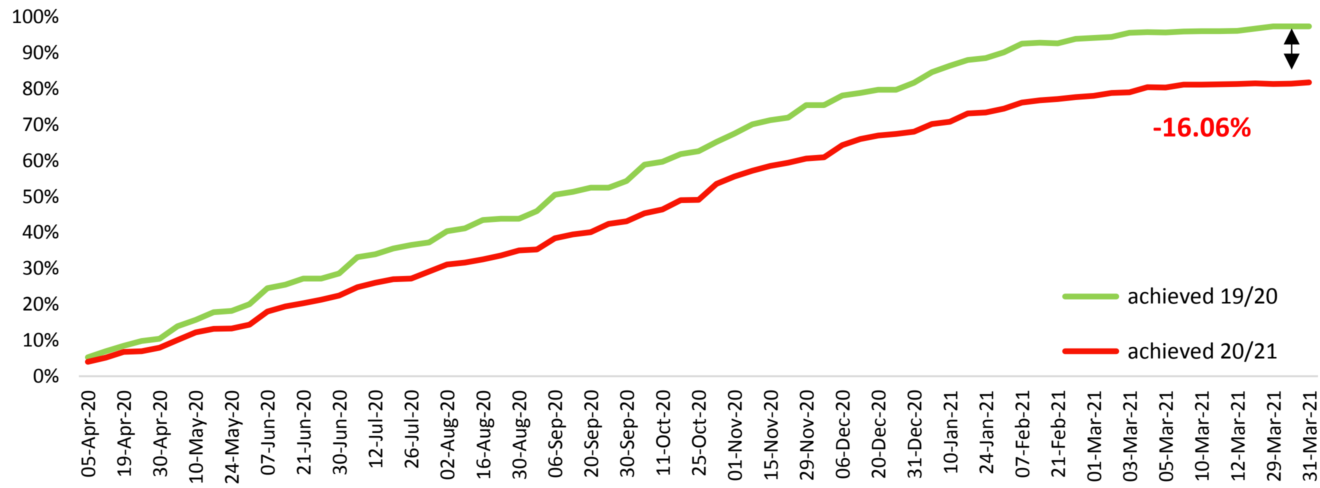


Chart 8: NNDR Collection Rates 2019/20 v 2020/21



4.6. Additional 100% rate relief and business support grants were made available by the government. These schemes primarily focussed on specific industries such as leisure, hospitality, retail and nurseries, where Peterborough's business base is largely represented by warehousing, distribution, and transport. These businesses along with other received no relief and in many cases have been unable to continue to pay their rates liability. Formal recovery action was suspended during 2020/21, with 'soft' reminders being issued during February and March 2021.

4.7. Temporary staff have been employed throughout 2020/21 to help minimise the impact in recovery as far as possible, but more so to assist with the prompt administration of business grants. Additional staffing resource will continue in 2021/22 and will focus on the recovery action for the current year and to recover the outstanding debt that remains from 2020/21.

4.8. Covid-19 has had a significant impact on the financial position of many residents and businesses. The Council was keen to support both during this difficult period and a more lenient approach to debt recovery was agreed, to ensure even more pressure was not being placed on those most impacted financially by the pandemic. This position was replicated by central government by, for example, courts not being open to conduct local taxation liability hearings until September.

4.9. Non-Domestic Rates recovery action has been on hold due the current financial situation many businesses face, but recovery action recommenced in February, initially with soft reminders and targeted calls. Due to the challenges of collection debt last year a more robust approach is being taken to recover the 2020/21 arrears now owed.

5. Covid-19 Grant Administration

Business Rate Relief and Grants

5.1. Despite the challenges outlined in section 4, the Revenues and Benefits team have been recognised by the Department for Business, Energy and Industrial Strategy (BEIS) for being one of the top performing teams, for the speed at which they paid grants to local businesses impacted by Covid-19, during the first lockdown.

5.2. Various grants schemes have been awarded to businesses throughout 2020/21, which include:

5.2.1. **Small Business Grant Fund (SBGF):** £33.8m administered from March- September 2020 and awarded under 3 different schemes, and supporting 2,764 local businesses.

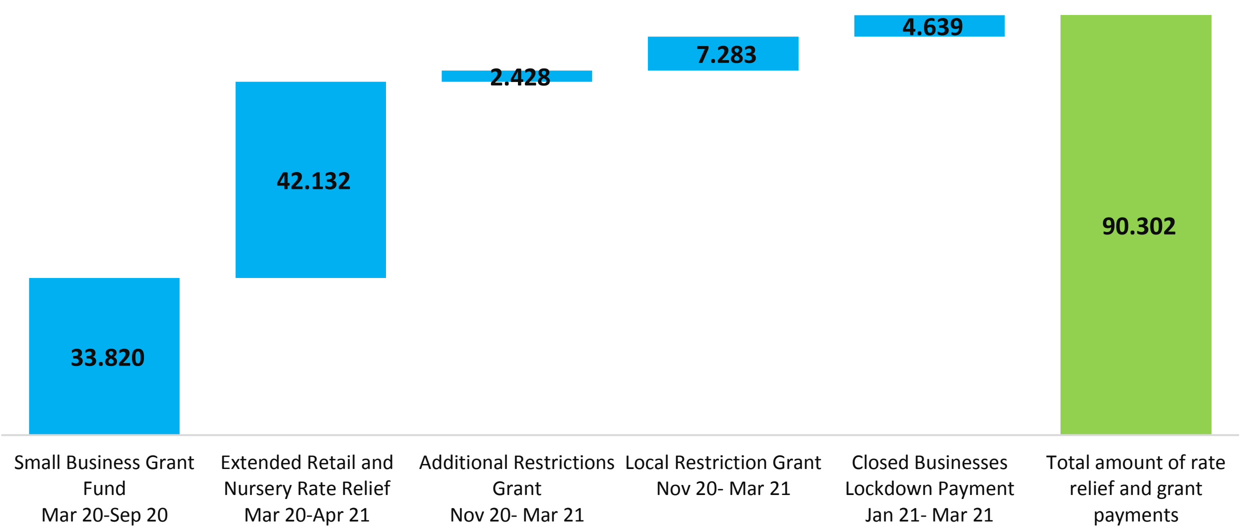
5.2.2. **Local Restrictions and Additional Restrictions Grants:** administered November 2020 to March 2021 including lockdown 2 and 3 related grants and discretionary schemes which the Council designed to best support local businesses.

5.2.3. **Closed Business Lockdown Payment**- announced by the chancellor following lockdown 3.0 in January 2021.

5.2.4. **Extended Rate relief and Nursery Discount**: introduced in April 2020, with the total relief granted reaching £42.1m supporting 1,300 businesses and 34 nurseries.

This brings the total level of grants and rate relief to £90m for the year as shown in chart 9:

Chart 9: Breakdown of rate relief and business grants Administered in 2020/21(£m)



5.3. The Council is continuing to administer some of these scheme where they remain open, or have been extended by the government. In addition a Business Restart Grant was announced in March to support the economy to reopen and recover. The Council has received a £8.3m grant and is working to promptly distribute this grant to businesses.

LCTS Hardship Fund

5.4. The Council received £1.7m of Council Tax Hardship funding at the beginning of the pandemic, to provide support to working age recipients of Local Council Tax Support (LCTS), by providing a further £150 reduction in their annual Council Tax bill. During the year £1.4m of government funding was allocated to 9,964 households, supporting working age families, those on lower income, or struggling due to the rise unemployment and furlough. The suspension of DWP debt recovery processes and suspension of formal recovery action until September has impacted the remaining debt recovery process though.

Test and Trace Self Isolation payments

5.5. In addition to business grants and LCTS hardship payments the team administered the government Test and Trace isolation payments. Since October 2020, 4,180 claims have been processed and awards totalling £0.775m have been made to those on low incomes, who have been required to self-isolate after testing positive or coming in the close contact with someone who has tested positive for Covid-19.