

<b>CABINET</b>	<b>AGENDA ITEM No. 12</b>
<b>20 JUNE 2022</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth, Interim Corporate Director of Resources Kirsty Nutton, Acting Service Director: Financial Services	Tel. 452520 Tel. 384590

### **BUDGET MONITORING REPORT FINAL OUTTURN 2021/22**

RECOMMENDATIONS	
FROM: Interim Corporate Director of Resources	Deadline date: 10 June 2022
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The final outturn position for 2021/22 (subject to finalisation of the statutory statement of accounts) of a £4.5m underspend on the Council’s revenue budget.</li> <li>2. The reserves position outlined in section 7, which includes a contribution to of £4.5m to reserves balances, resulting from the underspend highlighted in the revenue outturn report in Appendix A.</li> <li>3. The outturn spending of £79.3m in the Council’s capital programme in 2021/22 outlined in section 7.</li> <li>4. That the financial performance for the year is a positive first step and is in line with the Improvement Plan and Tactical Budget approved by Council, however, the financial challenge for the Council remains and requires continued focus and discipline to deliver per both aforementioned plans.</li> <li>5. The performance against the prudential indicators outlined in Appendix C.</li> <li>6. The performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.</li> </ol>	

#### **1.0 ORIGIN OF THE REPORT**

1.1 This report is sent to Cabinet as a monitoring item. The outturn position will be reported to Audit Committee on 11 July 2022 alongside the draft statement of accounts for 2021/22.

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

2.1 The report provides Cabinet with the outturn position for both the revenue budget and capital programme for 2021/22, subject to any changes that may be needed as part of the finalisation of the Statement of Accounts and subsequent external audit.

2.2 The report has performance information on the payment of creditors and collection performance for debtors, local taxation, and benefit overpayments.

2.3 The report is for Cabinet to consider under its terms of reference 3.2.7 to handle the Council’s overall budget and decide action to ensure that the overall budget still is within the cash limit.

### 3.0 TIMESCALE

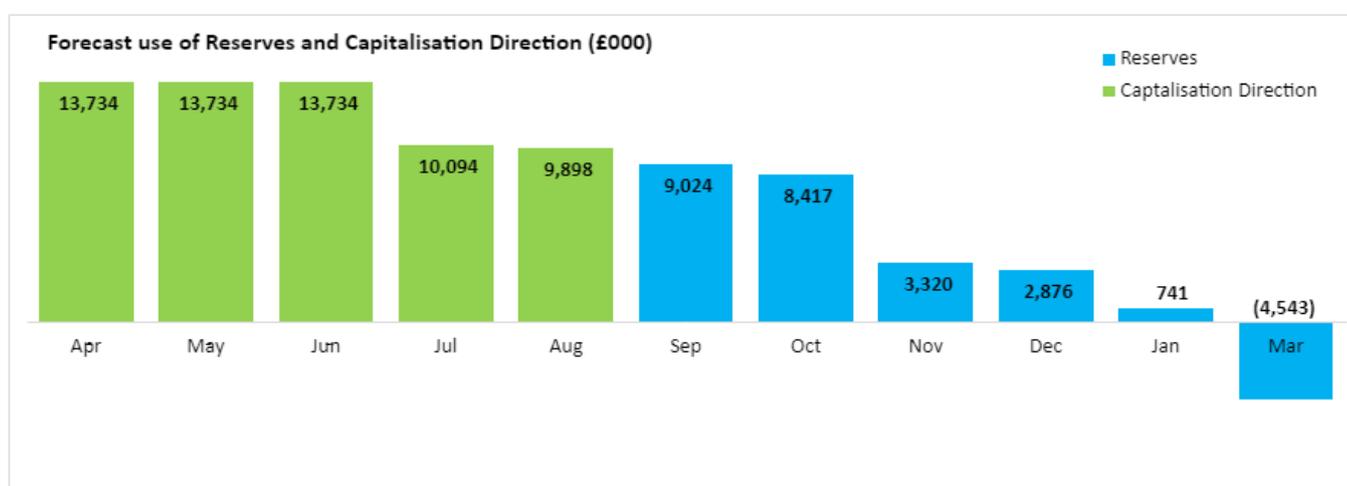
Is this a Major Policy Item/ Statutory Plan	NO	If yes, date for Cabinet meeting	N/A
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### 4.0 EXECUTIVE SUMMARY

- 4.1 This section provides a summary of the Council's financial performance for 2021/22. From requesting Exceptional Financial Support from DLUHC in order to set a balanced budget and receiving scrutiny reviews from DLUHC, to the implementation of the Improvement Plan and resulting moratorium on expenditure. The final £4.5m underspend is a positive first step for the Council on delivering its core priority of financial sustainability. However, the savings identified in the 2021/22 tactical budget require focus to ensure delivery at the same time as identifying opportunities to deliver financial sustainability over the medium to long term. The financial operating context for the Council remains highly challenging with new uncertainties and risks creating additional pressures such as the exposure to inflation risk. The Council must continue to challenge itself on how every penny of its money is spent.
- 4.2 During 2020, the impact from the pandemic meant that the Council was incurring additional costs and experiencing demand and funding uncertainties for the Council. At the time the Council was operating in a challenging financial environment with poor financial health and a weak financially resilient position. Therefore, in October 2020 the Council commenced discussions with DLUHC which led to the agreement of Exceptional Financial Support (EFS), in the form of a capitalisation direction of £13.7m, which enabled the Council to set a balanced budget for 2021/22.
- 4.3 At the end of 2020/21 financial year an estimated £12.8m net pressure for 2021/22 was forecast for continuing pandemic related pressures. Therefore at the end of 2020/21 the Covid-19 Funding Reserve (C-19 Reserve) was created with £12.8m, with the expectation that this reserve would be used to fund the additional C-19 pressures carried forward into the new financial year.
- 4.4 Based on the information known at the time, and given the continued uncertainties created from C-19 social restrictions and related demand increases, in April 2021 the forecast outturn for 2021/22 was anticipated to exceed budget by £6.8m. As more information became available, and uncertainties became known the forecast outturns for financial performance reduced in each of the following months. Though budget pressures remained, the scale was lower than the Council's service based officers originally estimated, and there was no requirement to use the C-19 Reserve as originally envisaged. This enabled the Council to amend its financial strategy during the summer of 2021 and to use the reserve and reduce the reliance on the Capitalisation Direction (EFS) it had budgeted to fund the revenue position of £13.7m. This revised financial strategy was adopted to facilitate future year savings by avoiding borrowing costs and avoid the additional 1% penalty applied to EFS funding.
- 4.5 Within the August BCR report the Council confirmed this change in financial strategy and proposed to complete a budget virement to reduce the Capitalisation Direction by £10.5m and use the C-19 Reserve instead. A balance of £2.3m was committed from the reserve to mitigate the risk of any arising C-19 or winter pressures. This approach was taken given that at the time Peterborough had been identified as having one of the highest infection rates in the country, with local hospitals struggling with sickness and demand levels.
- 4.6 As part of the drafting of the Council's Improvement Plan, a requirement from DLUHC for granting EFS, a plan for the development and creation of a sustainable medium term financial strategy was drafted,

and later approved at full council in December. As part of this plan the Council's DS151 Officer issued a moratorium instruction that restricted expenditure to essential statutory services across the organisation. The Council also paused a number of capital investment schemes. The Improvement Plan recognised that restricting expenditure in the final months would protect the Council's reserve balances to fund transformation, increase the Council's financial resilience, and / or strategically support the following financial years budget.

- 4.7 The revenue moratorium had an immediate impact on the Council's forecast outturn which continued to improve until the end of the financial year. The financial performance improved to remove the need to use any reserves or Capitalisation Direction to underpin the 2021/22 expenditure. The overall revenue outturn shows an underspend position of £4.5m for 2021/22. This underspend has enabled the Council to increase its General Fund balance by £1.3m to £7.3m (4% of the net revenue budget), and to contribute £3.2m to an inflation reserve to mitigate the current inflationary risk exposure during 2022/23 and beyond.
- 4.8 The following graph outlines this change in forecast capitalisation direction and reserves use throughout the year:



## 5.0 FINAL REVENUE OUTTTURN 2021/22

### 2021/22 Budget Position

- 5.1 The revenue budget for 2021/22, agreed at Full Council on 3 March 2021, was approved at £187.3m. Table 1 outlines the changes which have been made to the budget to arrive at the revised budget of £176.6m:

<b>Table 1: Revised Budget 2021/22</b>	<b>£m</b>
<b>Approved Budget 2021/22</b>	<b>187.255</b>
Transfer of IBCF and ASC grant from financing into People & Communities	(12.933)
<b>Use of Reserves to fund expenditure:</b>	
People & Community	1.118
Place & Economy	0.114
Capacity Reserve Contribution	0.714
Other Reserve (Insurance and Parish's)	0.283
<b>Revised Budget 2021/22</b>	<b>176.551</b>

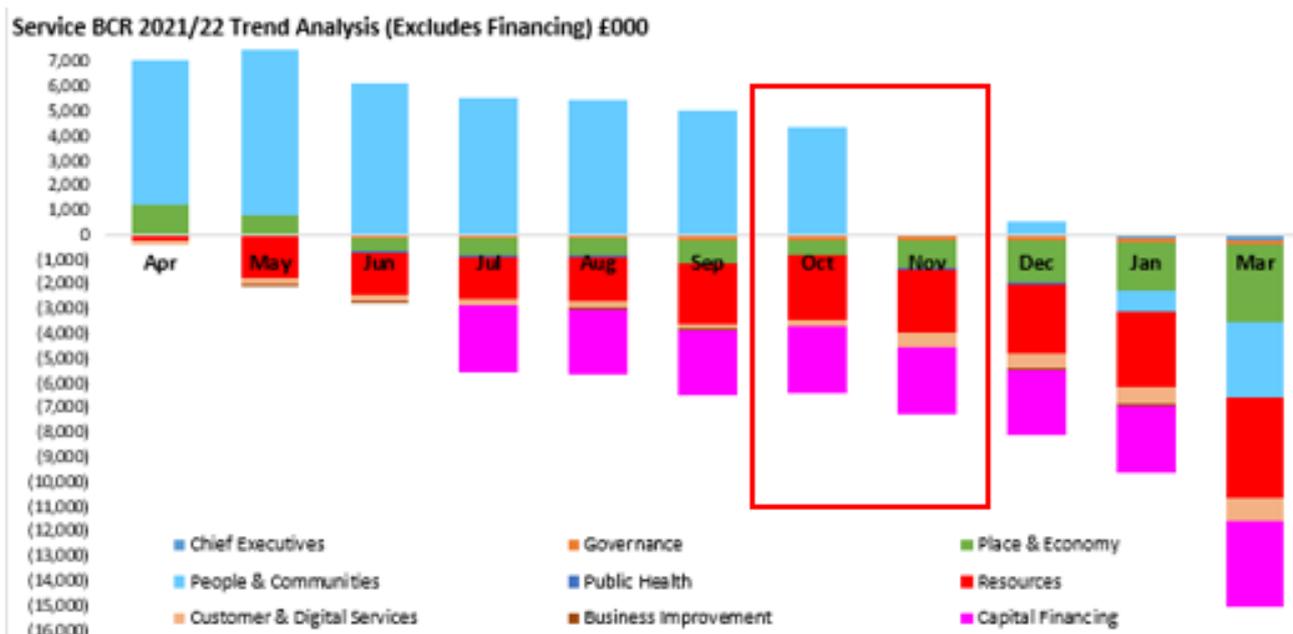
## Revenue Outturn

- 5.2 The Council's revenue outturn position for 2021/22 is an underspend of £4.5m with performance summarised by directorate in Table 2.
- 5.3 The final financial performance should be recognised in the context of the impact, additional cost, and uncertainties caused by the Covid-19 (C-19) pandemic against a weak financial resilient position. In October 2020, the Council commenced discussions with MHCLG (now DLUHC) in accordance with the amended CIPFA guidance on issuing a Section 114. At the time of the discussion the Council was exposed to a series of significant unknowns in the Council's operating environment on which to base its budget assumptions. As a result of the conditions, and the limited recourse to reserves, the Council had been unable to address its underlying funding shortfall through budget savings alone. The Council received confirmation that MHCLG (DLUHC) would provide exceptional support in 2021/22 of up to £20.0m which was conditional on working with MHCLG (DLUHC) to develop a delivery model that secured financial sustainability. With the use of exceptional support, provided by MHCLG (DLUHC) in the form of a capitalisation direction of £13.7m, the Council was able to set a balanced budget for 2021/22.

**Table 2: Revenue outturn 2021/22**

Directorate	Budget £k	Final Outturn Spend £k	Cont. to Reserve £k	Variance £k	Januarys Variance £k	Movement £k	Overall Status
Chief Executives	1,225	1,051	0	(173)	(100)	(73)	Underspend
Governance	4,192	4,004	0	(188)	(149)	(39)	Underspend
Place & Economy	23,729	20,046	539	(3,144)	(1,971)	(1,172)	Underspend
People & Communities	85,091	81,816	192	(3,083)	(889)	(2,194)	Underspend
Public Health	(188)	(1,097)	907	(3)	0	(3)	On Budget
Resources	22,797	18,378	418	(4,001)	(3,030)	(971)	Underspend
Customer & Digital Services	7,857	6,877	0	(980)	(718)	(262)	Underspend
Business Improvement	1,050	1,016	0	(34)	(29)	(4)	Underspend
Capital Financing	30,798	27,357	0	(3,440)	(2,687)	(753)	Underspend
<b>Total Expenditure</b>	<b>176,551</b>	<b>159,448</b>	<b>2,055</b>	<b>(15,048)</b>	<b>(9,575)</b>	<b>(5,473)</b>	<b>Underspend</b>
Financing	(173,317)	(176,038)	9,991	7,270	6,341	929	Reduction in the Use of Reserves
Exceptional Financial Support (Capitalisation Direction)	(3,234)	0		3,234	3,234	0	Reduction in Borrowing
<b>Net</b>	<b>(0)</b>	<b>(16,590)</b>	<b>12,047</b>	<b>(4,543)</b>	<b>0</b>	<b>(4,543)</b>	Break even

- 5.4 At the end of the previous financial year, 2020/21, the Council created a £12.8m specific Covid-19 funding reserve in order to fund future anticipated C-19 pressures for the new 2021/22 financial year. This reserve was able to be created in the previous financial year from the improved position from continued government support and funding for the sector (announced throughout the year) and a delay in the expected Covid-19 related demand pressures.
- 5.5 The following chart summarises the change in position at a directorate level through the 2021/22 financial year:



*\*Change in November position referenced in section 5.7*

- 5.6 In April 2021 a forecast overspend of £6.8m for 2021/22 was estimated however it was revised downwards as the year progressed which resulted in the commitment to fund C-19 related pressures from the C-19 reserve to be lower than originally envisioned at the point of setting the budget.
- 5.7 As a result the Council was able to amend its financial strategy for the year to reflect the use of the C-19 reserve to fund the 2021/22 revenue budget instead of undertaking additional borrowing allowed through the granting of a Capitalisation Direction from DLUHC (Exceptional Financial Support (EFS)). This strategy was adopted in order to facilitate future year savings in borrowing costs and avoid the additional 1% penalty applied to EFS funding.
- 5.8 Within the August BCR report the Council proposed to complete a budget virement to reduce the Capitalisation Direction by £10.5m, and use the Covid-19 reserve instead, leaving £2.3m in the reserve to mitigate any arising Covid-19 or winter pressures. At this time, Peterborough had been identified as having one of the highest infection rates in the country, therefore highlighting the risk that the impacts of Covid-19 remained.
- 5.9 At the end of November the Council's DS151 Officer issued a moratorium instruction that restricted expenditure to essential statutory services across the organisation. The Council also paused a number of capital schemes and introduced a moratorium on capital expenditure. Within a month of the moratorium being in place the forecast outturn position improved by £5.1m (with the change being highlighted in the chart in section 4.8). The majority of the revised forecasts were a result of budget managers re-evaluating likely spend between this point and the end of the year and reducing the estimate. In addition, additional savings were forecast for:
- training, car allowances and travel and subsistence
  - holding vacant posts
  - on supplies and services - furniture and equipment, hospitality, publications, subscriptions, stationery, conferences, hire of premises, printing.
- 5.10 The forecast outturn position throughout the remaining months of the year continued to improve concluding with a £4.5m underspend. The majority of these variances have already been considered or factored into the 2022/23 budget, this includes:
- Capital Financing (cost of borrowing – interest and debt repayments)

- ICT hardware and software
- Children Social Care
- Electricity income generated from the Energy from Waste facility.
- Business Rates Pool income

5.11 However some of the budget performance variances were the result of a one-off events, primarily the pension cost reduction due to the cessation of Vivacity and the loss of culture and leisure and parking income resulting from the tail end of pandemic. The Council has put measures in place to mitigate the latter, and is developing plans within Culture and Leisure service, to ensure these pressures are minimised and deliver an on-going saving from 2022/23 onwards.

5.12 In summary the final £4.5m underspend is a positive first step for the Council on delivering its core priority of financial sustainability. However, the savings identified in the 2021/22 tactical budget require focus to ensure delivery at the same time as identifying opportunities to deliver financial sustainability over the medium to long term. The financial operating context for the Council remains highly challenging with new uncertainties and risks creating additional pressures such as the exposure to inflation risk. The Council must continue to challenge itself on how every penny of the it's money is spent.

5.13 The key budget variances are outlined in the following table by Service Area, with the pressures being highlighted in red, and the underspends in green:

Directorate	Service Area	Variance £000	Impact
Place & Economy	Westcombe Engineering Pressure	497	Arrears in raw castings and increase in price of Raw Materials
	Peterborough Highways Savings	(947)	Significant Savings on Employee Costs, Street lighting and Highways inflation budgets, as well as additional income.
	Housing- pressure	784	Additional Costs arising from Rough Sleepers. Additional costs such as repairs and Employee Costs
	Aragon Direct Services	(1,000)	Due to an ease in Financial pressures of Covid-19 resulting in a reduction of costs to the Council- this has been factored into the budget for 2022/23.
	Energy Pricing (Energy from Waste)	(1,592)	Significant increase income as a result of the export price of Electricity produced by ERF.
	Development and Construction	(239)	Additional income and savings on Suppliers and Services
People & Communities	Adults	(4,184)	Changes in grant allocations impacted on income and spend, e.g. continuation of NHS Discharge Funding and annual uplift of Better Care fund.
			Inspection funds not required in 2021/22.

Directorate	Service Area	Variance £000	Impact
			Saving on Staffing Costs due to difficulty recruiting
	Children's	(1,221)	Increased number of looked after Children did not reach expected levels.
	Education	(904)	Direct Revenue Financing- Transfer from Revenue to Capital Savings on staffing costs due to unfilled vacancies
	Education – Home to school Transport	441	Due to growth, additional contract costs, the pressure of Primary School directed places and reduced parental contributions following the introduction of Public Services Vehicle Accessibility Regs. Pressure factored in 2022/23 budget
	Parking & Enforcement Services- loss of income	1,034	Pressure on parking and Fixed penalty notices, and partially included within the 2022/23 Budget- due to the improving position.
	Culture and Leisure services Income Loss	1,116	Loss due to restrictions resulting from Covid-19 on Leisure facilities and Cultural events such as Key Theatre- a service plan for this area is un development.
	Additional costs associated with the Market move and City Centre management	630	One-off 2021/22 item as a result of the market move
<b>Customer &amp; Digital Services</b>	ICT Savings	(878)	IT and Digital savings within current staff structures (due to vacancies pending restructure & capitalising staff costs) and in-year (early delivery) of savings on software, hardware and telephony contracts
<b>Resources</b>	Cross Keys Homes VAT Shelter	(649)	Favourable position driven by maintenance work carried out on properties and a varied expenditure profile from original budget.
	One-Off Pension	(1,337)	Single year reduction to 20/21 secondary contribution of 50% due to Vivacity ceasing Sept 2020.
	Serco- Early delivery of Business Support Saving & lower Contract indexation than budgeted	(783)	Review of Contract resulting in Budgetary savings such as inflation and also grant funding identified
	Housing Benefit Overpayment	(196)	Higher level of overpayments recovered than previously forecast.

Directorate	Service Area	Variance £000	Impact
Capital Financing	Capital Financing	(3,440)	Reduced borrowing in 2020/21 resulting in reduction in interest payments as well as savings due to a reduction in additional borrowing.
Funding	Business Rates Pool	(3,012)	Benefit gained from Cambridgeshire and Peterborough Business Pool Rates for 2021/22- Factored into future years budgets.
	Sales Fees & Charges (SFC) Grant	(1,098)	The Government SFC compensation scheme was extended April – June 2021, covering losses on Parking, Cultural and Leisure services.

5.14 Further, more detailed information of final budget performance by directorate is outlined in Appendix A.

### Council Tax & NNDR Performance

5.15 The performance on Business Rates and Council Tax has been encouraging, showing positive signs of recovery coming out of the pandemic. The performance within this area is detailed in Appendix D, with the following points providing an overview of the key Performance Indicators:

- Council Tax Collection Rate- 97.97% against a target of 97.8%
- Business Rates (NNDR) Collection Rate –95.8% against a target of 95.86%
- Reducing the £11.5m Business Rates uncollected debt at the end of 2020/21 by 83%, down to £1.9m.
- Administering £33m of grants during 2021/22 to support local businesses.
- Working age Local Council Tax Support claim levels are now below pre-pandemic as shown in the following chart:



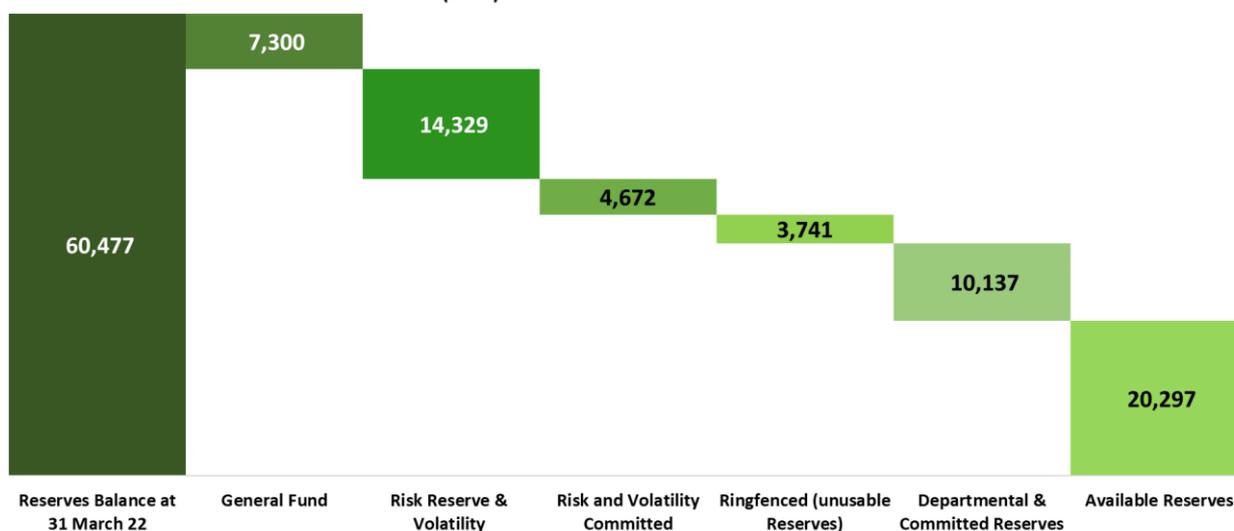
## 6.0 RESERVES

6.1 The Council's reserve balances are checked throughout the year as part of the Budgetary Control Reporting and budget setting process. Table 3 summarises the balance for all reserves at the beginning and end of 2021/22, and the forecast position for future years. For more information see Appendix B.

Table 3: Reserves Summary	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
General Fund	6,000	7,300	7,300	7,300
Risk and Volatility Reserves	22,521	19,001	14,329	14,329
Innovation Delivery Fund and Departmental Reserves	33,257	29,993	20,938	20,629
Ring-Fenced Reserves	4,333	4,183	3,741	3,741
<b>Total Earmarked Reserves and General Fund Balances</b>	<b>66,110</b>	<b>60,477</b>	<b>46,309</b>	<b>46,000</b>

- 6.2 The previous table outlines a net reduction of £5.6m reserves levels at the end of 2021/22, with the balance £60.4m. This decrease in reserves balances was expected, with most Local Authorities reporting increased reserve levels at the end of 2020/21 due to the accounting treatment of grant balances. The biggest driver of this change in position has been the movements in respect of NNDR section 31 grants.
- 6.3 Overall the reserves position has improved, which has enabled the Council to redirect funds to specific risk reserves to mitigate the effect of non-delivery of savings plans in accordance with the strategy set out in the tactical budget for 2022/23 and the newly emerging risk of the rising cost from inflation.
- 6.4 The following chart categorises the reserves balances outlining a balance of £20.3m (11.2% of the net revenue expenditure), which remains uncommitted and available to invest in transformation and change programmes to support the delivery of a Future Sustainable Council. This is a significant improvement against the position previously forecast at the beginning of the year and within the 2022/23 tactical budget. It demonstrates good progress towards addressing some of the concerns raised within the report CIPFA drafted on behalf DLUHC in summer 2021, and contributes to the actions identified as key workstreams for the delivery of financial sustainability outlined in the Improvement Plan:

Reserves Balance breakdown at 31 March 2022 (£000)



- 6.5 Key reserves movements are as follows:

#### General Fund

The General Fund balance is the working balance to manage in year risk. This reserve has been increased from £6.0m to £7.3m, which represents 4% of the 2022/23 net revenue budget and is a step to improving the Council's financial resilience.

## Risk and Volatility Reserves

**Budget Risk Reserve** - as identified by the DS151 in the Tactical Budget and associated Robustness Statement a £2m Budget risk reserve has been set up in acknowledgement of the risks and issues contained in the Tactical Budget such as the savings proposals noted as very high and high risk in terms of saving delivery, the capacity to deliver the savings and the continued impact of the pandemic on people's behaviours. This reserve enabled an overall satisfactory conclusion on the robustness of budgeted estimates as whilst the estimates are realistic and deliverable they are recognised as being very challenging. If the reserve is unused in 2022/23 a review of future budget related risks will be undertaken and balances taken to the General Fund where appropriate.

**Inflation Risk Reserve**- this £4.7m reserve has been established to mitigate the financial risk resulting from rising rates of inflation. In March 2022 inflation rates reached 7%, with the Bank of England (BoE) reporting it expects inflation rates to peak at over 10% by Q4 2022, the highest rate since 1982. This is shown in the following chart. As the economic landscape has been rapidly changing the creation of this reserve enables the Council to respond to any immediate financial risks as a result of rising rates whilst building sustainable plans to mitigate the impact in the medium to long term.



Source BoE : <https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022>

**Tax Income Risk Reserve** – this reserve reflects:

- **Business Rates (NDR) section 31 grants:** are grants (accounted for in general fund) received in 2021/22 to compensate the Council for the additional cost of providing the extended business rates retail and nursery relief. The estimated balance on the Collection Fund at the end of 2021/22 was, for a second year running, exceptionally low as a result of the additional discounts applied to business rate payers, and this balance has carried forward as a deficit in to 2022/23. These grants have been put into reserves and will be partially drawn down in 2022/23 to smooth the budgetary effect of this deficit. A surplus will remain in this reserve due to an overall favourable position reported within the 2022/23 NDR1 as a reflective of the position on the appeals and bad debt provision. This will remain in this reserve to provide risk mitigation for the Council, as a greater reliance is placed on Local Tax income to fund services, and the impact of the rising cost of living could adversely affect financial performance.
- **Tax Income Guarantee (TIG) scheme:** The TIG scheme compensated Local Authorities for a proportion of lost Business Rates and Council Tax income in 2020/21. The Council received £2.3m and has planned to use £0.6m of this in 2022/23 to mitigate the impact of the deficit on the Council Tax collection fund.

## Innovation Fund and Departmental Reserves (available reserves)

**Innovation Fund Reserve** – this newly created reserve is held to meet one off costs of service transformation and the delivery of savings within the Medium-Term Financial Strategy (MTFS). At the end of 2021/22 the reserve balance is £25.2m from the transfer of the £10.8m Covid-19 Funding reserve. Commitments against this reserve include the plans to deliver the savings and Financial Improvement Programme, and after taking account of these the uncommitted balance available for future investment which helps deliver future financial sustainability is £20.3m.

**Departmental Reserves** - are amounts set aside by departments during the closure of the accounts and is following financial guidance to minimise risk exposure to the Council in the following financial year(s). This reserve balance has decreased from £5.4m to £4.8m through a decrease in the Peterborough City College reserve and a use of reserves for projects of specific grants were received covering multiple years. The reserves include balances in respect of:

- Family Safeguarding Innovation Programme Pilot £1.3m
- Integration Area Programme ([Integrated communities](#)) £0.6m
- Controlled Migration Fund £0.4m
- Peterborough City College £1.3m
- Aragon Direct Services £0.5m

**Covid-19 Funding Reserve** - at the end of 2020/21 this reserve was established with a balance of £12.8m to ensure that additional Covid-19 costs would be funded in 2021/22. As highlighted in the 2021/22 BCR reports the scale of the additional demand and budgetary pressures, have been lower than originally anticipated. This meant that the Council was able to redirect the use of this reserve to establish a £2m Budget Risk Reserve, with the remaining balance of £10.8m being transferred into the Innovation Fund Reserve. This results in a nil balance to carry forward on this reserve.

## Ring-Fenced Reserves

**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 £0.1m to £1.0m, as costs in 2021/22 were lower due to reduced demand and access to service due to the pandemic as well as recharging some staff cost to the contain outbreak management fund.

**Insurance Reserve**- has recently undergone its three yearly actuarial review, from which the report outlined the fund would be adequate at £2m allowing a surplus of £1.5m to be released. This has been redirected to the support the establishment of the inflation reserve.

## 7.0 FINAL CAPITAL OUTTURN 2021/22

7.1 The final position of the Council's Capital Programme and the treasury activity for the financial year 2021/22 follows. The Council's treasury activity during 2021/22 has been compliant with the Treasury Management Strategy approved in March 2021 as part of the MTFS process. This information compliments the Prudential Indicators performance report as set out in Appendix C.

### Capital Programme Outturn 2021/22

7.2 The capital programme which was agreed as part of the Medium-Term Financial Plan (MTFS) in March 2021 was £146.88m. This was finally revised to £81.52m in January 2022.

7.3 The following chart and table show the movement in the capital programme from the agreed capital programme in the 21/22 budget, to the final 21/22 outturn position. The Council agreed a capital programme of £146.88m in March 2021, however there were a number of schemes from the previous financial year that did not progress as quickly as planned therefore their budgets were reprofiled from the previously agreed 2020/21 capital programme by £18.06m. Throughout the year the Corporate Management Team, alongside the additional focus of the S151, carried out detailed progress reviews

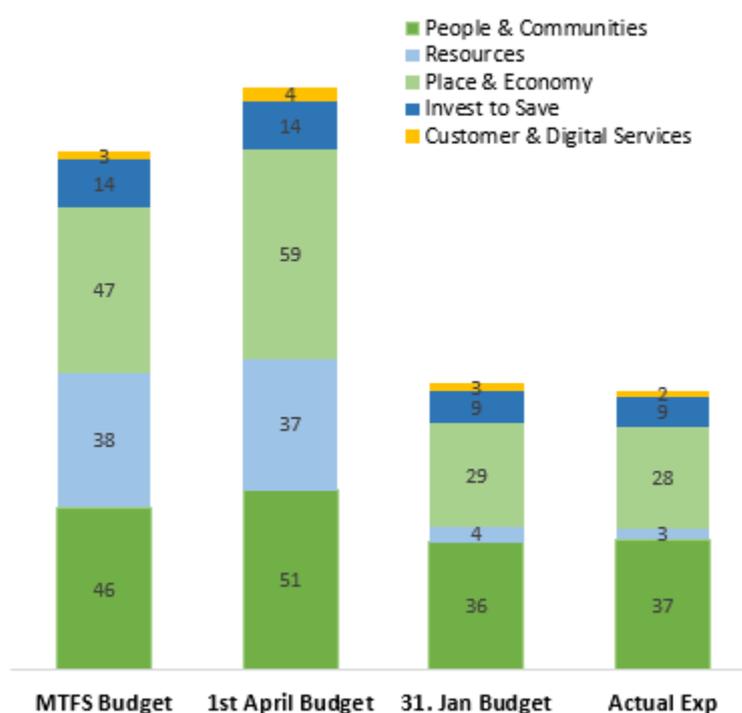
on the capital programme following the reports from DLUHC. This additional level of scrutiny led to a revised capital programme by 31 January 2022 of £81.5m. These budgets compare to the final expenditure for each directorate and how this investment is financed £79.28m.

7.4 The major movements between the 21/22 revised budget and the final outturn are as follows:

- Delays to the build of St John Henry Newman primary school and the refurbishment of Heltwate Special School £10.5m.
- Capitalisation Direction no longer required – budget removed £20m.
- Review and reprofiling of Towns Fund projects £15m.
- Housing Schemes removed pending an updated Housing Strategy £9m.
- Reprofiling of Highways Schemes £9m.
- Aragon Fleet renewal reprofiled to future years £5m.

Directorate	21/22 Capital Programme Approved Budget £000	20/21 Slippage £000	21/22 Revised Budget £000	21/22 Outturn £000	21/22 Variance £000
Customer & Digital Services	2,500	1,528	4,028	2,017	(2,011)
People & Communities	46,129	4,853	50,982	36,975	(14,007)
Place & Economy	46,644	12,445	59,089	28,416	(30,673)
Resources	38,111	(807)	37,304	3,347	(33,957)
Invest to Save	13,500	40	13,540	8,521	(5,019)
<b>TOTAL</b>	<b>146,884</b>	<b>18,059</b>	<b>164,943</b>	<b>79,276</b>	<b>(85,667)</b>
Grants & Contributions	67,763	3,905	71,668	46,243	(25,425)
Capital Receipts	-	-	-	-	-
Borrowing	79,121	14,154	93,275	33,033	(60,242)
<b>TOTAL</b>	<b>146,884</b>	<b>18,059</b>	<b>164,943</b>	<b>79,276</b>	<b>(85,667)</b>

Actual Expenditure v's Budget 2021/22 by Directorate (£m)



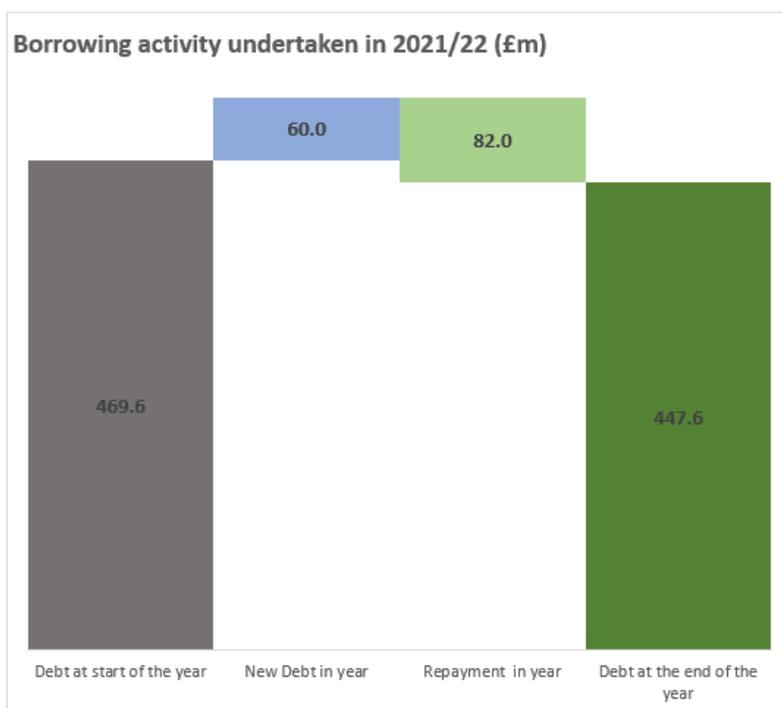
7.5 Invest to Save projects have been reduced over the next few years due to no planned expenditure. However, it should be noted that this does not affect the Council's revenue capital financing budget as these projects are schemes that must cover the cost of borrowing and minimum revenue provision (MRP)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

- 7.6 Listed below are the major projects that combined form most of the total capital expenditure of £79.28m.
- Schools (including the new Manor Drive and St John Henry Newman school) - £32.9m
  - Highways - £18.0m
  - Fletton Quays Hotel - £8.4m
  - Aragon Fleet replacement - £6.9m

### Funding the Capital Programme

7.7 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.

7.8 It is a statutory duty for the Council to decide 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 borrowed to fund expenditure for new assets.



7.9 The Council's total borrowing as at the end of the financial year is £447.6m, and the total interest paid on these loans for the year was £13.6m. The following chart summarises the overall treasury borrowing activity undertaken for the year with an overall reduction in borrowing being achieved of £22.0m. The following table supplies 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	7,128	13,000	6,015	13,505	325,439	<b>365,087</b>	3.5	27
Local Authority	60,000	5,000	-	-	-	<b>65,000</b>	0.7	-
Market Loans*	17,500	-	-	-	-	<b>17,500</b>	4.5	24
<b>Total Borrowing</b>	<b>84,628</b>	<b>18,000</b>	<b>6,015</b>	<b>13,505</b>	<b>325,439</b>	<b>447,587</b>	<b>3.2</b>	<b>24</b>
% Of total Borrowing	19%	4%	1%	3%	73%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

\* 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.

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

### Capital Receipts

7.11 For 2021/22 financial year, and as per the Tactical Budget 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. However, whilst the tactical budget does include the expectation that £2.4m of capital receipts will be used to repay debt, as part of delivering financial sustainability for the Council and in order to strengthen the Council's balance sheet, future capital receipts will be used to either repay the debt liability in addition to the calculated MRP or be used to fund capital schemes rather than adding to the debt burden of the Council. This revised strategy is contained in the Improvement Plan and Capital Strategy.

7.12 The following table shows the amounts of capital receipts built into the budget and the actual capital receipt received in 2021/22. The total amount of capital receipts used to repay debt as per the MRP policy in 2021/22 was £2.73m.

Budget	Assets sold in year	Other receipts	Variance
£000	£000	£000	£000
2,433	2,497	233	(297)

### Investments and Loans to Third Parties

7.13 The Council aims to achieve the most interest on treasury investments equal with the proper levels of security and liquidity.

7.14 The Council has small surplus cash balances to cover the Council's treasury function, however, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

7.15 In the current economic climate, the Council considered it right 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. However, this strategy is being reviewed as part of the Improvement Plan and the delivery of a sustainable budget in light of the inflationary increases being experienced and the resulting impact on interest rates. An updated strategy will be taken for approval as part of the mid-year report.

7.16 The Council has 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. As part of the formal decision to make the loans, the security for the loans is assessed as to their adequacy in case of the third party defaulting on repayment and individual loan agreements support the recovery of the capital loan in case of the default.

7.17 The Council's secured capital loans to third parties are set about in the following table.

Third Party Details	Loan Amount	Status
Fletton Quays Hotel Ltd	Capital Loan £15.0m	Due in 2022/23

7.18 At the end of the financial year, the Council's external investments totalled £30.4m. 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 £1,020k.

7.19 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.

## **8.0 Consultation**

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

## **9.0 Anticipated Outcomes**

9.1 That the outturn position for 2021/22 is noted.

## **10.0 Reasons for Recommendations**

10.1 This monitoring report forms part of the 2021/22 closure of accounts and decision-making framework culminating in the production of the Statement of Accounts and informs Cabinet of the final position.

10.2 Theme One Financial Sustainability of the Improvement Plan recognised the need to introduce a moratorium in November 2021 to ensure that only essential expenditure was incurred in the remaining months of the financial year. This financial strategy was adopted in order to reduce the reliance on reserve balances to fund expenditure in 2021/22 so that reserves could be used to fund transformation, increase the Council’s financial resilience and strategically support the 2022/23 Tactical Budget. This outturn report provides evidence of the implementation of actions contained in the Improvement Plan and the positive first contribution towards a sustainable financial position.

## **11.0 Alternative Options Considered**

11.1 None required.

## **12.0 Implications**

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

## **13.0 Appendices:**

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

## **14.0 Background Documents:**

- [Medium Term Financial Strategy Phase Two- 2021/22- 2023/24: Budget Cabinet 23 February 2021, item 5](#)
- [Budgetary Control Report – May 2021: 12 July 2021 Cabinet, item 9](#)
- [Budget Monitoring Report Final Outturn Report – 2020/21: 21 June 2021 Cabinet, item 10](#)
- [Medium Term Financial Strategy Phase One- 2022/23 - 2024-25 - Budget Cabinet 25 October 2021, item 5](#)
- [Budgetary Control Report - August 2021 - Budget Cabinet 25 October 2021, item 6](#)
- [Budgetary Control Report - September 2021 - Cabinet 15 November, item 8](#)
- [Budgetary Control Report - October 2021 - Cabinet 29 November 2021, item 6](#)

- [Council Tax Base 2022/23 and Collection Fund Declaration 2021/22 - Cabinet 10 January 2022, item 9](#)
- [Budgetary Control Report - November 2021 - Cabinet 10 January 2022, item 10](#)
- [CIFPA Financial Review Report - on behalf of DLUHC](#)
- [Andrew Flockhart Governance Review- on behalf of DLUHC](#)