AUDIT COMMITTEE	AGENDA ITEM No. 6
20 JUNE 2022	**PUBLIC REPORT**

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

It is recommended that the Audit Committee notes:

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.

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.

3. The outturn spending of £79.3m in the Council's capital programme in 2021/22 outlined in section 7.

4. That the financial performance for the year is a positive first step and is 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.

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

6. 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 2021/22.

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 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.

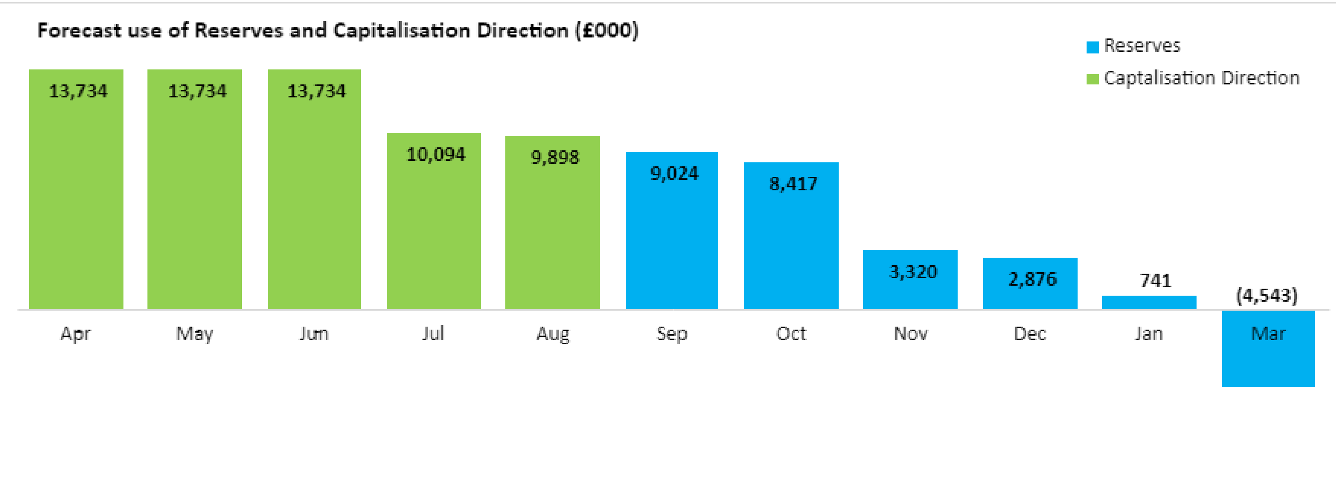
4.4 Based on the information known at the time, and given the continued uncertainties created from C-19 social restrictions and related demand increases, in April 2021 the forecast outturn for 2021/22 was anticipated to exceed budget by £6.8m. As more information became available, and uncertainties became 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:

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

Revised Budget 2021/22	176.551

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.

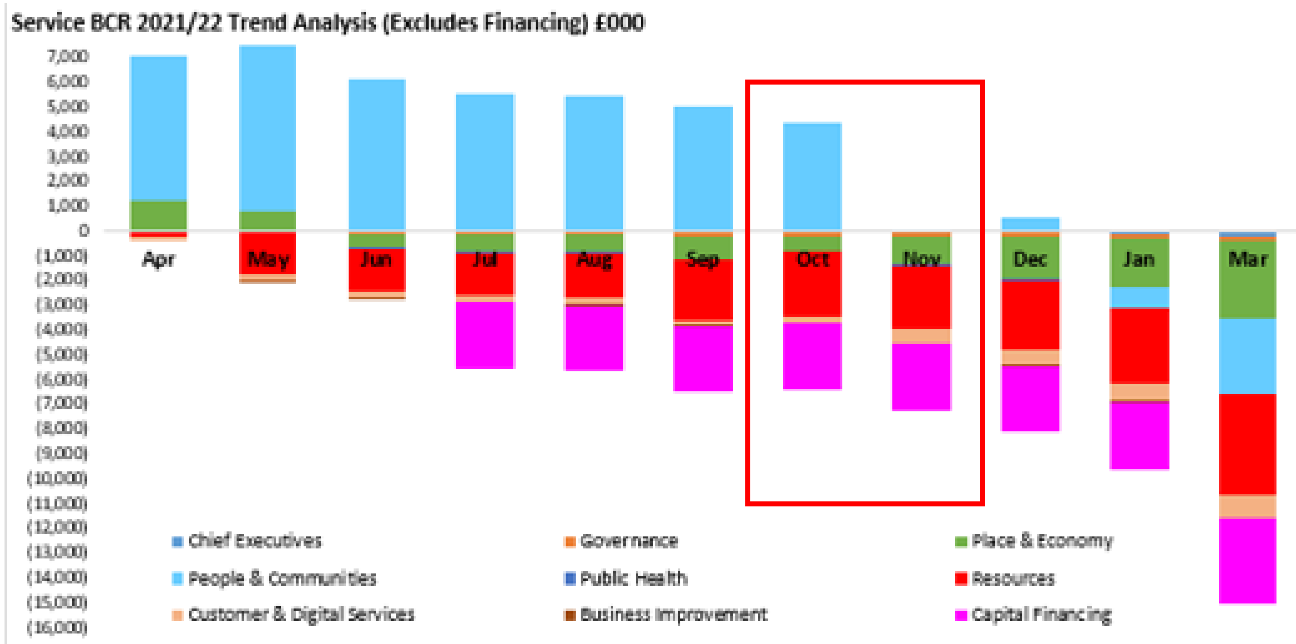
5.3 The final financial performance should be recognised in the context of the impact, additional cost, and uncertainties caused by the Covid-19 (C-19) pandemic against a weak financial resilient position. In October 2020, the Council commenced discussions with MHCLG (now DLUHC) in accordance with the 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
Total Expenditure	**176,551**	**159,448**	**2,055**	**(15,048)**	**(9,575)**	**(5,473)**	**Underspend**
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
Net	**(0)**	**(16,590)**	**12,047**	**(4,543)**	**0**	**(4,543)**	Breakeven

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
Customer & Digital Services	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
Resources	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.

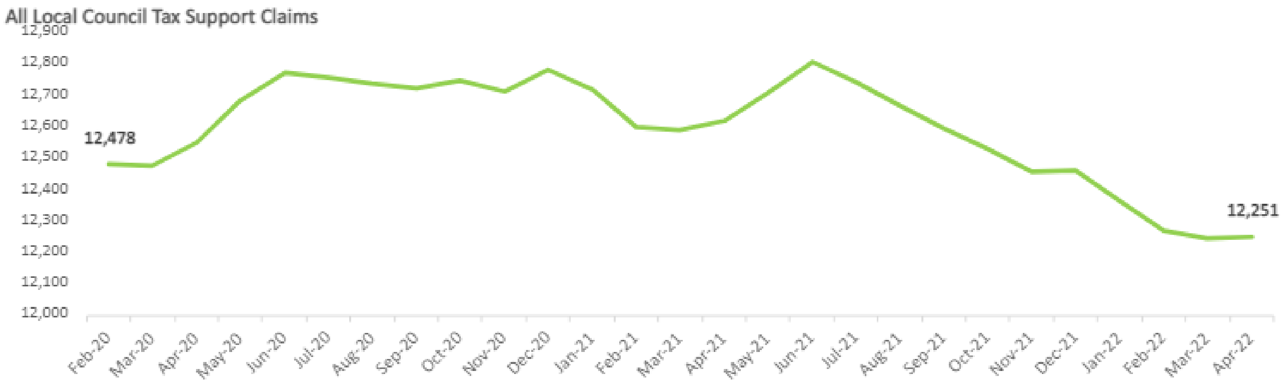
Directorate	Service Area	Variance £000	Impact
Capital Financing	Capital Financing	**(3,440)**	Reduced borrowing in 2020/21 resulting in reduction in interest payments as well as savings due to a reduction in additional borrowing.
Funding	Business Rates Pool	**(3,012)**	Benefit gained from Cambridgeshire 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

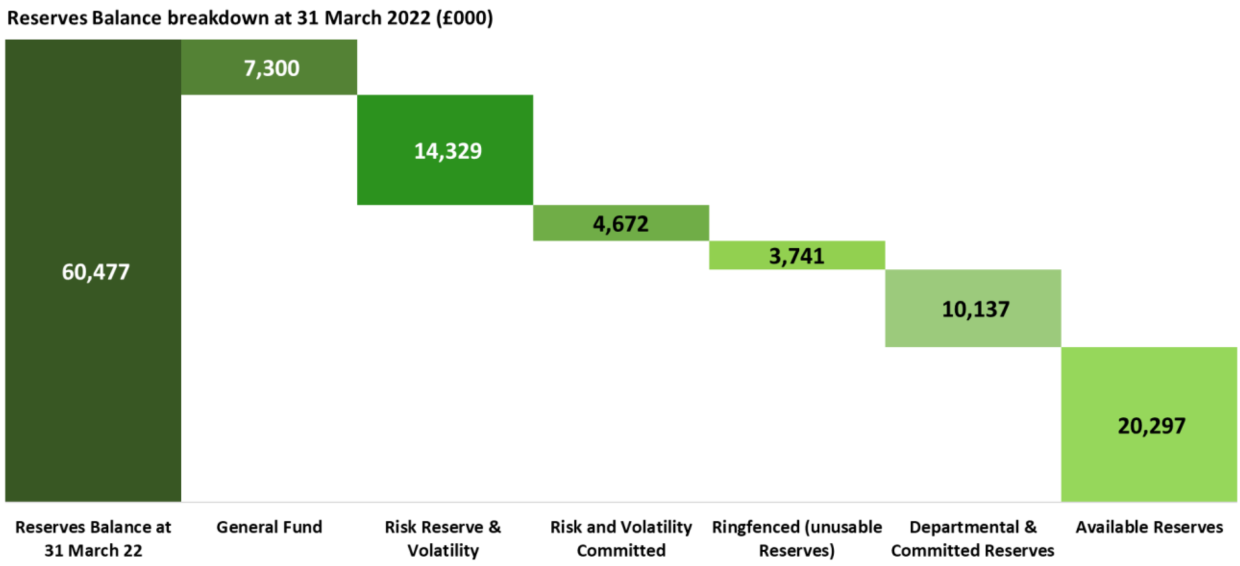
6.1 The Council's reserve balances are checked throughout the year as part of the Budgetary Control Reporting and budget setting process. Table 3 summarises the balance for all reserves at the beginning and end of 2021/22, and the forecast position for future years. For more information see Appendix 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
Total Earmarked Reserves and General Fund Balances	**66,110**	**60,477**	**46,309**	**46,000**

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:



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 (NNDR) 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 NNDR1 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.

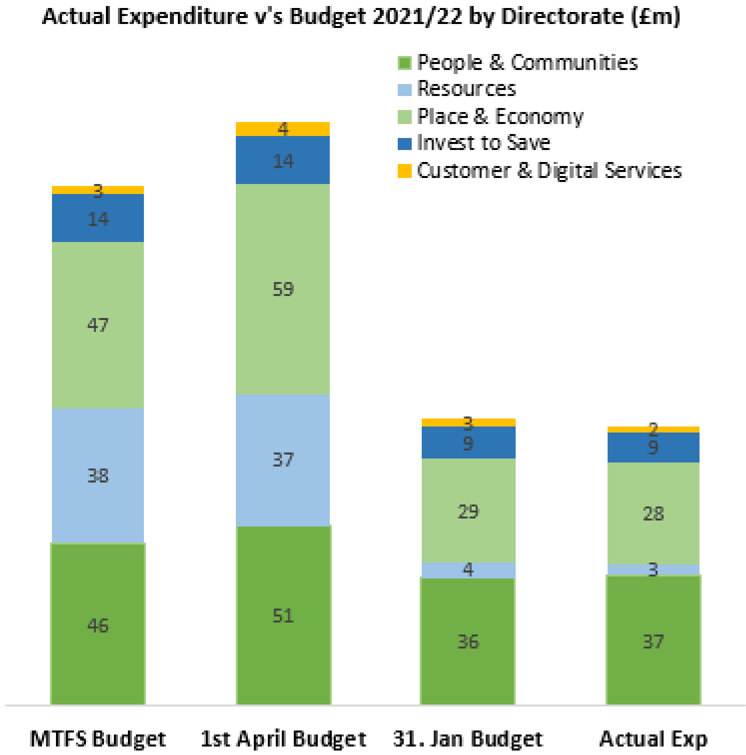
7.3 The following chart and table show the movement in the capital programme from the agreed capital programme in the 21/22 budget, to the final 21/22 outturn position The Council agreed a capital programme of £146.88m in March 2021, however there were a number of schemes from the previous financial 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)
TOTAL	**146,884**	**18,059**	**164,943**	**79,276**	**(85,667)**
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)
TOTAL	**146,884**	**18,059**	**164,943**	**79,276**	**(85,667)**

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.



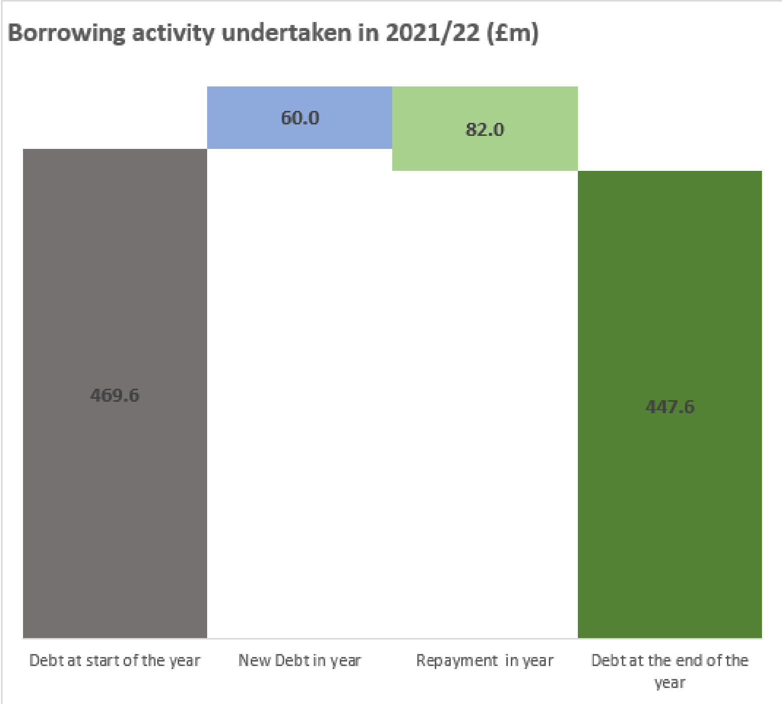
7.6 Listed below are the major projects that combined form most of the total capital expenditure of £79.28m.

- 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	**365,087**	3.5	27
Local Authority	60,000	5,000	-	-	-	**65,000**	0.7	-
Market Loans*	17,500	-	-	-	-	**17,500**	4.5	24
Total Borrowing	**84,628**	**18,000**	**6,015**	**13,505**	**325,439**	**447,587**	**3.2**	**24**
% 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 and Audit Committee 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 2021Cabinet, 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

Appendix A- 2021/22 Directorate Revenue Outturn report

People & Communities - £3.1m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
People & Communities	Director	1,107	1,078	0	(29)	(88)	59	Underspend
People & Communities	Education	3,984	3,081	0	(904)	(399)	(505)	Underspend
People & Communities	Adults – Commissioning	33,765	30,962	0	(2,802)	(1,755)	(1,047)	Underspend
People & Communities	Adults - Operations	9,943	8,418	143	(1,382)	(981)	(401)	Underspend
People & Communities	Children´s - Operations	12,130	11,993	0	(137)	(186)	49	Underspend
People & Communities	Children´s Commissioning	18,101	17,017	0	(1,084)	(874)	(210)	Underspend
People & Communities	Commissioning Team and Commercial Operations	542	822	0	279	307	(27)	Overspend
People & Communities	Communities - City Centre Management	350	980	0	630	465	165	Overspend
People & Communities	Communities - Cohesion and Integration	513	462	0	(51)	(56)	4	Underspend
People & Communities	Communities - Community Safety	(835)	199	0	1,034	1,286	(252)	Overspend
People & Communities	Communities - Think Communities	3,723	4,964	0	1,241	1,310	(69)	Overspend
People & Communities	Communities-Regulatory Services	1,767	1,822	49	104	64	40	Overspend
People & Communities	Children's & Safeguarding (DSG)	6,042	6,648	0	607	495	112	Overspend
People & Communities	Commissioning and Commercial Operations (DSG)	11	10	0	(1)	(1)	0	Underspend
People & Communities	Education (DSG)	(6,053)	(6,640)	0	(587)	(475)	(112)	Underspend
	Total People & Communities	**85,091**	**81,816**	**192**	**(3,083)**	**(889)**	**(2,194)**	Underspend

Directorate Variance Analysis	
Education	£0.110m pressure as a result of lost income within the School Improvement service. This includes: * £0.032m - School Improvement traded services as Schools have prioritising Covid-19 recovery. Income is predicted to return to pre-pandemic levels in financial year 2022-23. * £0.078m - Attendance Fine Fixed Penalty Notices relates to where parents take children out of school during term time for holidays or other unauthorised absence. Due to historic experience of the level of notices being issued a budget was built into the Medium-Term Financial Strategy (MTFS). Income is likely to return to pre-pandemic levels now that restrictions on foreign travel have been lifted and penalty notices are issued as a deterrent for parents for taking children out of school.

Directorate Variance Analysis	
	£0.640m favourable 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. School revenue spend which has been capitalised relates to new IT equipment, the All-Weather pitch at St John Fisher and building works / alterations.
	£0.033m saving - using Special Education Needs Disabilities Grant funding to off-set existing costs
	£0.113m saving - Agreed new structure for Schools and Settings Finance Team
	£0.034m saving - Pre 98 Pension strain
	£0.287m saving re PFI - 0.223m saving re final PFI Insurance rebate. £0.129m saving re PFI Utilities. PFi Unitary charge pressure £0.065m
	£0.441m pressure Home to School Transport. This pressure stands for growth, added contract costs arising from the re-tendering of contracts, the pressure of Primary School directed places and reduced parental contributions following the introduction of Public Services Vehicle Accessibility Regulations which means the Authority cannot charge for post 16 transport on non-compliant vehicles.
	0.101m saving - School Improvement and Monitoring grant being used to offset existing costs.
	0.101m saving re School Improvement including Governor Services trading surplus, employee savings, Attendance Service traded income.
	£0.108m saving - Shared Assistant Director School Improvement post not recruited to in current financial year, release of Service Director Project funding following spend moratorium.
Adults - Commissioning	£0.854m favourable - the annual uplifts from the Better Care Fund for 2020/2021 and 2021/2022 has been released to support pressures in Adult Social Care from demographic and market conditions £0.530m favourable - release of the following on a one-year basis. Early Help and Transitions investment due to delay in restructuring teams, Childrens Centres maintenance costs now not needed, inspections fund as a result of covid-19 some inspections have not taken place this financial year. £0.464m favourable further release of budgets around inspections & investments not needed in current financial year including Autism Strategy, pressures within 0-25 Service, recruitment investment in Transition Commissioning & Clare Lodge future options costs.
	£0.089m - part year savings on the closure of interim beds and estimated costs relating to 2020/21 not needed
	£0.379m saving - the extension of the Discharge to Assess (hospital discharges) from September 2021 to March 2022 has released the first four weeks of care package spend which is paid for by reclaiming through the CCG.
	£0.223m saving re Mental Health Section 75 agreement based on Cambridgeshire and Peterborough Foundation Trust (CPFT) underspend predominantly due to staffing vacancies and difficulty in recruitment for social workers and Approved Mental Health Practitioners (AMHPs)
	£0.171m saving re Mental Health Section 75 agreement due to previous years added investment is no longer required.
Adults - Operations	£0.073m pressure due to more spend needed as a result of Covid-19, this includes: * £0.039m for more Occupational Therapy capacity to deal with increased demand for services from hospital discharges and disabled facilities grant cases awaiting reviews * £0.034m for extension of temporary resource in Transfer of Care (Hospital Discharge) Team to continue to support the health and social care system in discharging patients on time.
	£1.053m favourable on staffing costs, is mainly due to the difficulties in recruiting to vacancies due to availability of appropriately qualified staff, new appointments being at a lower spinal column point or reduced hours in comparison to budget.

Directorate Variance Analysis	
	£0.182m favourable on Mental Capacity Act/Deprivation of Liberty Standards services for Best Interest Assessors and section 1 2 Doctors. Forecasting includes reduced requests and backlog of Court of Protection cases still affecting.
	£0.143m awaiting reserve adjustment for Learning Disability s75 underspend for 21/22.
Children´s - Operations	£0.097m pressure as a result of additional expenditure needed as a result of Covid-19. This includes: * £0.080m - Assessment and Family Safeguarding demand, more resources have been required due to the increasing numbers of assessments and referrals. * £0.017m - Additional Youth Family worker to cover a staff member having to shield
	£0.084m saving on Cherry Lodge due to reduced Outreach support, staffing vacancy slippage and increased contributions for sha red care.
	£0.129m saving released under Targeted Youth Services - £0.032m vacancy savings as posts not being recruited to until April 2022, £0.024m carry forward for Prince Trust released, £0.040m for relief budget travel, other vacancy slippage and financial aid offered up as part of spending moratorium
Children´s Commissioning	£1.084m favourable including: *£1.083m - Children's Social Care Placements - increased numbers of Looked After Children following covid-19 lockdown have not materialised to the level expected although this has been offset by increased complexity of need and market demands *£0.050m saving Children's Centres contribution from Tackling Troubled Families Grant *£0.082m Saving on spot purchased specialist services for children *£0.078m saving commissioning of Derby House *£0.036m pressure re Short Breaks Commissioning with Circles Network *£0.221m pressure relating to Children with Disabilities - Additional Short Breaks and Homecare for periods out of School.
Commissioning Team and Commercial Operations	£0.447m pressure in relation to Clare Lodge, this is based on average occupancy of between 7 and 8 young people until March 22. The £0.447m ov erspend is: * A shortfall of income of £0.538m based on reduced average occupancy until March 22. * An overspend on employee expenditure of £0.256m. A pressure of £0.947m in relation to Agency staffing is offset by Vacancy savings of £0.691m * An underspend of £0.347m on non-staffing expenditure budgets
Communities - City Centre Management	£0.630m pressure includes: £0.112m loss of income at the Market due to non-essential traders having not yet reopened stalls following the Lockdown 3.0 restrictions, £0.423m pressure re costs of Market Relocation, £0.080m pressure loss of Street Trader income and the Governmen t extension to the lower charge rate in relation to outdoor seating and £0.015m as a result of the 2021 Great Eastern Run being cancelled.
Communities - Community Safety	£1.034m pressure includes £0.706m pressure due to loss of Parking Income due to the Pandemic offset by reduced spend of £0.179m. It is expected that Parking Income for financial year 2022/23 will be in line with budgeted income. £0.443m pressure due to reduction in Fixed Penalty Notices issued by the Parking Enforcement team off-set by reduced spend £0.074m. £0.474m pressure due to reduction in Fixed penalty Notices issued by the Environmental Enforcement Team off-set by grant contributions of £0.093m and reduced spend £0.137m.

Directorate Variance Analysis	
Communities- Regulatory Services	£0.259m pressure within the Coroners service as a result of unusually complicated and high-profile cases (£0.039m), Covid-19 (£0.078m) and Business as Usual (£0.143m). This is due to the requirement to adhere to strict Covid-19 guideline about PPE (Personal Protective Equipment) and a backlog of cases, therefore there is a need to appoint more area coroners and assistant coroners. There is also a need for more ICT, due to a shortage of Covid-19 secure premises for remote inquests.
Communities - Think Communities	£1.541m pressure within the Recreation and Culture services. This includes: * £0.816m pressure resulting from lost income covering the period April to June 2021. This is due to Covid-19 restrictions in relation to access to Leisure Facilities such as swimming and gyms and also Cultural events such as the Key Theatre, Flag Fen, and Exhibitions. Recovery plans are in place for Recreation and Culture but will not mitigate losses already incurred. * £0.300m - Further loss of Leisure income. * £0.400m - Additional running costs of City Culture.
	£0.274m saving within Community Capacity of which £0.247m saving because Think Communities MTFS investment for 2021/22 is not needed this financial year as all costs can be charged to the Integrated Area Programme grant

Public Health - £0.003m underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Public Health	Children 0-5 Health Visitors	3,974	3,850	0	(124)	1	(125)	Underspend
Public Health	Children 5-19 Health Programmes	987	889	0	(98)	(98)	(0)	Underspend
Public Health	Sexual Health	2,052	1,966	0	(86)	(59)	(27)	Underspend
Public Health	Substance Misuse	2,308	2,308	0	0	0	0	On Budget
Public Health	Smoking and Tobacco	286	201	0	(85)	(69)	(16)	Underspend
Public Health	Miscellaneous Public Health Services	1,458	941	0	(517)	(216)	(301)	Underspend
Public Health	Public Health Grant	(11,252)	(11,253)	907	906	441	465	Contribution to Reserve
	Total Public Health	**(188)**	**(1,097)**	**907**	**(3)**	**0**	**(3)**	Underspend

Directorate Variance Analysis	
Children 0-5 Health Visitors	£0.125m saving - Section 75 agreement with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT) underspent as a result of vacancies.
Children 5-19 Health Programmes	£0.115m saving - Contribution to Family Safeguarding not needed until financial year 2022/23 as being covered by reserve funds for family safeguarding. £0.017m pressure - A one year only contribution is needed to the cost of the CHUMS (Mental Health and Emotional Wellbeing Service) contract which offers support to young people with mental health difficulties, as the contract was re-procured, and lead commissioners changed from PCC to CCG from July 2020.
Sexual Health	£0.010m pressure additional Icash contract cost £0.030m saving out of area genitourinary medicine (GUM) based on Q1 to Q3 activity £0.019m saving Emergency Contraception (EHC) based on Q1 to Q3 activity £0.020m saving Long Acting Reversable Contraception (LARC) based on Q1 to Q3 activity £0.027m underspend re pre-exposure prophylaxis (PreP) due to reduced demand"
Smoking and Tobacco	£0.054m saving payments to GP's / Pharmacies for Smoking cessation due to reduced activity
Miscellaneous Public Health Services	£0.088m saving Adults Weight Management & Obesity budget £0.078m staff saving. Reduced cross charge from CCC and charging Public Health staffing costs to other grants. £0.054m saving GP Health checks based on Q1 to Q3 activity. £0.282m saving charging Public Health core salary costs to Contain Outbreak Management Fund (COMF) grant.

Governance - £0.2m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Governance	Director of Governance	130	103	0	(27)	(21)	(6)	Underspend
Governance	Legal Services	1,845	1,826	0	(19)	(21)	2	Underspend
Governance	Constitutional Services	2,036	1,888	0	(148)	(127)	(21)	Underspend
Governance	Information Governance	182	187	0	5	19	(14)	Overspend
	Total Governance	**4,192**	**4,004**	**0**	**(188)**	**(149)**	**(39)**	Underspend

Directorate Variance Analysis	
Constitutional Services	£0.148m Favourable - £0.082m saving in Members Services of which £0.054m is a saving in members allowances due to some members carrying out more than one role and only able to claim one Special Responsibility Allowance. Remaining savings due to reduced travel costs, reduced supplies and services including postage, printing, photocopying, and IT costs. £0.095m saving in salaries due to two vacancies. £0.029m other misc. Pressures.

Resources - £4m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Resources	Director's Office	331	385	0	54	59	(5)	Overspend
Resources	Financial Services	4,550	3,707	416	(428)	(325)	(103)	Underspend
Resources	Corporate Items	8,521	6,061	2	(2,458)	(1,830)	(628)	Underspend
Resources	Peterborough Serco Strategic Partnership	8,073	7,094	0	(979)	(932)	(47)	Underspend
Resources	Corporate Property	2,325	2,075	0	(250)	17	(267)	Underspend
Resources	Energy	478	874	0	396	130	266	Overspend
Resources	Cemeteries, Cremation & Registrars	(1,482)	(1,818)	0	(336)	(149)	(187)	Underspend
	Total Resources	**22,797**	**18,378**	**418**	**(4,001)**	**(3,030)**	**(971)**	Underspend

Directorate Variance Analysis	
Financial Services	£0.228m Favourable - A final underspend is being reported against the Financial Services salary budgets. £0.051m of this underspend is related to a secondment of an Internal Audit member of staff to the Community Hub during the financial year. The salary costs were Covid-19 grant funded. £140k savings are within Strategic Finance following a review of the interim management arrangements during the financial year, and £0.026m savings through the COMF Grant contribution.
	£0.200m Favourable - Other savings found across the service area, including £0.025m saving in salary related costs generated from the operation of the corporate car lease salary sacrifice scheme, £0.034m from the Risk Management budget underspend and £0.038m of savings within the Insurance Premium budget. In addition, £0.084m favourable variance is reflected within Finance due to final posting of unallocated income.
Corporate Items	£1.337m Favourable - The pension actuary completed the cessation assessment for Peterborough Culture and Leisure Trust (Vivacity) following their admission ceasing on 30/09/2020. This has resulted in the Council receiving a single year reduction to their secondary contributions for the year 2021/22 to the value of 50% of the Vivacity surplus detailed in the assessment report. This variance is the result of the Funding and Management Agreement with Vivacity and the risk agreement for pension contributions.
	£0.218m Favourable - Following a review of the Compensatory Added Years and Unfunded Pension contributions, there is a saving against the corporate premature retirement budget. This saving is partially repeatable in future years dependant on the Council's in-year pension strain funding requirements, and forms part of the 2022/23 MTFS savings. In addition, in-year costs for 21/22 are lower than budgeted.
	£0.231m Favourable - This variance is a result of the Containment Outbreak Fund (COMF) grant contribution towards the corporate overhead expenditure during 21/22.

Directorate Variance Analysis	
	£0.649m Favourable - This variance is a result of the Value Added Tax (VAT) shelter income received from Cross Keys Homes (CKH). This favourable position has been driven by maintenance work CKH has carried out on its properties, and the expenditure profile has varied from original budgeted.
Peterborough Serco Strategic Partnership	£0.100m Favourable - Final year of growth income received as part of the Peterborough Serco Strategic Partnership contract which has not been budgeted. Not repeatable in future years.
	£0.271m Favourable - Business Support contract credits (freezing core vacancies where possible until transformation work takes place), offset by centralised project costs unable to be recharged directly to projects.
	£0.352m Favourable - Following a review of the PSSP contract budget including inflationary elements (£230k) along with grant funding found (£122k), a total underspend in the current year of £352k was found. This will be partly ongoing and a saving has been factored into the proposed 2022/23 Medium Term Financial Strategy (MTFS).
	£0.231m Favourable - Due to a one-off piece of work with historic Housing Benefit payments, the Council found a higher level of overpayments than previously forecast which have already been recovered and as a result has received a net £210k overpayment income above budget for this financial year.
	£0.35m Pressure - Court cost income collected is lower than budgeted. Due to lack of recovery activity which was restricted over the pandemic, the income was adversely affected in 2020/21. Although the current year pressure has improved on last financial year, it is in line with outturn in 2019/20 suggesting an ongoing pressure. There is no corresponding saving in administration costs.
Energy	£0.396m Pressure - On 12 November administrators were appointed to ECSP1 and on the same day the Council bought the assets of ECSP1 from the administrators. The adverse position to the budget for this project has arisen from the legal and professional costs of the insolvency. The solar income from the corporate estate was lower than forecast as several installations have been offline during the year due to maintenance and meter issues and lower solar irradiation levels than forecast especially in the last quarter of the year. A cash limit saving target for all the Council's energy projects was not met as the income profile of the energy projects has changed since it was implemented
Corporate Property	£0.0.083m Favourable - NPS Peterborough Ltd is a 50/50 joint venture company owned by the Council and the Norse Group (a wholly owned subsidiary of Norfolk County Council). This favourable variance is a result of the profit share being higher than budgeted. This variance is unlikely to continue as savings have been built into the MTFS for the NPS contract.
	£0.073m Pressure - A debtor invoice write off exercise has meant £0.073m has been recoded to Corporate Property from the Bad Debt Provision, creating a pressure against the budget in this financial year.
	£0.161m Favourable - Savings on Office Accommodation costs including Waste Collection, Stationery, Security and Cleaning, along with further savings found in Supplies and Services across the service area.
	£0.079m Favourable - Other overall underspends within the service mainly due to Business rates budgets including credits for prior year charges, service charge income being higher than budgeted, partially offset with costs for Interim Management.
Cemeteries, Cremation & Registrars	£0.257k Favourable - Additional income above budget from cremations, internment fees and rights of burial charges, offset by reduction in Registration income (Covid-19 related).
	£0.081k Favourable - Other savings across the service including salaries and other supplies and services.

Place & Economy - £3.1m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Place & Economy	Development and Construction	(29)	(267)	0	(239)	(160)	(79)	Underspend
Place & Economy	Director Place & Economy	151	125	0	(26)	(9)	(17)	Underspend
Place & Economy	Peterborough Highway Services	4,293	3,346	0	(947)	(799)	(148)	Underspend
Place & Economy	Sustainable Growth Strategy	1,560	1,190	39	(331)	(204)	(127)	Underspend
Place & Economy	Waste, Cleansing and Open Spaces	14,925	11,581	500	(2,844)	(2,118)	(726)	Underspend
Place & Economy	Westcombe Engineering	49	546	0	497	455	42	Overspend
Place & Economy	Director of Housing	2,275	3,059	0	784	858	(74)	Overspend
Place & Economy	Growth & Regeneration	504	466	0	(38)	5	(44)	Underspend
	Total Place & Economy	**23,729**	**20,046**	**539**	**(3,144)**	**(1,971)**	**(1,172)**	Underspend

Directorate Variance Analysis	
Development and Construction	£0.239m Favourable - This has arisen through more income (Planning fees, Planning Performance Agreement income, S106 Admin fees, Building Control income) and savings on supplies & services. Partly offset by added staff costs, consultant fees and reduction in recharges to shared services
Peterborough Highway Services	£0.302m Favourable - Employee cost savings through Highway Services. Further savings due to a delay in recruitment following a restructure.
	£0.289m Favourable - Various cost savings and added income Network Management (Traffic signal maintenance, bridge maintenance, New Roads Streets Work Act, etc)
	£0.012m Pressure - Highways Schemes - Cost of more vehicles August 21 to Jan 22 due to Covid-19. Also reduced Street Naming income. Pressure reduced by other savings and green claims
	£0.019m Favourable - Additional Highway Development Sec38 Income and supplies & services savings
	£0.349m Favourable - Savings on street lighting and highway contractor inflation budgets, and more fee income from other Local authorities for PCC project work
Sustainable Growth Strategy	£0.331m Favourable - Various savings across the service including employee and consultancy costs and supplies & services. Also, more income from commuted sums, staff recharges to schemes, S106 income and contributions from Cambridgeshire County Council towards plan works
Waste, Cleansing and Open Spaces	£1.592m Favourable - Energy Recovery Facility (ERF) Electricity Income - Continued significant Increase in wholesale export price of electricity produced by the ERF (the Council's Energy from Waste Plant used by Viridor). A pressure of £0.5m was reflected in the Council's budget for 2021/22 due to reduction in energy prices; however, the energy market overall is showing faster signs of recovery than predicted and the Council is able to achieve an improvement in the sale price. Increased income has been factored into the budget proposals for 2022/23

Directorate Variance Analysis	
	£0.035m Pressure - Additional cost at Household Recycling Centre due to Covid-19, such as staffing, traffic management, cleansing and signage.
	£0.063m Pressure - Vehicle hire and other staffing costs on waste collection rounds due to Covid-19
	£1.000m Favourable - Aragon Direct Services. As the financial pressures from Covid-19 reduced, and the replacement vehicle programme got underway, the financial position of Aragon Direct Services improved, and the increase in costs to the Council that were set out in the budget were lower than anticipated.
	£0.314m Favourable - Materials Recycling Facility - Significant increase in cardboard and paper recycling prices which continued through the whole year
	£0.329m Pressure - Brown Bin Service - Due to national driver shortages the annual garden waste bin collection service which started in August 2021 was suspended. Customers to the service received a refund from the council, for the 11 months of service which has not been provi ded. The new annual service is set to resume from May 2022. This means a loss of income of £741k in the current financial year, but there is a saving of £412k due to the non-delivery of the service.
	£0.090m Favourable - Insurance rebate Energy for Waste plant
	£0.126m Favourable - Waste treatment costs lower than expected in quarter 4 of 21/22
	£0.160m Favourable - Savings from delayed spring clean across the city previously planned for Feb 22, income from Waste Client Team supplying service to Peterborough Environment City Trust (PECT), no charge for garden waste administration, reduced repair and maintenance costs across open spaces and play areas, savings on utility costs and reduced business rates. Partially offset by other misc. pressures including Bulky Wa ste service, added city centre cleansing and fly tipping clearance costs
Westcombe Engineering	£0.328m Pressure - Loss of income - Significant arrears in raw casting supply due to Covid-19 and Brexit. This lack of castings did not allow Westcombe Engineering to satisfy key customer requirements. Also, raw material prices continue to rise.
	£0.169m Pressure - £0.038m cost of backfilling a post seconded to the Covid-19 Hub, £0.047m cost of machine repairs, £0.054m warranty claim and £0.030m other staff costs
Director of Housing	£0.655m Pressure - Housing Services - other costs arising from housing rough sleepers in hotels and B&B's. The pressure is made up of £0.855m expenditure, which is being partially offset by £0.200m of Rough Sleeper initiative grant income.
	£0.267m Favourable - Additional Homelessness Prevention Grant
	£0.166m Pressure - Unachievable savings plan relating to income associated with Temporary Accommodation. The baseline budget requirement has been re-assessed and this element of saving has not been realised.
	£0.085m Favourable - Net savings on temporary accommodation schemes - Bushfield Court will not now be leased for temporary accommodation, and a scheme at Walton Road has been delayed until 2022/23. The rent PCC would have paid for these properties is higher than the rental income that would be received, so these changes result in a saving. This saving has been offset by added rent costs at Redpoll Place, added costs from Cross Keys Homes relating to Hostel under occupation charges from 2020/21 and costs of surveying properties at Wittering to consider whether they were suitable for temporary accommodation.
	£0.111m Favourable - relating to employee costs for Housing Needs, however vacancy savings are offset by temporary staff costs
	£0.108m Pressure - Increased repair and maintenance costs of Norwood and Oxney Traveller sites

Directorate Variance Analysis	
	£0.068m Pressure - Other misc. pressures, mostly landlord incentive payments
	£0.046m Favourable - Employee costs Housing Enforcement Team
	£0.076m Favourable - Housing Enforcement License income and supplies & services savings
	£0.137m Favourable - Employee costs Selective Licensing Team. 2 full time vacant posts and another saving due to a full-time team member being seconded to another area for most of 21/22.
	£0.509m Pressure - Selective Licensing Scheme. The Selective Licensing Scheme ended October 2021 and there has been a delay in setting up the new scheme. A proposed replacement scheme has recently been consulted upon. It will then be reviewed by central Govt and requires their approval, and it is unclear how long this process will take. An estimate has been made on how this will affect future years budgets

Business Improvement - £0.0m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Business Improvement	Programme Management Office	731	697	0	(34)	(29)	(4)	Underspend
Business Improvement	Director Business Improvement & Development	318	318	0	(0)	0	(0)	On Budget
	Total Business Improvement	**1,050**	**1,016**	**0**	**(34)**	**(29)**	**(4)**	Underspend

Directorate Overview
The BID Directorate is reporting a small favourable variance within the service of £0.034m

Chief Executives - £0.2m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Chief Executives	Chief Executive	161	221	0	60	42	19	Overspend
Chief Executives	HR	1,064	830	0	(224)	(142)	(92)	Underspend
	Total	**1,225**	**1,051**	**0**	**(173)**	**(100)**	**(73)**	Underspend
Directorate Overview								
The Chief Executive Directorate is reporting a favourable final position against budget of £0.173m.								

Directorate Analysis	
HR	£0.111m Favourable - Savings within salary budgets due to vacancies being held, maternity savings and grant/other funding, along with a release of a prior year redundancy provision.
	£0.062m Favourable - An underspend was found through reduced expenditure within Workforce Development and Corporate training budgets during the year.
	£0.059m Favourable - Additional income was secured through Practice Learning and additional savings within supplies and services following the spending moratorium implementation, along with Apprenticeship Levy income.

Customer & Digital Services - £1m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Customer & Digital Services	IT & Digital Services	7,045	3,167	0	(878)	(758)	(120)	Underspend
Customer & Digital Services	Marketing & Communications	458	397	0	(61)	37	(98)	Underspend
Customer & Digital Services	Resilience & Health & Safety	267	227	0	(40)	3	(43)	Underspend
Customer & Digital Services	Director of Customer & Digital Services	87	86	0	(1)	0	(1)	Underspend
	Total Customer & Digital Services	**7,857**	**6,877**	**0**	**(980)**	**(718)**	**(262)**	Underspend

Directorate Overview
The Customer & Digital Directorate is reporting a final overall favourable variance of £0.980m against budget. The main variances are within IT & Digital service area, primarily through identification of additional external income above budget, savings within current staffing structure and recharges, and continued rationalisation of the IT budget following exit from the Serco contract.

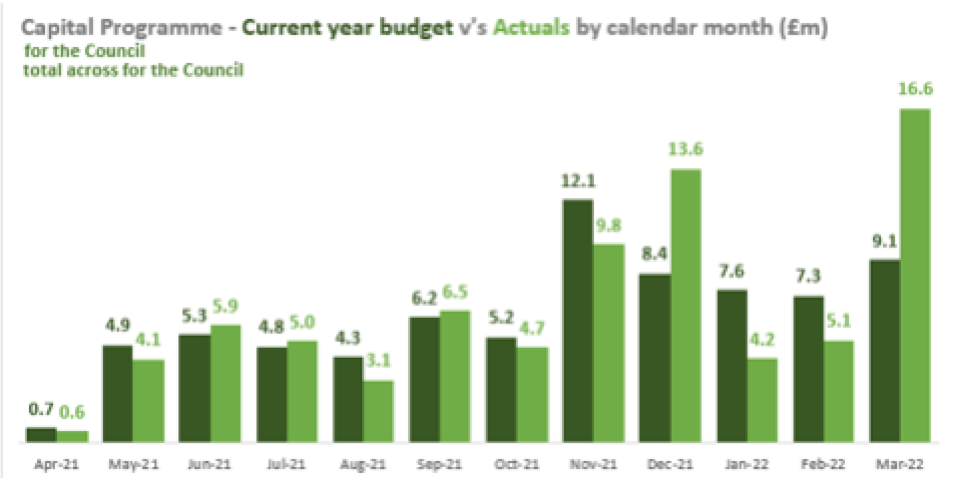
Directorate Variance Analysis	
IT & Digital Services	£0.197m Favourable - Additional income generated through external sources including Service Level Agreements with partner organisations and East of England Broadband Network (E2BN). This is likely to be an ongoing income stream and has been included in the 2022/23 MTFS budget process.
	£0.285m Favourable - Staffing budgets are reporting an underspend due to more salary capitalisation, vacant posts in year and grant funding being identified. The restructure of the service is in progress.
	£0.101m Favourable - continued rationalisation of the IT revenue budget has meant that the remaining contingency held, following the exit from the Serco contract, was not needed in this financial year. It has been reviewed as part of the 22/23 budget proposals.
	£0.228m Favourable - In-year savings within Software and Hardware, Telephony and Microsoft contracts. Part of the saving relates to repeatable savings which have been built into the 22/23 MTFS.
	£0.066m Favourable - Other minor variances within the service area.

Capital financing - £3.3m Underspend

Directorate	Budget Group	Budget £k	Actual Spend £k	Cont. to Reserve £k	Variance £k	January's Variance £k	Movement £k	Overall Status
Resources	Capital Financing	30,798	27,357	0	(3,340)	(2,687)	(753)	Underspend
	Total Capital Financing	**30,798**	**27,357**	**0**	**(3,340)**	**(2,687)**	**(753)**	Underspend

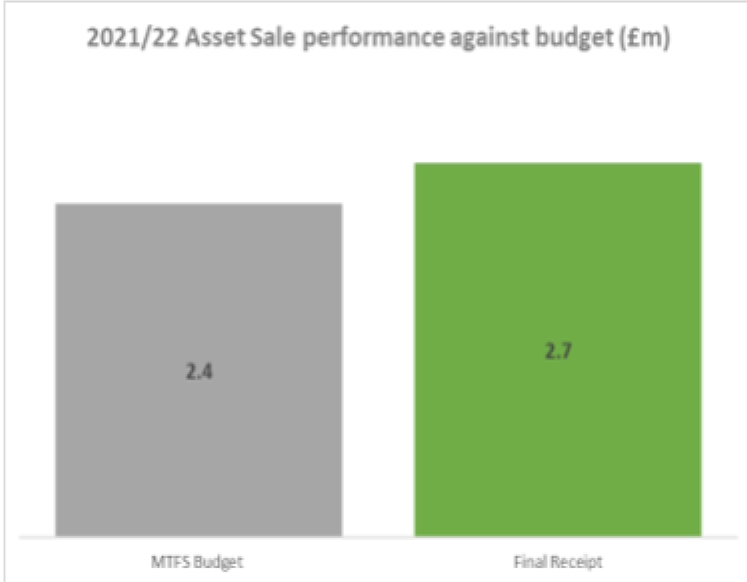
Capital Financing Overview

- 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 Covid-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 in the MTFS.
- The benefits realised from these factors led to savings in year of £2.7m. These 2021/22 factors built on the 2020/21 position where less borrowing was undertaken for the capital programme in 2020/21 (£24.3m compared to an expected MTFS figure of £50.5m) than budgeted for in the MTFS resulting in less budget being required to fund existing borrowing.
- The minimum revenue provision (MRP) calculation included in this position has taken into account the lower completion rates of schemes from the 2020/21 capital programme (spend of £55m compared to the budget of £83m) and resulted in a lower provision of £1.0m compared to the MTFS budget.



Capital Receipts Overview

- As per the MTFS policy Capital Receipts will be used to repay debt and forms part of the calculation of reducing the overall debt through MRP. If capital receipts are not received, the debt will need to be repaid via revenue resources.
- The Council found over £4.5m of asset sales in order to achieve the MTFS budget of £2.4m, however this was paused to ensure that the asset sales are 'at the right price' and will not be rushed into 'fire sales' and is undergoing further examination for potential added asset sales following the results of the both DLUHC reviews which recommend that asset sales are used to stabilise the Council's financial position. The Council did still realise £2.7m of capital receipts, £0.3m above that estimated in the MTFS



Appendix B: Council Reserves Position

	2021/22					2022/23	2023/24	2024/25
Summary of Reserves	**Balance C/Fwd. 1.4.21 £000**	**Contribution from Reserve £000**	**Contribution to Reserve £000**	**Movement between Reserves £000**	**Balance at 31.03.22 £000**	**Estimated Balance at 31.03.23 £000**	**Estimated Balance at 31.03.24 £000**	**Estimated Balance at 31.03.25 £000**
General Fund Balance	**6,000**	**-**	**1,300**	**-**	**7,300**	**7,300**	**7,300**	**7,300**
Innovation Fund, Risk & Volatility, and Departmental Reserves								
Innovation Fund Reserve	15,035	(7,14)	-	10,841	25,162	20,606	20,297	20,297
Grant Equalisation Reserve	-	-	-	-	-	-	-	-
Departmental Reserve	5,380	(1,232)	682	-	4,831	332	332	332
Tax Income Risk Reserve	22,521	(20,205)	9,991		12,307	7,636	7,636	7,636
COVID-19 Funding Reserve	12,841	-	-	(12,841)	-	-	-	-
Inflation Risk Reserve	-	-	3,243	1,450	4,693	4,693	4,693	4,693
Budget Risk Reserve				2,000	2,000	2,000	2,000	2,000
	55,778	**(22,151)**	**13,917**	**1,450**	**48,994**	**35,267**	**34,958**	**34,958**
Ring-Fenced Reserves								
Insurance Reserve	3,315	(280)	416	(1,450)	2,000	2,000	2,000	2,000
Schools Capital Expenditure Reserve	658	(175)	386	-	868	868	868	868
Parish Council Burial Ground Reserve	57	(3)	2	-	56	56	56	56
Hackney Carriage Reserve	173	-	49	-	221	221	221	221
Lease Consolidation Reserve	-	-	-	-	-	-	-	-
Public Health Reserve	131	-	907	-	1,037	596	596	596
	4,333	**(458)**	**1,759**	**(1,450)**	**4,183**	**3,741**	**3,741**	**3,741**
Total Usable and Ring-Fenced Reserves and General Fund Balance	**66,110**	**(22,609)**	**16,976**	**-**	**60,477**	**46,309**	**46,000**	**46,000**

Appendix C - Treasury Management Strategy Prudential Indicators Outturn 2021/22

The Prudential Code for Capital Finance in Local Authorities supplies 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 following professional good practice.

In taking decisions in relation to (a) and (c) above, the local authority is accountable by supplying 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 worked 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 2021/22 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	**2021/22 Indicator £m**	**2021/22 Actual £m**
Capital Expenditure	133.4	70.8
Invest to Save	13.5	8.5
Total	**146.9**	**79.3**

The actual capital programme expenditure outturn is £79.3m which is lower than the MTFS indicator due to a number of projects across all directorates either being reprofiled to reflect the spending more accurately over future years or removed as part of an enhanced scrutiny process linked to achieving more savings in 2021/22 as well as future years. This process was carried out alongside the development of the 2022/23 MTFS to aid the future financial sustainability of the Council.

Invest to Save projects have been reduced over the next few years due to no planned expenditure. However, this does not affect 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.

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 at once been paid for will increase the CFR.

Capital Financing Requirement	**2021/22 Indicator £m**	**2021/22 Actual £m**
CFR b/fwd.	622.0	598.8
Underlying Need to Borrow	46.7	6.8
Underlying Need to Borrow - Invest to Save	13.5	8.5
Total CFR C/fwd.	**682.2**	**614.1**

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 14.4% is reflected in the explanatory text for capital financing as contained in the Appendix A.

Ratio of net financing costs to net revenue stream	**2021/22 Indicator**	**2021/22 Actual**
Total Ratio	15.2%	14.4%

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 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 (2020/21) plus the estimates of any other capital financing requirement for the current (2021/22) and next two financial years. This means that the Council is not borrowing to support revenue expenditure.

Proportion of Gross Debt to the CFR	**2021/22 Indicator £m**	**2021/22 Actual £m**
CFR	682.2	614.1
Gross Debt (inc PFI & Leases)	**619.4**	**495.6**
% Of Gross Debt to CFR	90.8%	80.7%

This indicator shows that the Council kept 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. However, as it is forecast that interest rates are to rise from the historic lows, this strategy is to be reviewed and an updated approach considered in line with the Improvement Plan and the achievement of financial sustainability within a Medium Term Financial Strategy.

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 supplies flexibility for the Council to take advantage of favourable interest rates in advance of the timing of the actual capital expenditure.

Operational Boundary	**2021/22 Indicator £m**	**2021/22 Actual £m**
Borrowing	702.2	447.6
Other Liabilities (PFI & Leases)	48.0	48.0
Total Operational Boundary	**750.2**	**495.6**

6. **Indicator 6: The Authorised Limit**
The Authorised Limit is the largest 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 best 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	**2021/22 Indicator £m**	**2021/22 Actual £m**
Borrowing	780.2	447.6
Other Liabilities (PFI & Leases)	48.0	48.0
Total Authorised Limit	**828.2**	**495.6**

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 year. The actual position is lower than the indicator as the Council does not currently predict borrowing in advance of need due to the other cost of holding the funds until needed.

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 most of the 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 most of the borrowing was at fixed rates to supply budget certainty.

Upper limit for fixed rate exposure	**2021/22 Indicator £m**	**2021/22 Actual £m**
Upper Limit	744.4	447.6
% 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.

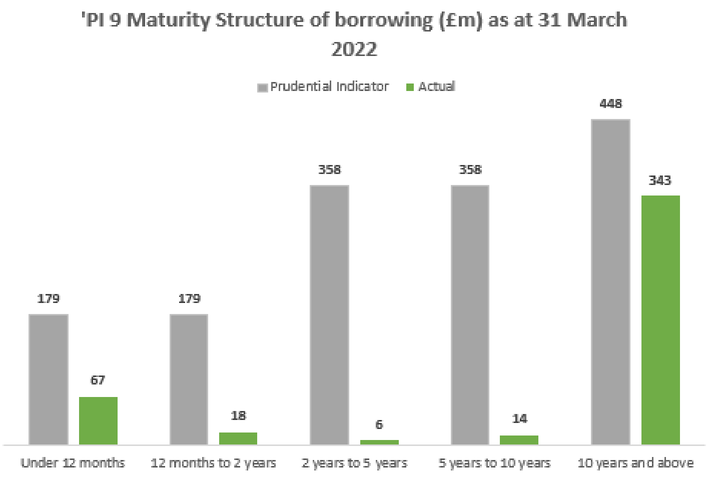
Upper limit for variable rate exposure	**2021/22 Indicator £m**	**2021/22 Actual £m**
Upper Limit	186.1	0.0
% Of variable interest rate exposure	25%	0%

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 supplies budget certainty for the Council.

9. **Indicator 9: Maturity structure of borrowing**

The prudential limits have been set about the maturity structure of the Council's borrowing and reflected the beneficial long-term rates that were expected to be available over the next few years. The borrowing that the Council has taken is £447.6m (shown in the indicator below).

Period	**Upper Limit Indicator**	**Actual Borrowing £m**	
Under 12 months*	40%	19%	84.6
1 – 2 years	40%	4%	18.0
2 – 5 years	80%	1%	6.0
5 – 10 years	80%	3%	13.5
Over 10 years	100%	73%	325.5
	Total Borrowing		**447.6**



** 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.*

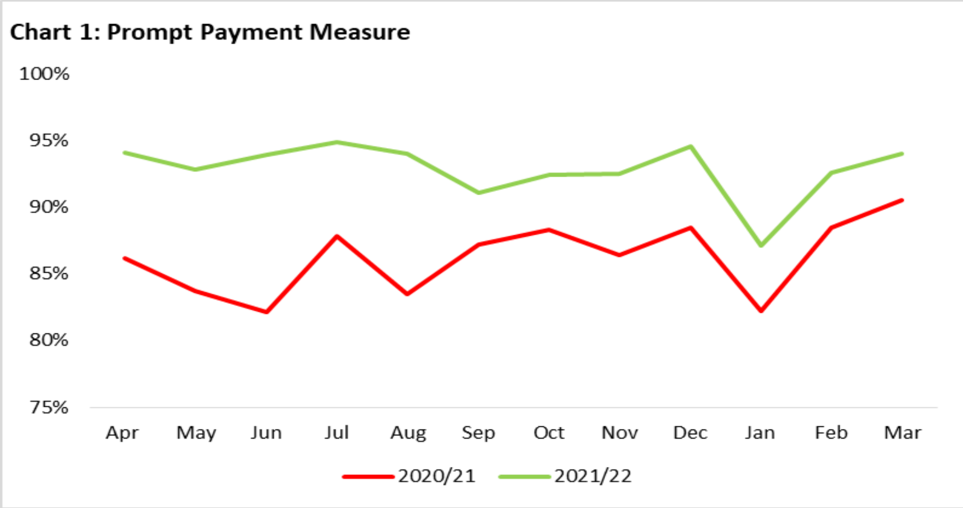
10. **Indicator 10: Total Investments for periods longer than 364 days**

Authorities can invest for longer than 364 days; this can be helpful 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 keep 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 lengthy periods.

	2021/22 Indicator £m	**2021/22 Actual £m**
Principal sums invested >364 days	10.0	0.00

Appendix D –Debt and Payment Performance Monitoring



1.1. The outturn for prompt payment of invoices based on all payments made (using invoice date) showed that 92.9% were paid within 30 days in 2021/22. This is an increase of 6.7% compared with in 2020/21. This increase was due (in part) to the large number of covid related payments that were made as a priority. During 2021/22, the Accounts Payable team continued to process significant volumes of Covid related support payments covering Test and Trace, Business Rates (ARG, restart and OHLG grants), as well as Adult Social Care related payments for care homes (infection control, workforce retention, omicron and vaccine/rapid testing related). The performance for 2021/22 is shown alongside the equivalent performance for 2020/21 in Chart 1.

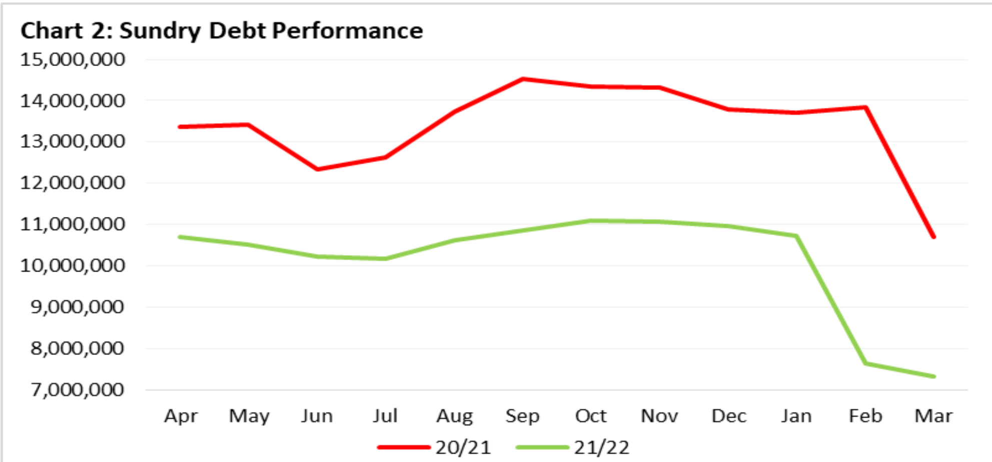
1.2. During 2021/22 new reports have been developed to highlight the number of payments which are outside of the council's 'no PO, no pay' governance policy and to further drive financial compliance. This is alongside further system workflow changes/improvements. An automation project is in progress so that energy related payments can be made to those in Council Tax bands A-D in May 22 (as per the Chancellor's budget), and discussions have started around how payments to people supporting Ukrainian refugees can be urgently processed. The Accounts Payable team continue to work closely with all key stakeholders to ensure suppliers are paid quickly.

1.3. In 2021/22 a total of 83,858 payments were made (an increase of 8,550 from 2020/21,) of which 80,861 were paid within 30 days

1.4. The total value of payments made in 2021/22 was £372.6m (up by £58.7m). Of these:

- £372.2m (99.9%) was paid out electronically to suppliers via either BACS or CHAPS
- £0.4m (0.1%) was paid by cheque (292 cheques), 24 more than in 2020/21

2. Sundry Debt Performance



2.1. The total outstanding sundry debt on 31 March 2022 was £20.6m, which is a reduction of £1.2m in comparison to the previous year (£21.8m at 31 March 2021). As part of this total,

£7.3m accounted for debt aged over 6 months old and this is set out in Chart 2 alongside the comparative figures for 2020/21.

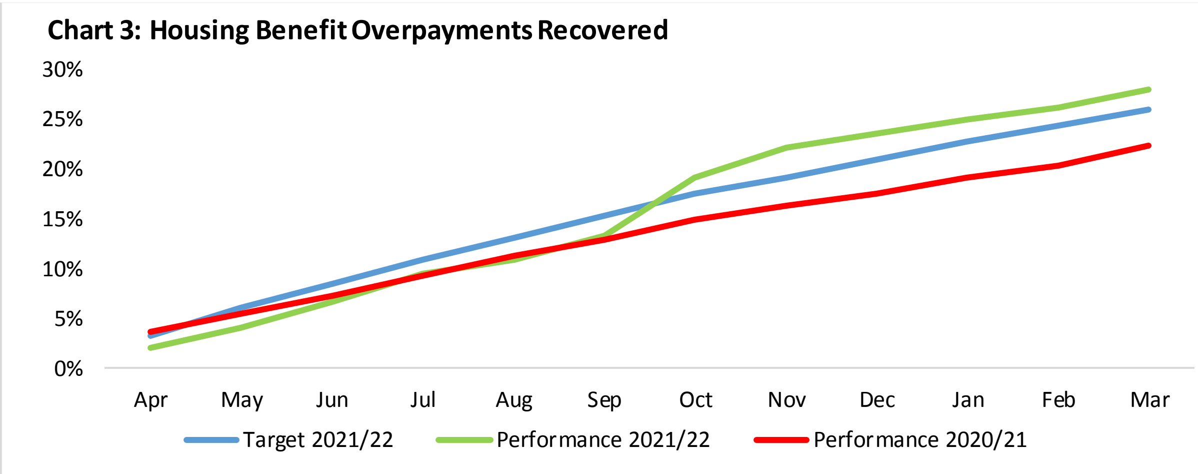
2.2. The £7.3m debt over 6 months old is down by £3.4m from last year. Of this balance, £4.6m (63%) relates to debt outstanding from NHS organisations and the Clinical Commissioning Group (CCG). It should be noted that £1.1m of NHS/CCG payments are unallocated and have not been included within the figure quoted due to the poor quality of information on remittances that the CCG submit and ongoing disputes. PCC finance/ AR team are working with the CCG to resolve this.

2.3. During 2021/22 a new (overarching) sundry debt policy document has been agreed and published on InSite. Alongside this, new "real time" reports for budget managers are continually being developed. These will give better visibility over specific debts and the recovery stage that an individual debt is at. Additional controls at the billing stage to improve accuracy for invoices and ensure evidence is strong to support latter stage recovery action continues.

2.4. In 2021/22 invoices totalling £62.0m were raised, with a total of £63.5m being collected against the total outstanding debt (across all years). Serco have been carrying out two projects to recover aged debts, and during 2021/22 a total of £29k has been collected.

3. Housing Benefit Overpayments

3.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2021/22 and the 2020/21 performance.



3.2. Housing benefit overpayment collection as at the 31 March 22 was 28.05%, which is above the target of 26.0% and 5.66% higher than the figure for March 2021 (22.39%). The amount of debt carried forward from 2020/21 was c£5.5m and the amount of newly identified debt in 2021/22 was c£1.6m, which remains significantly lower than historical levels. As a result, the age profile of the debt continues to get older.

3.3. The value of debt collected as a percentage of new debt raised continues to remain above 100% (at 120% in 2021/22), meaning the amount of overall debt continues to reduce.

3.4. Overall overpayments remain low for a number of reasons, including:

3.4.1. Universal credit migration continues to reduce the caseload of Housing Benefit claims. The reduction in claim numbers ultimately leads to a reduction in identification of new debt, and this is of overall benefit to the Council, but this does mean the achievement of the KPI becomes increasingly difficult due to the way it is measured.

3.4.2. Benefits processing remains significantly more up to date than it has been historically, leading to fewer overpayments caused by delays in processing.

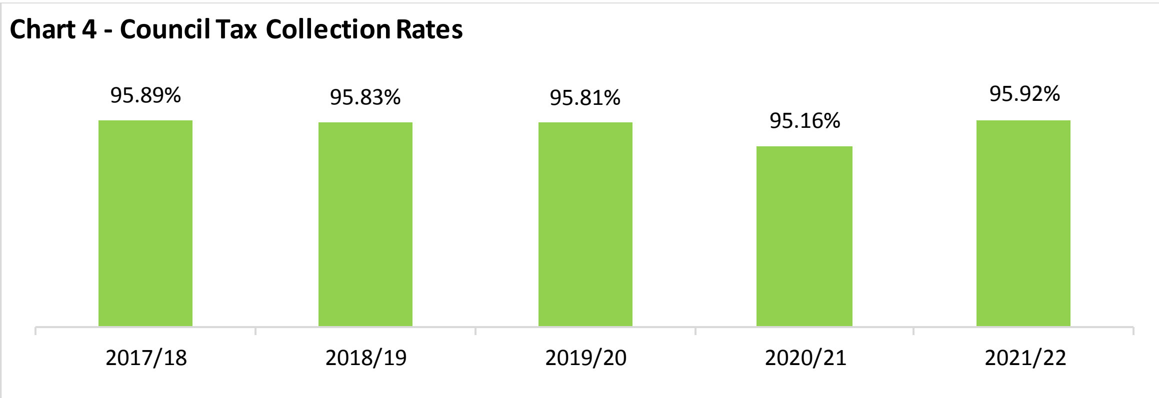
3.4.3. Increased data matching of earnings and other changes with DWP and HMRC has led to claims being more promptly updated when changes occur.

3.5. 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. The carried forward debt in to 2022/23 has reduced to c£5m.

4. Council Tax and Non-Domestic Rates Collection

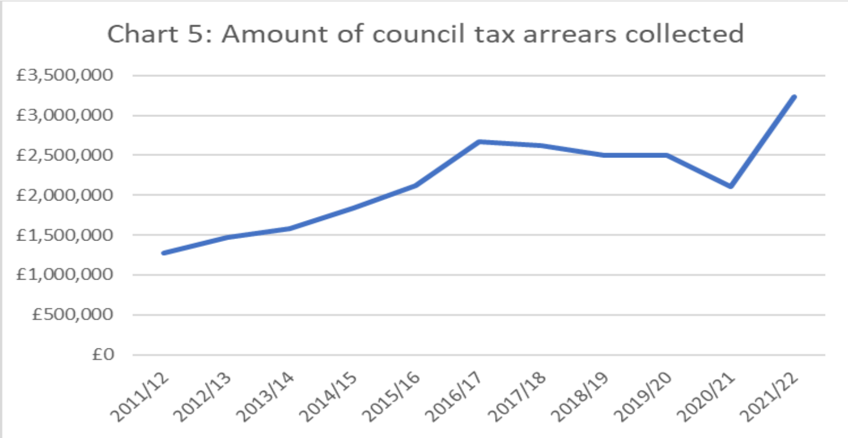
Council Tax

4.1. Chart 4 shows the performance in respect of Council Tax collection over the last 5 years, which outlines a very steady trend. Although the in-year collection rate for 2020/21 reduced by 0.65% in comparison to 2019/20, this position is much improved for 2021/22, exceeding the target of 95.8% by 0.12%.

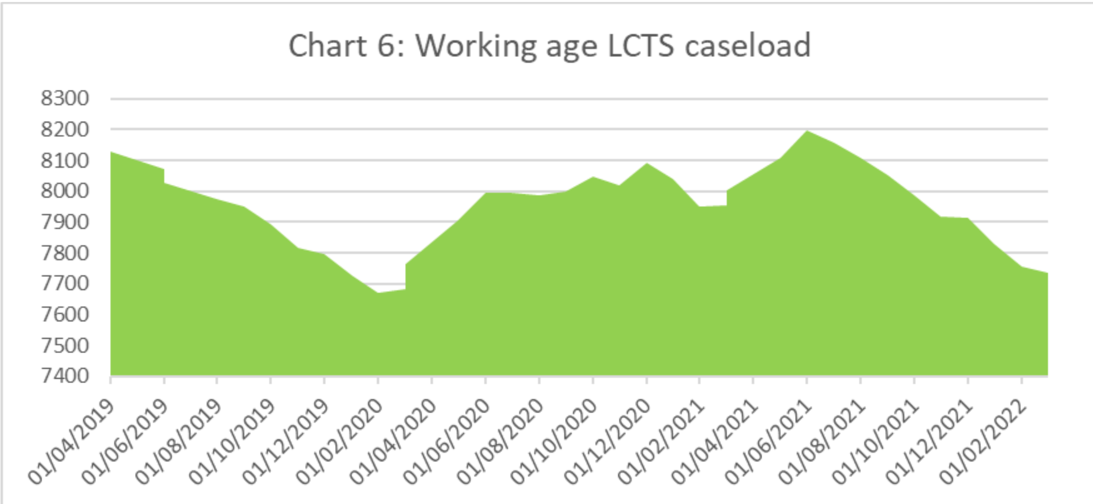


4.2. Following the delays in recovery in 2020/21 due to the impacts of covid-19, normal recovery resumed in 2021/22. The service took the opportunity to review recovery processes during this time and as a result has streamlined some of the latter stage recovery action. Despite the impacts of covid on the economy, collection rates have actually increased from pre-covid levels.

4.3. Prior years (arrears) debt collection also showed significant improvements, with collection of 17.82% against a target of 14.31%, with over £3m of arrears collected.

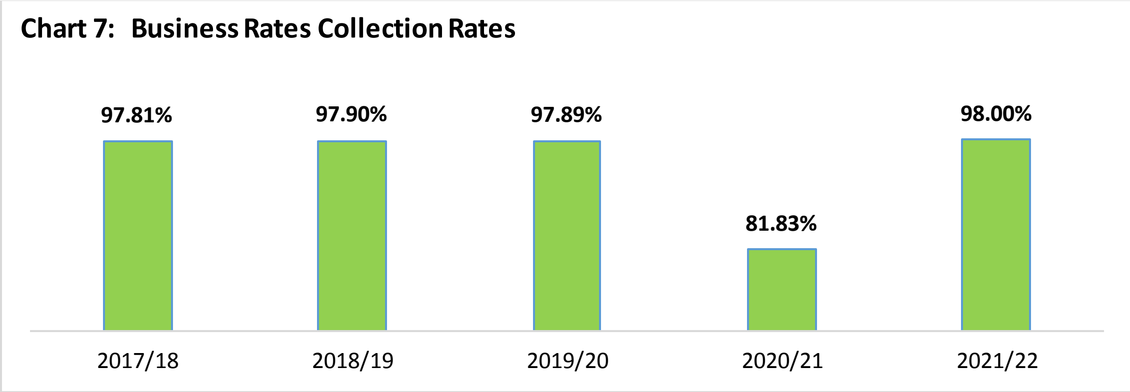


4.4. The previous year saw a steady rise in the working age Local council Tax Support (LCTS) caseload. At the start of the pandemic, the increase was sharp in line with the rise in unemployment, lockdown and the introduction of furlough. During 2021/22 the caseload started to reduce and is now only just above pre-pandemic levels. Chart 6 outlines the trend throughout the last three years.



Non-Domestic Rates

4.5. Chart 7 shows the performance for the collection of Non-Domestic Rates (NNDR) over the last 5 years. This usually remains steady at around 97.85%, however Covid-19 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 equated to £11.5m of uncollected NNDR income). For 2021/22, collection of NDR income rebounded significantly, exceeding the target of 97.8% by 0.2% with an overall collection of 98.0%, achieving the best collection rate in over 10 years.



4.6. Non-Domestic Rates recovery action was put on hold during the early part of the pandemic and the resulting financial situation many businesses faced. This significantly contributed to the collection rate of 81.83% in 2020/21. However, once recovery restarted in February 2021 with soft reminders and targeted calls and due to the challenges of debt collection last year, a more robust approach was taken to recover the 2020/21 arrears that were owed. This approach has had positive results with 2020/21 debt reducing by 83%, from £11.5m down to £1.9m, and reducing the number of businesses in debt in this period from 1,068 down to 274.

4.7. Business Rates relief for Retail, Hospitality and Leisure continued in 2021/22, with an initial 3-month period of 100% relief, following by 9 months of 66% relief. In addition to this, a new relief for those not covered by the above Retail scheme was available from February 2022 – called the Covid Additional Relief Fund (CARF).

4.8. Temporary staff continued to be employed throughout 2021/22 to help maximise recovery as well as additional permanent staff being recruited into the service. Additional staffing resource will continue in 2022/23 to allow additional ongoing recovery action for the remaining prior year arrears.

5. Covid-19 Grant Administration

Business Rate Relief and Grants

5.1. Following the award of £90m of grants and reliefs to businesses in 2020/21 further schemes were announced in 2021/22 to provide additional support to those continuing to be affected by the impacts of covid-19.

5.2. The various grants schemes and reliefs awarded to businesses throughout 2021/22, include:

- **5.2.1.** **Lockdown Grants:** A further £2.2m was paid in grants for applications relating to the November 2020 to March 2021 lockdown period.
- **5.2.2.** **Restart Grant:** £7.2m administered from April - July 2021 and awarded under 2 different schemes and supporting 927 local businesses.
- **5.2.3.** **Additional Restrictions Grants:** this is a continuation of the scheme that started in December 2020. Prompt allocation of funding in April – June 2021 resulted in the council being awarded a further £1.4m of support in July 2021. This was followed by an additional £0.3m in December due to the impacts of Omicron. In total, a further £5m in support was provided under this scheme in 2021/22, bringing ARG funding to £7.6m.
- 5.2.4. **Omicron Grant** – support for the Hospitality and Leisure sector, resulting in 286 awards totalling £1m.
- **5.2.5.** **Extended Rate Relief and Nursery Discount**: a further £16.6m of relief was awarded under the amended schemes for 2021/22.

5.2.6. **Covid Additional Relief Fund (CARF):** £0.9m of relief was awarded to those businesses not eligible under the Retail Relief and Nursery schemes.

This brings the total level of grants and rate relief to £33m for the year and total covid-19 related funding since March 2020 to over £123m.

5.3. The Council is continuing to administer relief schemes in 2022/23. The Retail Relief scheme continues in 2022/23 at a lower rate of 50% and there remains £4.8m of CARF to distribute to eligible businesses.

Test and Trace Self Isolation payments

5.4. In addition to business grants and reliefs the team administered the government Test and Trace isolation payments. The scheme opened in September 2020 and closed for new isolation cases in February 2022. In total 13,391 claims have been made, resulting in 6,845 payments and £3.4m being awarded to individuals to assist them to self-isolate.