

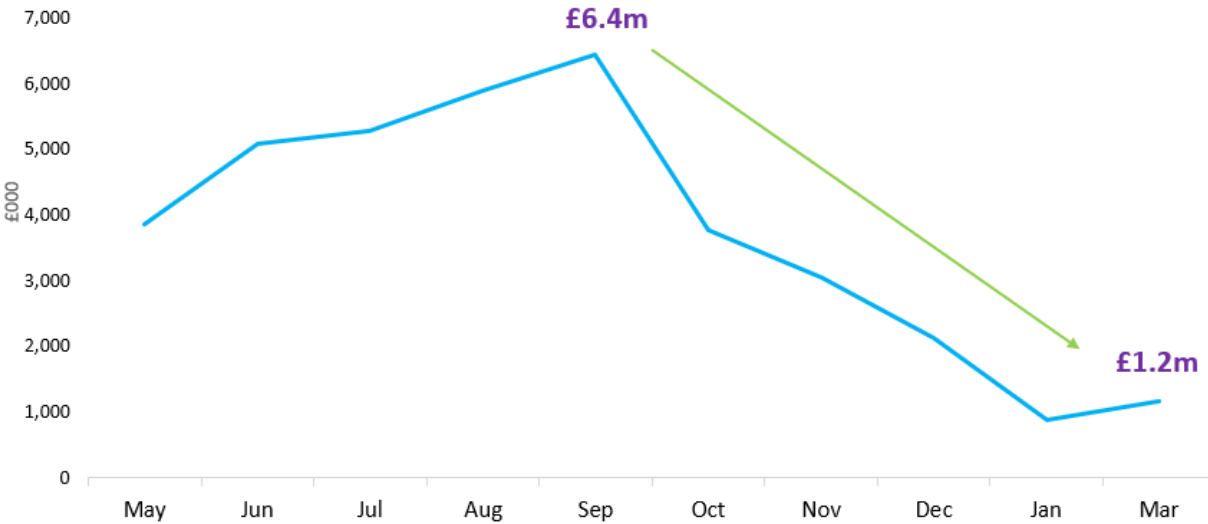
CABINET	AGENDA ITEM No. 10
17 JUNE 2024	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and S151 Officer
Cabinet Member(s) responsible:	Councillor Iqbal, Deputy Leader and Cabinet Member for Finance and Corporate Governance
Contact Officer(s):	Emma Riding, Service Director- Financial Management & Deputy s151 Officer

BUDGETARY CONTROL REPORT- FINAL OUTTURN 2023/24

RECOMMENDATIONS	
FROM: Executive Director of Corporate Services and S151 Officer	Deadline date: N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The final 2023/24 revenue outturn position as a £1.2m overspend on the Council’s revenue budget (subject to finalisation of the statutory statement of accounts). 2. The reserves position outlined in section 4.5.2. 3. The MTFS Q4 update outlined in Appendix B. 4. The 2023/24 Capital Programme outturn position of £113m outlined in section 4.6, with the details of schemes outlined in Appendix C. 5. Performance against the Prudential Indicators as outlined in Appendix D. 6. Performance on payment of creditors, debt collection performance, local taxation and benefit overpayments as outlined in Appendix E. 	

1.	ORIGIN OF REPORT
1.1	This report is sent to Cabinet for information only, the outturn position will be reported to Audit Committee on 22 July 2024.
2.	PURPOSE AND REASON FOR REPORT
2.1	The report provides Cabinet with the 2023/24 outturn position for both the revenue budget and capital programme, as well as performance information on the payment of creditors and the collection performance for debtors and local taxation. The final position is subject to any changes that may be needed as part of the finalisation of the Statement of Accounts and subsequent external audit.
2.2	The report is for Cabinet to consider under its terms of reference 3.2.7 to handle the Council’s overall budget and decide action to ensure that the overall budget still is within the cash limit.

3.	TIMESCALES																						
	<table border="1" data-bbox="240 235 1382 309"> <tr> <td data-bbox="240 235 716 309">Is this a Major Policy Item/Statutory Plan?</td> <td data-bbox="716 235 908 309">NO</td> <td data-bbox="908 235 1209 309">If yes, date for Cabinet meeting</td> <td data-bbox="1209 235 1382 309">N/A</td> </tr> </table>	Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A																		
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4.	BACKGROUND																						
4.1	<p data-bbox="240 454 517 483">EXECUTIVE SUMMARY</p> <p data-bbox="240 524 499 553">Overview of the year</p> <p data-bbox="240 593 1546 875">At the end of the year the final outturn position for 2023/24 is £1.2m overspend, a slightly worse position in comparison to the £0.9m position reported in January. This change is largely attributable to a spike in interest rates, increasing the cost of borrowing. Despite this, over the course of the year there has been an improvement in financial position across most Council services, as demonstrated in the graph below and has been the result of significant organisational emphasis being placed on reducing the overspend as far as possible by year-end to protect our reserves balances. This has included reviewing the use of agency staff, only undertaking essential spending, driving up the level of income delivered via our sales fees and charges, properties or treasury investments, or looking at opportunities for us to work differently and more efficiently.</p> <p data-bbox="277 918 772 947">Forecast Outturn Monthly Trend- 2023-24</p>  <table border="1" data-bbox="240 981 1453 1503"> <caption>Forecast Outturn Monthly Trend- 2023-24</caption> <thead> <tr> <th>Month</th> <th>Outturn (£000)</th> </tr> </thead> <tbody> <tr><td>May</td><td>3,800</td></tr> <tr><td>Jun</td><td>5,000</td></tr> <tr><td>Jul</td><td>5,200</td></tr> <tr><td>Aug</td><td>6,000</td></tr> <tr><td>Sep</td><td>6,400</td></tr> <tr><td>Oct</td><td>3,800</td></tr> <tr><td>Nov</td><td>3,000</td></tr> <tr><td>Dec</td><td>2,000</td></tr> <tr><td>Jan</td><td>1,200</td></tr> <tr><td>Mar</td><td>1,200</td></tr> </tbody> </table> <p data-bbox="240 1579 1546 1682">The Council’s Capital Programme for 2023/24 totalled £157.7m. The outturn position outlines that spend reached 72% (£112.8m) of the total programme. This spend reflects the progress of key schemes such as investment in the University, investment in Housing and the purchase of Sand Martin House.</p> <p data-bbox="240 1787 788 1816">Key Financial and Operational Achievements</p> <p data-bbox="240 1854 1546 1991">The Council has continued to progress actions which focus on putting financial management at the heart of the organisation, improve performance and outcomes of services and deliver service improvement and transformation which enables the Council to become financially sustainable in the future. Some of the key achievements over the last 12 months include:</p> <ul data-bbox="288 2027 1546 2092" style="list-style-type: none"> ✓ Priority boards linked to the City Priorities and Corporate Strategy are now well embedded and are driving forward transformation and improvement activity (more information in Appendix C). 	Month	Outturn (£000)	May	3,800	Jun	5,000	Jul	5,200	Aug	6,000	Sep	6,400	Oct	3,800	Nov	3,000	Dec	2,000	Jan	1,200	Mar	1,200
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- ✓ Insourcing services from Serco from 1 April 2024, including the TUPE of almost 300 employees.
- ✓ A complete review of Sales, Fees and Charges which will boost annual income levels by over £0.8m by 2025/26.
- ✓ The 2024/25 Budget received unanimous approval with every member in the Council Chamber in support of it.
- ✓ Published MTFs updates in Quarters 1, 2, 3 and 4.
- ✓ The Budget Consultation received 132 responses a c200% increase, with the Budget Simulator receiving 342 responses, at 83% higher than last year.
- ✓ Successful Staff awards ceremony – of which there was almost 400 nominations made.
- ✓ Positive HMRC visit looking at our VAT arrangements without incurring any penalties.
- ✓ 99% of the Savings programme delivered. The Council’s Capital and Invest to Save Board met monthly to track, review and challenge the savings programme to ensure the agreed £14.8m savings plan was being delivered. Although some of the original items in the plan have not been delivered as intended, mitigating actions have been taken to ensure that the overall savings value was ultimately achieved.
- ✓ The final Outturn of £1.2m is markedly improved in comparison to the £6.4m overspend reported earlier in the year.
- ✓ Unit4 FP&A (finance system) successfully implemented and will be used for the May 2024 Budgetary Control Report cycle.
- ✓ The Financial Management Improvement Plan is progressing well. This includes Finance Business Partner training, development of a Budget Manager training programme and guidance (following workshops to understand need) and a review of the financial regulations and management controls.
- ✓ Launched consultation on a new Peterborough Housing Strategy 2024-2029.
- ✓ The Outline Business Case to transform Peterborough Train Station, known as Station Quarter, received approval by government.
- ✓ The Council was shortlisted for a [Local Government Chronicle \(LGC\) award](#) for its School Streets initiative and its Peterborough University partnership.
- ✓ The Early Intervention & Prevention Team were shortlisted for the best council service at the [MJ awards](#).
- ✓ Launch of a vinyl record inspired [investment prospectus](#) to attract new investors to the City.

During the course of the year the Council has continued to work closely with the Independent Improvement and Assurance Panel ([latest report](#)). In December, Full Council agreed to continue the arrangement. The decision was reached in recognition of the improvements made to date, valuable support received, the significant challenges ahead and focus on the council’s finances to achieve financial sustainability.

Challenges

Although the final outturn for 2023/24 is only a modest overspend (below 1% of budget), the Council’s reserves balances have reduced by 36% from £70m to £42m during 2023/24. The current forecast commitments will reduce these further to £27m by the end of 2025/26.

There are a number of pressures evidenced within the 2023/24 outturn, and while these remain unresolved or continue to escalate, they will have a detrimental impact on the Council’s Financial Resilience and ability to set sustainable and balanced budgets in the future. These include:

- Dedicated Schools Grant (DSG) has been overspent by £2.3m, mainly against the high needs block. The Council has seen a rise in demand for more Education Health and Care Plans (EHCP’s), which results in a greater level of spend, increased requirement for support in mainstream schools and more special school places. This is resulting in the Council having to make more placements in out-of-city schools. The number of EHCP plans has risen by almost 40% since 2017. In the last year they have increased from 2,213 in 2022/23 to 2,636 at the end of 2023/24, a 19% increase. It is expected the Council will exhaust all of the DSG carry forward balance in 2024/25, meaning the position on the DSG will be in deficit (like many other

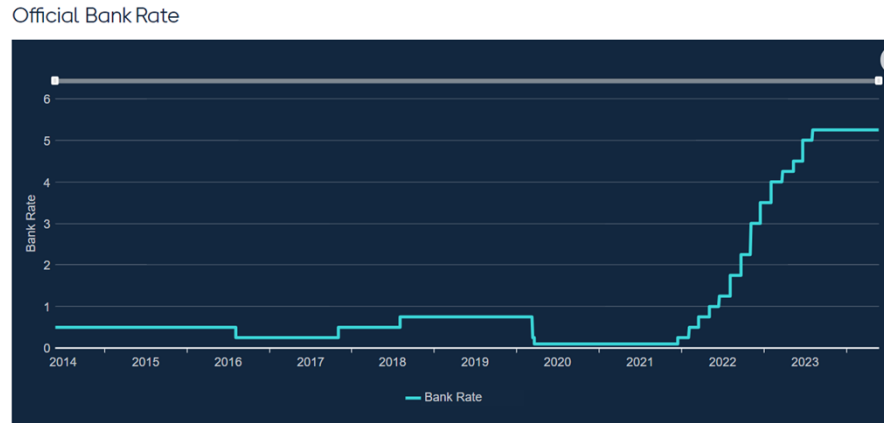
Local Authorities already in this position, 131 out of 151). The Council is looking at how it can best prioritise £11m of SEND capital grant funding to create additional SEND provision, has commenced formal dialogue with the DfE around the High Needs overspend and is starting to develop a DSG management plan (in line with DfE requirements on all Local Authorities).

- Home to School (HTS) transport routes have increased, by almost 20% during 2023/24. At the end of 2022/23 there were 222 contracts with HTS private providers and at the end of 2023/24 there were 266. This is partially because of the rise in EHCP's, but also due to the lack of mainstream provision within the city. There is a project in train under the Children's Transformation Board to review options and this will be supported by enhanced data from the newly implemented transport system.
- During the development of the 2023/24 budget, it was assumed there would be c380 children in care (otherwise known as Looked after Children (LAC)), but over the 18-month period this has risen sharply to 431 in April 2024. This has been affected by the increased referrals through the front door and post-covid complexity of caseloads. With the costs are affected by placement availability, it also means a heavier reliance on more costly agency residential placements.
- Peterborough children's services were rated as inadequate by Ofsted when inspectors visited in November ([Ofsted Report](#)). Implementation of the Ofsted action plan is a key priority for the Council, however this will require considerable unbudgeted investment. During 2024/25 its expected that this will be funded from reserves and then built into the budget as part of the 2025/26 budget development. This will widen the current MTFS gap.
- During the year there has been a sharp rise in Adult Social Care placements, particularly the under 65 client group receiving Community Care. Work is progressing as part of the Prevention, Independence, and Resilience board to put measures in place to mitigate this pressure. These measures are being delivered in three primary routes. The first is the Integrated Neighbourhoods programme of work. We want our people to live healthy, resilient and independent lives, with simple access to support and care when needed, as close to home as possible. We will organise care with, and for, the people living in our communities so that they experience the health and wellbeing outcomes that matter to them. The second is supporting people with learning disability and or mental health diagnosis into employment, developing a robust transition programme to support people move seamlessly between children's and adult social care. The third element is a digital and automation programme facilitating technology enabled care to support people to remain in their own homes for as long as possible. The table below summarises the increase in demand from the beginning of the financial year, across the key client group and care type:

ASC Packages	Apr-23	Mar-24	Increase
Residential and Nursing Care- Under 65	93	96	3%
Residential and Nursing Care- Over 65	426	429	1%
Community Care- Under 65	801	886	11%
Community Care- Over 65	861	856	-1%
	2181	2267	4%

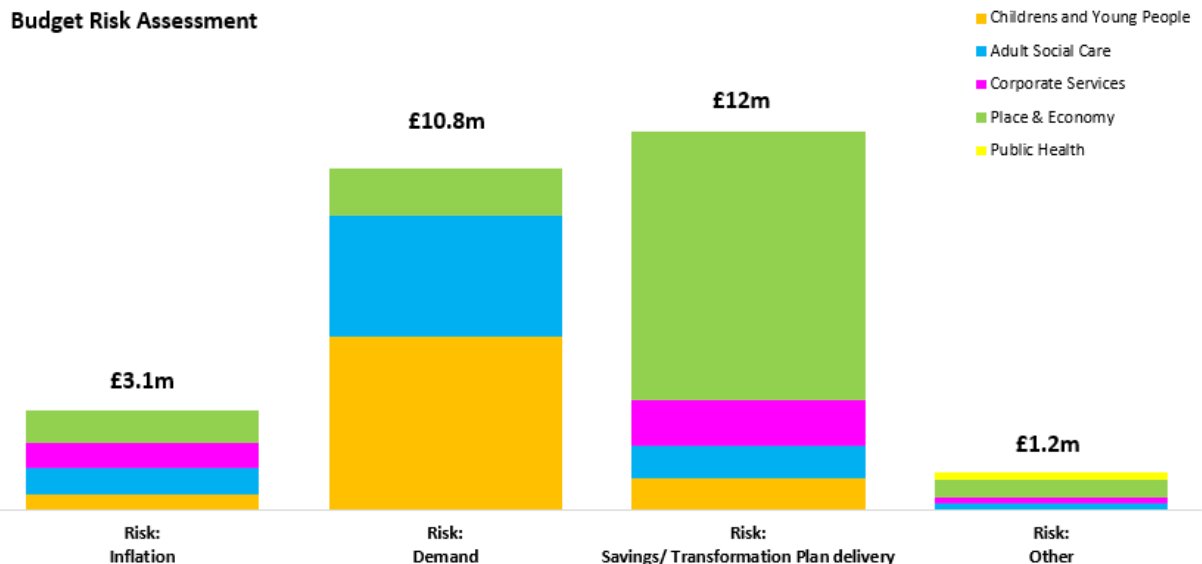
- The number of households presenting as homeless has increased by 20% in the last 12 months and new demand is outstripping current supply, leading to increased reliance on Bed & Breakfast (B&B) and temporary accommodation. Although the housing needs team work hard to find temporary or permanent accommodation, there has been an average of 79 households in B&B throughout the year (no families are in B&B for over 6 weeks). This is in excess of the budgeted provision for B&B and it will continue to put strain on the budget in 2024/25. A plan to manage this is being progressed which includes purchasing housing for temporary accommodation, working closely with Registered Providers in Peterborough, improving our approach to prevention and reviewing our landlord schemes. The Local Housing Allowance (LHA) rates were also increased for 2024/25, after 4 years of being frozen, which should provide some support to households.

- Higher interest rates have had an adverse impact on the outturn position, with cost of borrowing exceeding the budget. Rates have held at 5.25% since August 2023 and it's expected that the Bank of England will make its first cut to the base rate in August 2024. This will continue to present a risk during 2024/25. The financial position will rely on capital receipts being generated from asset sales in line with forecasts and effective treasury management activity to maximise the Council's cashflow.



Source: Bank of England

A balanced budget for 2024/25 has been approved, however many of these challenges will continue and put further strain on budgets in future years. It was noted within the robustness statement that **'the CFO has formed the over-arching conclusion that the budget estimates contain a moderate degree of risk'**. An assessment of the budget for 2024/25 has taken place, which identifies that over 10% of the budget presents a financial risk (across low, medium, high levels). The following chart summarises the risk across directorates and categories:



Unsurprisingly a huge proportion of the risk is related to demand within Adults, Children's and Housing services, which is as set out above.

There are also further pressures. For example, the expected increase in the cost of providing Public Health and ICT services as a result of de-coupling these from the joint arrangements with Cambridgeshire County Council. Where these proposals will ensure that there is a greater focus and prioritisation on services for Peterborough Residents, some economies of scale from these joint arrangements will be foregone.

In addition, a number of savings are proving more difficult to deliver, such as the efficiencies expected from the Peterborough Limited contract, procurement savings and the Housing Related Support contract review. Delivery of the savings programme will continue to be tracked on a monthly basis via the Capital and Invest

to save board, where officers will review, challenge and provide support to ensure plans are delivered either as intended or via mitigating/alternative plans. This has been successful to date.

All of these issues are being closely monitored and discussions around plans to manage this risk will take place as part of the Budgetary Control Process during 2024/25. In June specific budget review sessions have been set up with the Chief Executive, the Section 151 officer and individual Executive Directors (supported the finance) to gain assurance from these plans and the overall financial position.

Looking forward

The Medium-Term Financial Strategy has now been updated to set out the position for the next three financial years. This sets out forecast budget gaps of £3.2m in 2025/26, £6.9m in 2026/27 and £9.7m in 2027/28. As noted above, despite the financial improvement and achievements over the past 2 years, the Council like many others, is still facing challenges. This means significant national change is needed to reduce the levels of demand for key services, or additional funding by government to recognise this.

Appendix C sets out the risks, the core assumptions and the key reporting dates for the Budget Setting and MTFS process over the coming year.

4.5	FINAL REVENUE OUTTURN 2023/24																																																				
4.5.1	<p>2023/24 Budget</p> <p>The approved 2023/24 Revenue Budget totalled £202.6m. Table 1 outlines changes to the budget throughout the year, providing a revised budget of £203.1m:</p> <p>Table 1: Revised Budget Position 2023/24</p> <table border="1"> <thead> <tr> <th>Approved Budget 2023/24</th> <th>202,634</th> </tr> </thead> <tbody> <tr> <td>Departmental and Grant Funded Reserves</td> <td>1,578</td> </tr> <tr> <td>Transformation Reserve</td> <td>7,445</td> </tr> <tr> <td>Risk related and other reserves</td> <td>11,123</td> </tr> <tr> <td>Public Health</td> <td>501</td> </tr> <tr> <td>Adult Social Care Grants- being moved from funding into the directorate budgets.</td> <td>(22,674)</td> </tr> <tr> <td>Dedicated Schools Grant (DSG) surplus drawdown</td> <td>2,362</td> </tr> <tr> <td>Other (Parish's and Insurance)</td> <td>160</td> </tr> <tr> <th>Revised Budget 2023/24</th> <th>203,129</th> </tr> </tbody> </table>	Approved Budget 2023/24	202,634	Departmental and Grant Funded Reserves	1,578	Transformation Reserve	7,445	Risk related and other reserves	11,123	Public Health	501	Adult Social Care Grants- being moved from funding into the directorate budgets.	(22,674)	Dedicated Schools Grant (DSG) surplus drawdown	2,362	Other (Parish's and Insurance)	160	Revised Budget 2023/24	203,129																																		
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4.5.2	<p>Revenue Outturn 2023/24</p> <p>The £1.2m overspend revenue outturn position is summarised by subjective (type of expenditure) in table 2 and by directorate in table 3.</p> <p>Table 2: Revenue outturn 2023/24 - Subjective Analysis</p> <table border="1"> <thead> <tr> <th>Subjective</th> <th>Budget £000</th> <th>Actual £000</th> <th>Variance £000</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td>78,050</td> <td>81,404</td> <td>3,354</td> </tr> <tr> <td>Premises</td> <td>19,852</td> <td>18,924</td> <td>(928)</td> </tr> <tr> <td>Transport</td> <td>7,461</td> <td>8,953</td> <td>1,492</td> </tr> <tr> <td>Supplies and Services</td> <td>115,247</td> <td>131,864</td> <td>16,617</td> </tr> <tr> <td>Third Party Payments</td> <td>59,566</td> <td>52,649</td> <td>(6,917)</td> </tr> <tr> <td>Transfer Payments</td> <td>71,360</td> <td>83,328</td> <td>11,967</td> </tr> <tr> <td>Income</td> <td>(187,514)</td> <td>(213,703)</td> <td>(26,189)</td> </tr> <tr> <td>Financing Capital Expenditure</td> <td>36,745</td> <td>39,096</td> <td>2,351</td> </tr> <tr> <td>Dedicated Schools Grant (DSG)</td> <td>2,362</td> <td>2,362</td> <td>0</td> </tr> <tr> <td>Total</td> <td>203,129</td> <td>204,877</td> <td>1,748</td> </tr> <tr> <td>Financing</td> <td>(203,129)</td> <td>(203,709)</td> <td>(580)</td> </tr> <tr> <td>Net</td> <td>(0)</td> <td>1,168</td> <td>1,168</td> </tr> </tbody> </table> <p>Key variances:</p> <ul style="list-style-type: none"> • Employees: There is a favourable variance of £2.5m with most directorates underspending due to a number of restructures and vacancies across the organisation. However the final position appears overspent due to the consolidation of £5.8m City college employee costs. • Premises: largely relates to a reduction in utility costs as a result of PFI school arrangements. There is a corresponding reduction in income which offsets this variance. • Transport: mainly relates to home to school transport mainly due to increase in demand. • Supplies and Services: pressure spread across all directorates with the main areas including housing temporary accommodation costs, City College supplies & costs and Adult Social Care, independent sector providers (care). 	Subjective	Budget £000	Actual £000	Variance £000	Employees	78,050	81,404	3,354	Premises	19,852	18,924	(928)	Transport	7,461	8,953	1,492	Supplies and Services	115,247	131,864	16,617	Third Party Payments	59,566	52,649	(6,917)	Transfer Payments	71,360	83,328	11,967	Income	(187,514)	(213,703)	(26,189)	Financing Capital Expenditure	36,745	39,096	2,351	Dedicated Schools Grant (DSG)	2,362	2,362	0	Total	203,129	204,877	1,748	Financing	(203,129)	(203,709)	(580)	Net	(0)	1,168	1,168
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- **Third Party Payments:** This underspend mainly relates to Adult Social Care due to a change in the planned use of grant and Children Operations from Family Safeguarding contracts, MASH shared service costs and Family Hubs Grant.
- **Transfer Payments:** mainly relates to the pressure reported for Children's Social Care Placements, Direct payments within Adult Social Care as paid 4 weeks in advance and housing (Rent Allowances).
- **Income:** Mainly due to consolidation of City College income, additional grant for refugee support, additional rent subsidy allowance (corresponding to the increase in rent allowances) and additional income generated across a number of services.
- **DSG:** expenditure on the high needs block exceeding the current year grant allocation, which has been met via a reduction in the carried forward DSG balance.

The year end consolidation of City College into the Council's accounts has created some variances across the subjective analysis, particularly on the staffing and income lines, however, this has a neutral effect on the bottom line.

Table 3: Revenue outturn 2023/24 - Directorate Analysis

Directorate	Budget £000	Final Outturn	Variance £000	Previous Month Variance £000	Movement £000	Overall Status
Place & Economy	29,573	29,245	(327)	(134)	(193)	Underspend
Children and Young People	49,895	53,542	3,647	3,382	265	Overspend
Adult Social Care	45,668	44,375	(1,292)	(1,025)	(268)	Underspend
Public Health	95	95	0	(0)	0	On Budget
Corporate Services	40,842	40,015	(827)	(691)	(135)	Underspend
Capital Financing	37,056	37,604	548	(345)	893	Overspend
Total Expenditure	203,129	204,877	1,748	1,187	561	Overspend
Financing	(203,129)	(203,709)	(580)	(300)	(280)	Underspend
Net	0	1,168	1,168	887	281	Overspend

The following section summarises the key variances. Appendix A provides a full-service breakdown:

Adult Social Care

Pressures:

There is additional demand (£1.6m) on residential and community-based care packages across most client groups, which has been fully mitigated by the following favourable movements.

Favourable Movements include:

- Staffing costs due to difficulties in recruiting to posts and the shared service arrangements due to end.
- Change in utilisation of grants and slippage on the Improved Better Care Fund.
- Reduced spend on Community equipment and other minor items across the directorate.

Children and Young People

Pressures:

- £4m due to a rise in Children's Social Care placement and change in placement mix caused by a shortage of foster carers and increased use of agency Residential placements. This also includes £2.6m, which is attributable to one high-cost placement.

- £1.4m on home to school and children social care transport due to several factors, including a shortage of SEND Placements within the city, leading to an increase in the number of children placed in and out of the city. The mainstream city provision has equally faced challenges leading to additional transport routes.
- £0.3m in relation to schools' direct revenue financing. This is due to a change in approach, to reduce borrowing costs, in line with the Capital Strategy. This has been reflected in the proposed draft budget for 2024/25 as an ongoing change.
- £0.1m due to the increased cost of the Emergency Duty Team contract.

Favourable:

- £0.8m following a review of Family Safeguarding contracts, where services have not been received.
- £0.5m saving on staffing budgets due to delayed recruitment/vacancies within the Multi Agency Safeguarding Hub (MASH) and Commissioning Team, mainly resulting from the de-coupling of the shared serviced during 2023.
- £0.4m on Children's Operations from successfully mitigating pressures with underspends on employee related budgets including, agency Premium and Social Worker Retention payments.
- £0.3m due to an insurance rebate in relation to the Councils PFI arrangement.
- £0.2m underspend on Inflation for Children's Commissioning Services.

Dedicated Schools Grant (DSG)

Pressures:

- High Needs Block pressure of totalling £2m due to the following:
 - Increased EHCP's funding for Schools, resulting from an increased number of EHCP's and rise in complexity of need.
 - Rise in the use of external education placements, which are made either where a child's needs cannot be met within In-City provision or there is no in-city placement available.
 - Rise in the use of alternative education provision, commissioned for those children unable to attend school due to Medical Needs.
- Early Years Block pressure of £0.3m due to the take up of funded 2,3 and 4 year-old Nursery places, exceeding our funding allocation which is based an annual census.
- Schools Block pressure of £0.3m resulting from increased funding for schools due to increases in pupil admissions above budgeted levels.

Favourable:

- £0.3m underspend on the High Needs Block due to there being less SEND Hub placements in operation, than expected when the budget was approved.

Corporate Services

Pressures:

- £0.3m pressure in Legal Services due to two main factors:
 - External legal costs, have been incurred because of reduced permanent staffing, the increased use of interim appointments and increased workload in the Contracts and Property and Planning areas. The service has just completed a restructure which will result in further posts within the team and will shortly commence a period of recruitment which will reduce reliance going forward on the use of external legal firms to undertake routine legal work.
 - Children's Services legal costs, which has been driven by a rise in the number, complex and urgent cases involving children. These cases often require the use of Counsel and multiple experts, which are not fully funded by the Legal Aid Agency.

Favourable:

- £0.2m as a result of additional income generation within IT and Digital Services.
- £0.1m due to lease reviews of commercial property which has led to an increase in rental income.
- £0.8m within corporate Items, due to the Councils share of an investment pot clawback in relation to a contract for the rollout of Superfast Broadband (SFBB). Take up of SFBB services exceeded the initial modelling and so this rebate is in respect of additional benefit remaining in the joint investment pot following further extension of SFBB coverage. The contract is now in its closedown phase.

Capital Financing

The outturn pressure of £0.6m is primarily a result Bank of England interest rates being higher than predicted when the budget was set, meaning in-year borrowing and associated costs were more than anticipated by £0.3m. The delay in the delivery of income from capital receipts (and increased associated borrowing between Jan and March of just over 6%). Lastly, there were £0.3m of administrator and legal fees in respect of the Hilton Hotel (background Cabinet Report).

These pressures have been partially offset by higher than budgeted investment income due to the continuing proactivity from the Treasury Management team and continued higher than expected returns on investments due to favourable market conditions. In total, capital financing costs is now 18.5% of the net revenue budget, which is relatively high.

As a result of the Fletton Quays Hotel being put into administration, £1.2m accrued interest from the loan to the Fletton Quays hotel development relating to previous years has been written off. Interest due in 2023/24 has also been written off for completeness. This is a real loss to the Council and a direct hit on the Council's reserves.

Place & Economy

Pressures:

- £0.7m due to higher demand and complexity in Housing Needs presentations resulting in the Council having to use Bed and Breakfast accommodation.
- £0.4m pressure mainly due to reduced income in on-street parking fees and pedestrian area trading due to a government enforced flat rate. On-street parking fee increases delay in increasing tariffs.
- £0.2m due to the rising cost of the coroner's service. The service is provided by Cambridgeshire County Council and has seen an Increase in staffing and contract costs.
- £0.3m pressure on planning fees.
- £0.2m reduction in income from the pedestrian area trading, Fixed Penalty Notices and on street parking (due to a delay in the instillation of new tariffs).

Favourable:

- £1.1m due to a backdated NNDR (Business Rates) refund received in relation to a ratable valuation change on the Councils Car Parks (£0.9m) and other small savings across the service (£0.2m)
- £0.4m due to employee vacancies across Planning & Building Control and other small savings across the Growth and Regeneration service.
- £0.2m within Infrastructure & Environment, due to additional New Roads & Street Works Act Income.
- £0.3m of cost savings and additional income generation across the highways and transport service.
- £0.1m employee vacancies across regulatory services.

Public Health

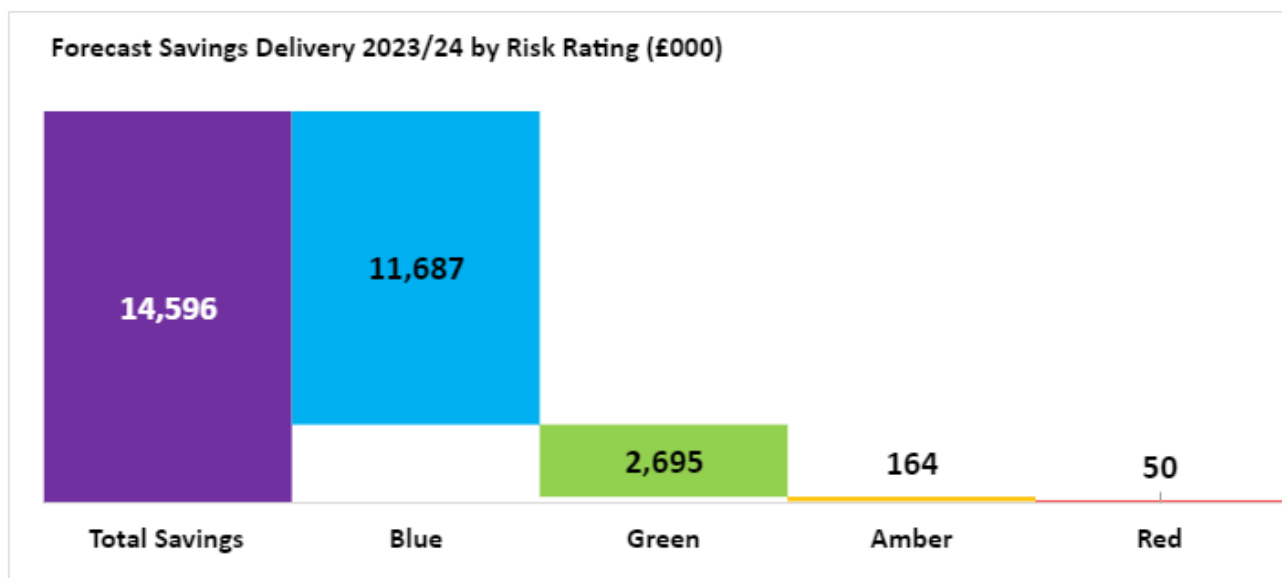
- At the end of the year Public Health Service expenditure was £0.4m less than the grant. In line with the grant conditions this underspend has been transferred to the Public Health ringfenced reserve. This is largely due to the delayed contract start for Child Weight Management and slightly lower demand in 2 prescribed functions services.

4.5.3 Savings Programme

Overall delivery of the savings programme has been successful during 2023/24 with a negligible amount remaining amber/red at the end of the financial year. Any plans which were delivered or partially delivered via alternative solutions will remain under review by the Capital and Invest to Save board during 2024/25, alongside the new savings programme.

The following chart summarises the current RAG status of the 2023/24 Savings Plans as the end of the year:

- 99% are categorised as blue (realised) and green (low risk to achievability in year)
- 1% as amber (moderate risk to achievability in year)
- 0% as red (high risk to achievability in year)



4.5.4 Reserves

Overall, the Council’s reserves balances have reduced by 36% from £70m to £45m during 2023/24, with the forecast commitments taking reserves levels down to £24m by the end of 2025/26. This means the Council has lower financial resilience and reduced ability to fund transformation and respond to potential emergencies.

Table 5 summarises the forecast balances from 2022/23- 2025/26

Table 5: Reserves Position

	Bal at 31.03.23	Bal at 31.03.24	Est Bal at 31.03.25	Est Bal at 31.03.26
	£000	£000	£000	£000
General Fund	9,942	10,342	10,742	11,492
Departmental & Grant Related Reserve	10,300	6,726	2,882	2,329
Innovation Fund Reserve	23,784	14,887	4,386	3,888
Local Taxation Risk Reserve	9,555	4,187	919	-0
Inflation Risk Reserve	11,532	3,797	1,197	1,197
Ring-Fenced Reserves	4,883	4,922	4,307	4,200
TOTAL Earmarked and General Fund Balance	69,996	44,861	24,434	23,106

Key reserves movements are as follows:

General Fund stands at £10.3m, with £0.4m being moved to this reserve in line with the Council reserves strategy.

Tax Income Reserve is being used to mitigate the pressure from the Business Rates, which has arisen due to a change in the pool levy rate (effecting the business rates pool) following the revaluation and fluctuations in the collection fund and NNDR section 31 grant position, as per its intended purpose. During 2024/25 there have been several factors effecting business rates including a rise in empty properties, a reduction in Ratable Value due to a large number of successful appeals against the 2017 list and slower growth than anticipated. This will result in a collection fund deficit needing to be factored into the budget in 2025/26 which will fully utilise this reserve.

Inflation Reserve - The inflation Reserve was created to mitigate the financial risk resulting from the high rates of inflation. At the end of 2022/23 the Council had £11.5m, but in line with intended use, £7.7m of inflationary risks have been identified for the current year including energy costs, energy income (ERF) and the pay award, with £2.6m of risk associated with the energy income identified in 2024/25. This leaves an uncommitted balance of only £1.2m to offset any further pressures.

Innovation Fund – This reserve is held to fund one-off type expenditure, such as service transformation, which will improve the longer-term financial position of the Council as contained in the MTFS. The commitments during 2023/24 cover a range of activity including transformation, phasing the separation of Social Care from their shared services arrangements between Peterborough City Council and Cambridgeshire County Council, the implementation of a refreshed Culture and Leisure service and the start of the local plan development. With the Priority Portfolio boards fully established and looking at transformation of services, requests for investment are being made as per the Councils reserves policy and these are considered for approval at an officer led Capital and Invest to Save Board. The opportunity to replenish this reserve from savings is also considered to ensure there is a constant fund to encourage service transformation, however this is also balanced with the need to deliver a balanced budget. This reserve has also been used to fund the £1.2m overspend outlined within this report.

Departmental & Grant related reserves are usually grant funds which have been received in advance for specific projects covering multiple years. This includes the Dedicated Schools Grant (DSG), which has reduced from £4.5m to £2.1m. During 2024/25, it is expected that this reserve will be fully utilised, and the Council will be in a deficit position on its DSG account.

Ring-Fenced Reserves are held for a specific purpose. These include Insurance, Schools Capital Expenditure, Parish Council Burial Ground, Hackney Carriage and Public Health reserves. The Public Health Reserve is being used for the planned restructure and decoupling from Cambridgeshire County Council as well as additional commitments supporting the health and wellbeing of Peterborough residents.

The [Reserves Strategy Policy 2024-25](#) approved by Council on 21 February sets out more information on the purpose and policy around the Councils reserves.

4.6

CAPITAL PROGRAMME

The Council's Capital Programme for 2023/24 is £157.7m. At the end of the financial year the Council has spent 72% of the total Programme. Tables 6 and 7 summarises the Capital Programme outturn position, with Appendix B providing the performance at directorate and scheme level.

Table 6: Capital Programme

	£m
Capital Programme agreed at Council on 22 Feb 23	82.5
Slippage from 2022/23	14.1
New Schemes- including Sand Martin House Purchase*	61.1
Total Capital Programme	157.7

*As per [report](#) approved at Council on 22 May 2023.

Table 7: Capital Programme Outturn by Directorate

Directorate	Budget £000	Actual Spend £000	% Spent	Variance £000
Corporate Services	8,455	3,924	46%	(4,531)
Corporate Services- SMH	50,396	50,318	100%	(78)
Children and Young People	8,305	2,784	34%	(5,521)
Adult Social Care	5,015	3,063	61%	(1,951)
Public Health	30	30	100%	-
Place & Economy	85,507	52,716	62%	(32,791)
Total	157,708	112,835	72%	(44,873)

The following section provides further information on the key schemes:

Place & Economy

The Growth & Regeneration Capital Programme budget includes £14m in 2023/24 for the University and £4.3m for the Station Quarter projects, supported by Levelling Up Funding (LUF); and £9.8m for the Towns Fund projects for which grant has been secured. These projects remain on track for delivery within the timeframe for overall completion - around £12.7m of the funding for the Station Quarter and Towns Fund are being carried forward to later years, to reflect the spend plans developed through the detailed business cases.

The Housing and Homelessness programmes include external funding for the "Local Authority Housing Fund" schemes and "Single Homelessness Accommodation Programme" scheme. The purchase of 35 homes was completed by March 2024 for the Local Authority Housing Fund scheme, with 5 remaining properties to be completed by May. Around £2.6m of this scheme is being concluded early in the new financial year, including refurbishment works to purchased properties. The Single Homelessness Accommodation Programme will extend into 2024/25 with around £2.6m being re-profiled to 2024/25 to reflect this. £2m set aside in the budget for Eco-homes was deferred for use in 2024/25, along with a further £1m to purchase properties for Temporary Accommodation to reduce the Council's reliance on Bed and Breakfast emergency accommodation.

Peterborough Highway Services projects include major works to Nene Parkway (near Serpentine Green), and various access points around the Eastern industrial area (Oxney Road, Eye Road). These works are funded through grant from CPCA and the scheme outcomes have been achieved at significantly less than the initial budget bid costed by a Quantity Surveyor (by around £5m) following a full target cost exercise. The works are progressing well and are due for completion in Spring 2024. Approximately £2m of this grant budget will be carried forward into the new financial year. The Council will continue to work with CPCA to identify where grant funding can support further priority schemes. The DfT funded Local Transport Plan of Integrated Transport Improvements; Highway Improvements; Pothole Prevention; Street Lighting & Bridge works completed in March 2024. Some grant funding for Active Travel has been re-programmed to 2024/25 due to an extension of the scheme. Additional grant funding of £0.5m in 2023/24 and £0.5m in 2024/25 has been awarded to address potholes and support maintaining the safe condition of the highway network, and this will all be committed for use in 2024/25.

Children's and Young People

The Children's and Young People Capital Programme includes £1m in 2023/24 for the feasibility and planning stages of the building of a new primary school in the Great Haddon area and for the extension of an existing primary school. These projects are in the early stages of feasibility and £1m has been slipped into 2024/25. £0.5m of the High Needs capital allocation is being used to convert the former St George's Hydro Pool into teaching space for children at Heltwate school. £0.4m of this budget will be re-profiled into 2024/25 as work is expected to start on site in April 24. The remaining £8.3m of this grant will be used over the next 3 years to provide additional SEND pupil places. In March 24 the Council received an additional allocation of £1.9m High Needs funding with a further £0.8m to be received in 2024/25. The programme also includes £2.2m of schools' condition grant which is being used to improve the condition of maintained schools and any health and safety works required. £2m of this grant has been slipped into 2024/25 to cover works due to start during the summer holidays.

Adults Social Care

The Adults capital programme includes £3m for Disabled Facilities Grant (DFG) projects which are all fully grant funded and expected to be spent during 2023/24. There is also a £1.1m scheme for the adaptations to a house purchased for Vulnerable people and for the purchase of another property. The £0.8m earmarked for the property purchase has now been moved to Children's Services to meet the complex needs of a looked after child, a property search is underway with forecast spend in early 2024/25.

Corporate Services

The Council acquired Sand Martin House in May 2023, which it previously leased from Legal and General. Although this purchase has increased the Capital programme by £50.4m, the business case outlined a significant financial benefit in the region of £7m over the remaining 20-year lease. So this increase in capital costs is off-set against a reduction in premises costs.

In respect of ICT capital projects, the programme of work for 2023/24 has included the following key projects (along with the current status):

- Improvements for the Council's Unit4 ERP finance system and HR & Payroll system which started in July 2023 and will continue into 2024/25- £0.7m
- Annual refresh of laptops and devices for staff and members- £0.4m
- The Mosaic system (Adult Social Care) is being migrated to Cloud which improves the resilience of the system for service users.
- Secure Web Gateway is being implemented which ensures greater cyber security for the organisation, especially when working out of the office.

Funding

The Council aims to fund the Capital Programme from grants, third-party contributions or capital receipts, with new borrowing only being incurred only when absolutely necessary. Although there has been a requirement to undertake some new borrowing during 2023/24, the Council is pursuing a Disposal programme to generate Capital Receipts.

Capital receipts of £1.9m was achieved during the year. However, within the first two weeks of the 2024/25, four rural sales completed totalling £6.2m. Further projected asset sales planned in 2024/25 total £17.1m, of these £6.7m is currently RAG rated as amber and £10.9m as green. This will be achieved via disposal of the rural estate, locality asset review and surplus commercial assets. The estimates exclude the cost of sale.

Table 8 summarises how the 2023/24 Capital Programme has been funded.

Table 8: Capital Programme Funding

	£m
Grants & Third-Party Contributions	52.3
Capital Receipts	1.9
Invest to Save (Reserve)	0.4
Borrowing	58.2
Total	112.8

Borrowing and Investments

The Council's total borrowing on 31 March 2024 stands at £512.5m (31 March 2023, £457.5m). Table 9 provides a summary of the Council's debt portfolio.

Table 9: Debt Portfolio on 31 March 2024

	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	28,000	16,015	28,505	25,805	314,634	412,959	3.8	23
Local Authority	94,500	-	-	-	-	94,500	5.3	-
Market Loans*	5,000	-	-	-	-	5,000	4.5	30
Total Borrowing	127,500	16,015	28,505	25,805	314,634	512,459	4.1	21
% Of total Borrowing	25%	3%	6%	5%	61%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

* The borrowing for under 12 months includes £5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 30 years' time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every six months.

Loans of £122.5m (excluding LOBOs) are due to mature next financial year. This is primarily because new borrowing, and loans that matured in-year which were replaced with new borrowing, was for short periods. This is the strategy while interest rates remain high. The Treasury Management team will work to secure replacement loans at the most opportune time to reduce the cost of borrowing. The Council will utilise cash balances for internal borrowing where possible to reduce cost. This will be in accordance with the parameters set in the Treasury Management Strategy Statement for security, liquidity and yield. The Treasury Team works closely with our Treasury Management advisors, Link Asset Services, to ensure we invest with prudent and secure limits.

The average interest rate across the debt portfolio stands at 4.1% and the total interest paid in 2023/24 was £16.7m. During 2023/24 the Council generated £1.1m of income from external investments. The

	<p>interest rates received from Money Market Funds throughout the year was higher than expected. Both the cost of borrowing and investment income received have been driven by the higher base rates.</p> <p>Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance in Appendix D.</p>
5.	CORPORATE PRIORITIES
5.1	<p>Monitoring the Councils in year forecast outturn is a key part of the Council's performance and improvement framework and aims to demonstrate how the Council manages its finances and expenditure throughout the year. Therefore, this supports all the Council's priorities, but it is strongly geared towards enabling the Council to deliver on the following priority:</p> <p>Supported by a Sustainable Future City Council - adjust how we work, serve, and enable, informed by strong data and insight capability, and led by a culture of strong leadership.</p>
6.	CONSULTATION
6.1	Detailed reports have been discussed in Departmental Management Teams and with the Corporate Leadership Team.
7.	ANTICIPATED OUTCOMES OR IMPACT
7.1	That the outturn position for 2023/24 is noted.
8.	REASON FOR THE RECOMMENDATION
8.1	This monitoring report forms part of the 2023/24 closure of accounts and decision-making framework, the production of the 2023/24 Statement of Accounts and informs Cabinet of the final position.
9.	ALTERNATIVE OPTIONS CONSIDERED
9.1	None required.
10.	IMPLICATIONS
	Financial Implications
10.1	Not Applicable - Performance report, item for information.
	Legal Implications
10.2	The report is a performance report for information and noting. There are no legal implications in respect of what is proposed in the recommendations of the report.
	Equalities Implications
10.3	Not Applicable - Performance report, item for information.

11.	BACKGROUND DOCUMENTS
11.1	<ul style="list-style-type: none"> • Budget Control Report June 2023 - Quarter 1 (agenda item 10) • Budget Control Report September 2023 - Quarter 2 (agenda item 11) • Budget Control Report December 2023 - Quarter 3 (agenda item 10)
12.	APPENDICES
12.1	<ul style="list-style-type: none"> • APPENDIX A – Directorate Variance Analysis • APPENDIX B – Capital Schemes • APPENDIX C - MTFS Q4 Update & key dates for the 2025/26 Budget and MTFS 2025/26-2027/28 • APPENDIX D - Treasury Management Strategy – Prudential Indicators • APPENDIX E - Performance Monitoring Report Prompt payment of invoices

Appendix A - Departmental Variance Analysis

Budget Group	Budget £000	Final Outturn £000	Variance £000	Overall Status
Director Place & Economy	384	346	(38)	Underspend
Infrastructure & Environment - Highways & Transport	5,607	5,072	(535)	Underspend
Growth & Regeneration - Planning & Building Control	2,241	2,110	(131)	Underspend
Infrastructure & Environment - Environment & Climate Change	11,822	11,971	149	Overspend
Infrastructure & Environment - Westcombe Engineering	135	227	93	Overspend
Housing & Communities - Domestic Abuse Partnership	120	99	(22)	Underspend
Growth & Regeneration - Growth & Economic Development	98	42	(57)	Underspend
Housing & Communities - Stronger Communities	7,610	8,489	879	Overspend
Housing & Communities - Safer Communities	(935)	(1,650)	(716)	Underspend
Infrastructure & Environment - Regulatory Services	2,349	2,390	41	Overspend
Housing & Communities - Emergency Planning	143	151	8	Overspend
Total Place & Economy	29,573	29,245	(327)	Underspend
Adults - Commissioning	34,077	33,728	(349)	Underspend
Adults and Safeguarding	10,113	9,213	(900)	Underspend
Executive Director Adult Social Care	1,099	1,136	37	Overspend
Performance & Strategic Development	170	157	(13)	Underspend
Principal Social Worker	209	142	(68)	Underspend
Total Adult Social Care	45,668	44,375	(1,292)	Underspend
Executive Director of Children's Services	701	933	232	Overspend
Education	6,606	7,731	1,125	Overspend
Children's - Operations	17,220	15,706	(1,514)	Underspend
Children's Commissioning	22,210	27,250	5,039	Overspend
Commercial Operations	796	(440)	(1,236)	Underspend
DSG	2,363	2,363	-	DSG C/F reserve use
Total Childrens and Young People	49,895	53,542	3,647	Overspend
Children 0-5 Health	3,778	3,778	0	On Budget
Children 5-19 Health Programmes	1,009	1,009	0	On Budget
Sexual Health	2,171	2,149	(21)	Underspend
Substance Misuse	2,407	2,407	0	On Budget
Substance Misuse Grants Expenditure	2,067	1,965	(102)	Underspend
Smoking and Tobacco	313	267	(45)	Underspend
Contain Outbreak Management Fund Expenditure	1,299	1,269	(30)	Underspend
DPH Office & Intelligence Team and Projects	1,600	1,745	145	Contribution to Reserve
Health Check Services	155	146	(9)	Underspend
Healthy Lifestyles & Publicity	278	273	(5)	Underspend
Public Mental Health	10	10	(0)	On Budget
Weight Management and Obesity	321	256	(64)	Underspend
COMF Grant	(1,299)	(1,269)	30	Overspend
Substance Misuse Grants	(2,067)	(1,965)	102	Overspend
Public Health Grant	(11,946)	(11,946)	-	On Budget
Total Public Health	95	95	0	On Budget
Director of Corporate Services	311	307	(4)	Underspend
HR & Workforce Development	1,757	1,662	(95)	Underspend
Financial Services	2,707	2,669	(38)	Underspend
Corporate Items	8,967	8,132	(835)	Underspend

Budget Group	Budget £000	Final Outturn £000	Variance £000	Overall Status
Peterborough Serco Strategic Partnership	11,161	11,157	(4)	Underspend
Digital, Data & Technology Services	7,688	7,519	(169)	Underspend
Cemeteries, Cremation & Registrars	(1,453)	(1,342)	110	Overspend
Corporate Property	2,168	2,084	(84)	Underspend
Marketing & Communications	577	588	11	Overspend
Health & Safety	204	174	(31)	Underspend
Internal Audit and Insurance	1,896	1,871	(25)	Underspend
Chief Executive	335	344	8	Overspend
Director of Legal & Governance	231	295	64	Overspend
Legal Services	1,947	2,268	322	Overspend
Information Governance	208	222	14	Overspend
Constitutional Services	2,139	2,075	(63)	Underspend
Total Corporate Services	40,842	40,015	(827)	Underspend
Capital Financing - MRP	18,585	18,611	26	Overspend
Capital Financing - Interest Payable	18,160	18,459	299	Overspend
Capital Financing - Interest Receivable	261	153	(109)	Overspend
Capital Financing - Other	50	381	331	Overspend
Total Capital Financing	37,056	37,604	548	Overspend
Total Expenditure	203,129	204,877	1,748	Overspend
Funding	(203,129)	(203,709)	(580)	Underspend
Net	-	1,168	1,168	Overspend

Appendix B - Capital Schemes

Schemes	Budget £000	Actual Spend £000	Variance £000
Corporate Services	58,851	54,242	(4,609)
Crematoria/Cemeteries Development	553	-	(553)
Hilton Hotel Loan	120	-	(120)
ICT Projects	4,227	1,631	(2,597)
Installing Solar Photovoltaic Capability on Council Buildings	95	-	(95)
Leisure Trust - Property	438	166	(271)
North Westgate Development	9	-	(9)
Property Acquisitions	50,596	50,494	(102)
Strategic Property Portfolio Asset Management Plan	2,813	1,134	(1,679)
s106 Third Party Payments	-	817	817
Place & Economy	85,507	52,716	(32,791)
Allotments & Neighbourhood Parks (Phase 1)	31	-	(31)
Aragon Fleet Replacement Programme	3,632	2,499	(1,133)
CCTV	101	-	(101)
City Centre Counter Terrorism Improvement Works	240	24	(216)
Communities - Other Infrastructure	508	239	(269)
Eastern Industries Access	7,085	3,294	(3,791)
Emergency Active Travel (Grant)	945	778	(167)
Extreme Weather Network Improvements	1,000	1,000	0
Green Wheel Improvements	775	607	(167)
Highways and Transport minor schemes	106	97	(9)
Housing	16,325	8,845	(7,480)
Leisure Equipment	400	472	72
Local Authority Treescape Fund - Forestry Commission	223	223	-
LTP - Bridges & Structures Improvements	895	822	(73)
LTP - Highway Improvements	1,234	1,256	22
LTP - Integrated Transport Improvements	1,405	1,308	(97)
LTP - Pothole Prevention Improvements	1,921	1,882	(39)
LTP - Street Lighting Improvements	500	486	(14)
LUF - Station Quarter	4,300	753	(3,547)
LUF - University	14,091	14,091	-
Parking	1,087	995	(92)
Peterborough Builds Back Better/Cafe Culture project	45	31	(15)
Peterborough University Access	1,284	634	(649)
Play Area Improvement Programme	935	568	(367)
Regeneration Masterplan	550	18	(532)
Renewable Energy Projects (PCC)	714	243	(471)
Safety Fencing Network	750	641	(109)
Structural Bridge Works	783	778	(5)
The Boardwalks Local Nature Reserve Enhancements	120	-	(120)
Towns Fund	9,820	889	(8,931)
Towns Fund - Accelerated Fund	309	91	(218)

Schemes	Budget £000	Actual Spend £000	Variance £000
Traffic Signals - Lincoln Road/Taverners Road junction (J19J) Improvement Scheme	345	345	-
Waste Management Strategy	78	-	(78)
Westcombe	139	-	(139)
Childrens and Young People	8,305	2,784	(5,521)
Capital Maintenance On Schools	2,227	221	(2,007)
Clare Lodge	-	(50)	(50)
Eye Primary Expansion	400	-	(400)
Heltwate School	1,821	931	(891)
Manor Drive Schools	270	54	(216)
Mobiles Purchase/Lease	450	93	(357)
New School Places	1,140	317	(823)
Other Schools	1,229	1,007	(222)
PFI Condition Works	387	212	(175)
Second extension to Heltwate Special School	380	-	(380)
Adults Social Care	5,015	3,063	(1,951)
Aids And Adaptations	825	675	(150)
Disables Facilities Grant	2,886	2,109	(778)
Housing for Vulnerable People	750	-	(750)
Repair Assistance	248	251	2
Vulnerable People Property 1	305	29	(276)
Public Health	30	30	-
Public Health Project	30	30	-
	157,708	112,835	(44,873)

Appendix C- MTFS Q4 Update & key dates for the 2025/26 Budget and MTFS 2025/26-2027/28

Overview

The MTFS is refreshed annually, with a review each quarter. The updated MTFS Q4 position is summarised in Table 1 below, this provides a breakdown of how the budget gap changes each financial year, followed by a summary of the key assumptions.

It is important to note that these are high level assumptions and provide an indication of our budget gap based on the position outlined in the 2024/25 MTFS, updated to include 2027/28 financial year, the final year of the latest three-year strategy. As part of the MTFS and Budget setting process, detailed assumptions will be worked on, and the position will be refined to reflect all updated assumptions.

Budget Gap	2025/26	2026/27	2027/28
Funding	(230,442)	(240,653)	(245,435)
Net Revenue Expenditure	233,707	247,587	255,123
Aggregated Budget Gap	3,265	6,934	9,688
Aggregated Budget Gap breakdown	2025/26	2026/27	2027/28
2025/26	3,265	3,265	3,265
2026/27		3,669	3,669
2027/28			2,754
Revised Budget Gap	3,265	6,934	9,688

Key Assumptions

Pay Award

Following receipt of the pay claim from the trade unions of “£3,000 or 10%” whichever is higher, the National Employers for local government services responded with an offer of a pay increase of £1,290 which equates to 5.77% for the lowest paid from 1 April 2024. Assumptions within the MTFS are that the annual pay award will be 3% in each of the three years 2025/26 to 2027/28.

Pension rates

Are included at the rate of the latest triennial valuation carried out during 2022, covering the period 1 April 2023 to March 2026. The same rates have been assumed for 2026/27 and 2027/28 as it is difficult to predict the outcome of the next triennial valuation.

Inflation

CPI inflation has fallen to 2.3% in the 12 months to April 2024 and is expected to return to close to the Bank of England's 2% target in the near term. Inflation assumptions are based on the latest CPI figure.

Council Tax

- Assumed annual Council Tax increase of 4.99% in 2025/25, 2026/27 and 2027/28 (including adult social care precept of 2%).
- Band D rate will increase from £1,666.27 in 2024/25, to £1,749.42 in 2025/26, £1,836.72 in 2026/27 and finally to £1,928.37 in 2027/28

Grants

With the General Election having been announced to take place in July 2024 it is likely that there will be a single year funding settlement for 2025/26, as there will be insufficient time for a comprehensive spending review

before budgets have to be set for 2025/26. The MTFS assumes that core grants will remain consistent due to the uncertainty around future funding levels.

Financial Risk

The Council assesses its exposure to financial risk over the life of the MTFS and as part of the monthly Budgetary Control Process. A dedicated Risk Manager oversees the Council's Strategic Risk Register, and chairs an officer led board which is set up to challenge and support risk management across the Council and partner organisations. The output from this board is considered regularly at Audit Committee. Some of the key risks identified will inevitably have an impact on the Council's financial position. These include:

- **Funding uncertainty** – there is significant uncertainty around funding with the continuing single year settlements and there has been no further consultation on multi-year settlements.
- **NHS** – Targets are imposed on the NHS for savings and for performance around acute care, which in turn is making integration challenging. Prevention services are not seen as a priority, which means the Council is inevitably picking up a greater proportion. There are also wider issues around debt with balances from NHS organisations, particularly the old, unsettled CCG accounts.
- **Interest Rate risk** - the risk of the Council's budget being adversely affected by changes in interest rates when refinancing maturing debt.
- **Financial Resilience**- the general financial resilience of the Council is challenging and there is a real risk it will deteriorate further if savings aren't delivered, services overspend against budget, reserves reduce, and debt increases.
- **Level of Debt owed to the Council**- The Council has c£50m of debt across Sundry, Council Tax, NNDR and Housing Benefit accounts, the risk is that the Council fail to collect these outstanding balances. A plan is in place to ensure the Council has a consolidated approach to debt management and all outstanding balances are collected.

Transformation Overview

Transformation is managed through three Portfolio Boards. These Boards have been streamlined so they can concentrate on true transformation, with smaller programmes being monitored as business as usual within services.

Prevention, Independence and Resilience – to help & support our residents early on in their lives and prevent them from slipping into crisis. Key projects being progressed include:

- **Integrated Neighbourhood** - This programme is focused on reducing demand and long-term care needs by working together across health, social care and housing.
- **Digital and Assistive Technology** - This programme is focused on utilising technology to help manage demand, create efficiencies, empower our communities and empower our workforce.
- **Preparing and Enabling Independence in Adulthood** - This programme consists of Transitions to Adulthood, Continuing Healthcare and Improving Education and Skills for people with Mental Health and Learning Disabilities.

Economy and Inclusive Growth – to maximise economic growth and prosperity in an inclusive and environmentally sustainable way. Key projects being progressed include:

- **City Council & Citywide Net Zero Plan** – The aim of this programme is to achieve net zero carbon as an organisation and support the city to become net zero. This will be achieved through a reduction of emissions produced, local energy generation and an increase in carbon capture whilst ensuring the city adapts to the inevitable impact's climate change will bring.
- **Major Growth and Regeneration projects** – This programme aims to enable Peterborough to grow through major growth and regeneration projects

- **Skills and Employment Partnership programme** – This programme aims to enable the delivery of extraordinary learning experiences, producing a high quality and productive local workforce, through our motivated residents, that have been inspired by our city, our employers and our learning and skills providers.
- **Economic Development** - The aim of this programme is to drive sustainable and inclusive economic growth across the Peterborough UA, raising its profile as an attractive location for investors, businesses, and visitors, and ensuring that all residents have access to the opportunities that presents.
- **Safer, Cleaner, Greener** - This programme is focused on creating safe, clean and green spaces for residents, business and visitors to live, work and enjoy

Sustainable Future City Council – to adjust how we work, serve and enable, informed by strong data and insight capability. Key projects being progressed include:

- **Service Integration** - This programme is focused on ensuring future service models are fit for purpose and in line with the Council's ambitions, following the insourcing of services previously provided by Serco.
- **People and Culture** - This programme focuses on redefining our approach to people and culture to improve how we identify, attract, retain, develop and grow the workforce to support short term and long term goals
- **Localities Asset Review** - This programme aims for a fit for purpose estate where the services are delivered from appropriate buildings that are properly funded and maintained
- **Companies** - This programme entails the detailed review and assessment of companies ensuring dormant companies are closed and the right governance structure and arrangement are in place to effectively manage our fit for purpose corporate entities.
- **Constitutional Governance** - This project ensures we put good governance at the heart of everything we do by ensuring fit for purpose governance arrangements, easy to use constitution and confidence from members and officers on the mechanisms of how decisions are to be made within the council
- **Digital, Data and Analytics** - Actively using data and digital solutions to inform, deliver and develop services to meet the needs of residents today and help plan for tomorrow.

Draft 2025/26 Budget and MTFS 2025/26-2027/28 Timetable

The following table outlines the key reporting dates for the Budget and MTFS over the coming year:

Date	Meeting	Report
17/06/2024	Cabinet	Outturn 2023/24 MTFS Q4 update Treasury Management update (Q4)
22/07/2024	Audit Committee	Outturn 2023/24 MTFS Q4 update Treasury Management update (Q4)
05/08/2024	Cabinet	MTFS Q1 update
16/09/2024	Cabinet	Launch of Consultation BCR Report Q1 (June BCR)
27/10/2024	Consultation close	Close of Consultation
11/11/2024	Cabinet	MTFS Q2 update- including feedback from the Budget Simulator BCR Report Q2 (September BCR)
02/12/2024	Cabinet	Launch Budget Consultation
06/01/2025	Consultation close	Close Budget Consultation
29/01/2025	Joint Scrutiny	To consider the draft MTFS (Q3 update) & Budget Report and recommend any changes to Cabinet
10/02/2025	Cabinet	To approve the Draft MTFS (Q3 update) & Budget Report and recommend to Council BCR Report Q3 (December BCR)

Date	Meeting	Report
19/02/2025	Council	To approve the Final MTFS & Budget Report including: MTFS Q3 update Treasury Management Capital Strategy Reserves Strategy Asset Management Plan Budget Setting Report, including: * Council Tax Resolution * Any Final amendments as a result of the Final settlement * Revenue and Capital Budgets for 2024/25 * Section 25 (Robustness)Statement

Appendix D - Treasury Management Strategy Prudential Indicators Outturn 2023/24

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 2023/24 Prudential Indicators are shown below and the Council's performance to date against them. All performance is within the limits. The indicators are reviewed annually and agreed by Full Council.

1. Indicator 1: Capital Expenditure

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

Capital Expenditure	2023/24 Indicator £m	2023/24 Actual £m
Capital Expenditure	76.9	112.4
Transformation/Invest to Save	5.6	0.4
Total	82.5	112.8

The actual Capital Programme expenditure outturn is £112.7m which is higher than the indicator, primarily due to Council purchasing Sand Martin House for £50m during the year. In addition, a number of projects slipped between financial years.

The Capital Programme is subject to stricter scrutiny with programmes being approved by both Capital Review Group and by Capital and Invest to Save Board before commitments are made. This is to ensure spend is only approved in line with statutory or mandatory requirements, city priorities or as an Invest to Save initiative. This is part of the development process for the MTFS to aid the future financial sustainability.

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 unfunded capital expenditure will increase the CFR.

Capital Financing Requirement	2023/24 Indicator £m	2023/24 Actual £m
CFR B/fwd	586.8	608.2
Net financing requirement	6.0	58.2
Less MRP & Other financing	(19.0)	(19.9)
CFR C/fwd	573.8	646.5

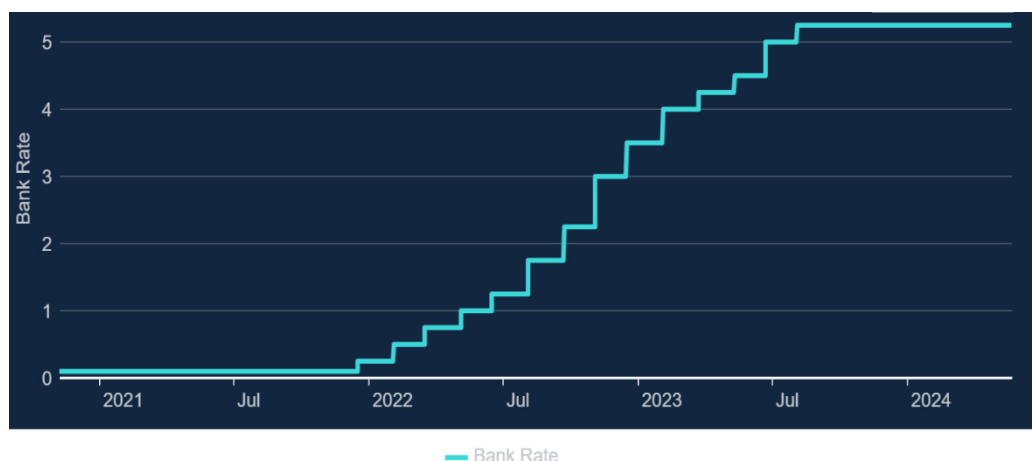
The CFR actuals are higher than the indicators due to the additional £50m do purchase Sand Martin House. Also, receipts from the sale of assets were lower than predicted, however, some further capital receipts were generated in April 2024, i.e. in the next financial year.

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 allocated for financing capital expenditure i.e., net interest cost and provision to repay debt. A full explanation of the 18.5% is shown in Appendix A.

Ratio of Gross Financing Costs to Net Revenue Budget	2023/24 Indicator	2023/24 Actual
Total Ratio	16.0%	18.5%

Financing costs were higher than the indicator due to the increase in Bank of England interest rates which increased the cost to borrow. Interest rates rose steadily from when the indicator was set, from 4% in February, and remained at 5.25% from August for the remainder of the year, as demonstrated in the Bank of England graph below. This was not expected when the indicator set.



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 (2022/23) plus the estimates of any other capital financing requirement for the current (2023/24) and next two financial years. This means that the Council is not borrowing to support revenue expenditure.

Proportion of Gross Debt to the CFR	2023/24 Indicator £m	2023/24 Actual £m
CFR	573.8	646.5
Gross Debt (Inc PFI & Leases)	452.6	538.6
% Of Gross Debt to CFR	78.9%	83.3%

This indicator shows that the Council maintained an under-borrowed position. This means that the CFR was not fully funded from external borrowing but partly funded from reserves, balances and cash flow (internal borrowing) on a temporary basis. This strategy was prudent as borrowing costs remained high. Surplus funds were invested to generate investment income. However, as it is forecast that interest rates are set to reduce, this strategy is constantly reviewed in line with movements in the market.

5. Indicator 5: The Operational Boundary

The Operational Boundary is the day to day borrowing limit for the Council. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but this should not be the case on a regular basis or over a long-term period.

This indicator takes into consideration the Capital Programme over the life of the MTFs and the ability to profile 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	2023/24 Indicator £m	2023/24 Actual £m
Borrowing	586.8	512.5
Other long-term liabilities	46.3	26.2
Total	633.1	538.6

6. Indicator 6: The Authorised Limit

The Authorised Limit is the statutory limit that cannot be exceeded at any time. It is the highest amount the Council may borrow at any point, and it is set at a level the Council considers is “prudent.”

The indicator takes account of the CFR estimated at the start of each year, plus the expected net borrowing requirement for the year, plus any unforeseen circumstances during the year.

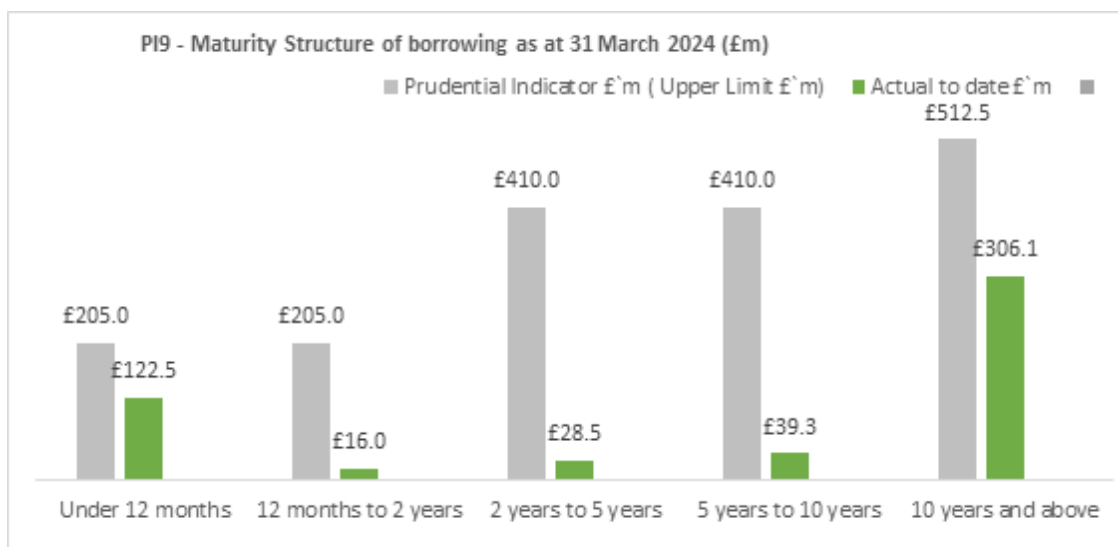
The limit also incorporates margins to allow for exceptional short-term movements in the Council’s cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

Authorised Limit	2023/24 Indicator £m	2023/24 Actual £m
Borrowing	606.8	512.5
Other Liabilities	46.3	26.2
Total Authorised Limit	653.1	538.6

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: Maturity structure of borrowing

This indicator shows the Council’s planned borrowing maturity structure and reflects the benefit of long-term rates that may be available over the next few years.



Period	Upper Limit	Actual Borrowing £m	
Under 12 months*	40%	24%	122.5
12 months to 2 years	20%	3%	16.0
2 years to 5 years	30%	6%	28.5
5 years to 10 years	80%	8%	39.3
10 years and above	100%	60%	306.1
Total Borrowing			512.5

*The borrowing for under 12 months includes £5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 30 years' time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every six months.

In the current high interest environment, the Council is using short-term borrowing, however, this will change as and when longer term borrowing rates come down. We work closely with our Treasury Management Advisors, Link, to take advantage of the most attractive rates available.

8. Indicator 8: Total Investments for periods longer than 364 days

This indicator reflects the Council's current investment policy of keeping investments short term for liquidity purposes. The Council generally uses cash balances as an alternative to new borrowing (internal borrowing) and does not have the available cash balances to invest for longer periods. However, in the right market environment, longer term investments will add value to the portfolio.

	2023/24	2023/24
	Indicator	Actual
	£m	£m
Principal sums invested >365 days	10	0

9. Indicator 9: Investment balance

At 31st March 2024 the Council held investments of £23.8m with MMFs (Money Market Fund), Lloyds and Handelsbanken. The total investment interest earned in the year to 31st March 2024 is £1.4m, including ESPO dividend of £297k.

Investment Portfolio '000	31 March 2024	Average Rate (%)	Average Life (days)
	Principal		
MMFs	12,150	5.28%	1*
Banks	11,650	5.08%	180
Local Authorities	0	0.00%	0
Total Investments	23,800	5.18%	180
* MMFs have no set maturity date and can be accessed at short notice			

Appendix E - Performance Monitoring Report Prompt payment of invoices

Debt and Payment Performance Monitoring

Payments

- 1.1. The outturn for prompt payment for invoices from commercial suppliers showed that 92.6% were paid within 30 days in 23/24. For the previous year this figure was 94.9%. Following a review, the Council's new trigger for payment is now the date on which a valid invoice is received, previously it was based on the actual invoice date.
- 1.2. The total value of payments made by the AP team during 23/24 was £382.6m (it was £363.5m 22/23), all paid electronically by either BACS, or CHAPS
- 1.3. During 23/24 a total of 90,428 payments were made to commercial and non-commercial suppliers (a decrease of 41,803 from 22/23), with the primary reason being the ending of Covid related support payments. The Council's Early Payment Programme (known as the Supplier Incentive Scheme and delivered in partnership with Oxygen Finance) went live during the year and is being supported by new AP processes and systems, for example Invoice Capture (delivered with Proactis and Unit4).

Sundry Debt

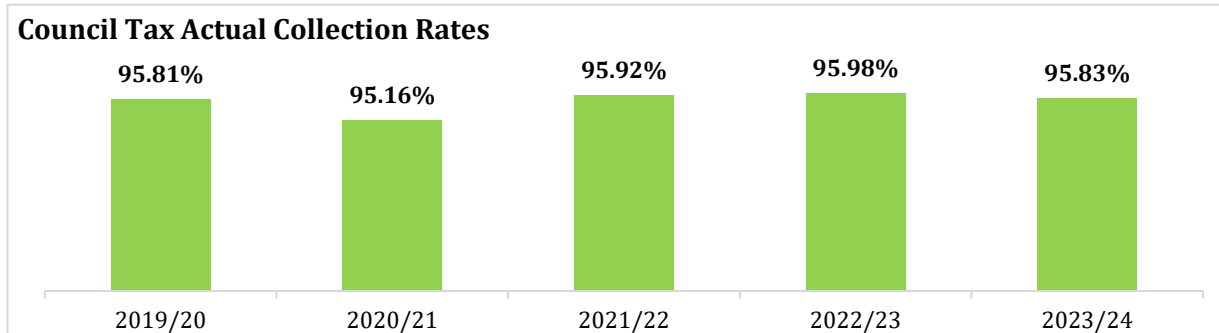
- 1.4. The total sundry debt outstanding at 31 March 2024 was £21.2m (£24.0m, 22/23), the age profile of this debt is summarised in the following table. There is a high proportion of debt due to the Council from the NHS, including Peterborough and Cambridgeshire ICB and some debt which remains unsettled on old CCG accounts. The Council is working collaboratively with Cambridgeshire County Council who also have similar issues with NHS accounts. This is with a view to resolving historic debt issues during 2024/25 and ensuring that future processes are managed effectively and in a timely manner.

	Total Debt	Current	01-60 days overdue	61-180 days overdue	181-365 days overdue	one year+ overdue
Sundry Debt	11,672	5,556	2,862	379	1,136	1,739
NHS related	9,484	5,364	381	569	448	2,722
Total	21,156	10,920	3,242	948	1,583	4,462

- 1.5. In 23/24, invoices totalling £90.7m were raised, with £80.7m collected against the total outstanding debt in year (and across all years).
- 1.6. Greater focus on debt management has developed during the course of the year with the introduction of a monthly Corporate Debt Oversight Board. The remit of this group is to review performance across all debt cohorts, agree actions in response to issues raised and drive improvement across the Council. So far this has included recovery process being tightened, the revision of all reminder letters, new easy to use (self-serve) reports being put in place to support budget managers identify and act on issues in a more timely manner, and utilising Jacobs to start acting as a 'debt collection agent' across Adult Social Care client debt. Improvement activity will continue over the coming year with the development of a Single View of Debt dashboard, as well as a review of debt management policies and strategies for certain debt types.

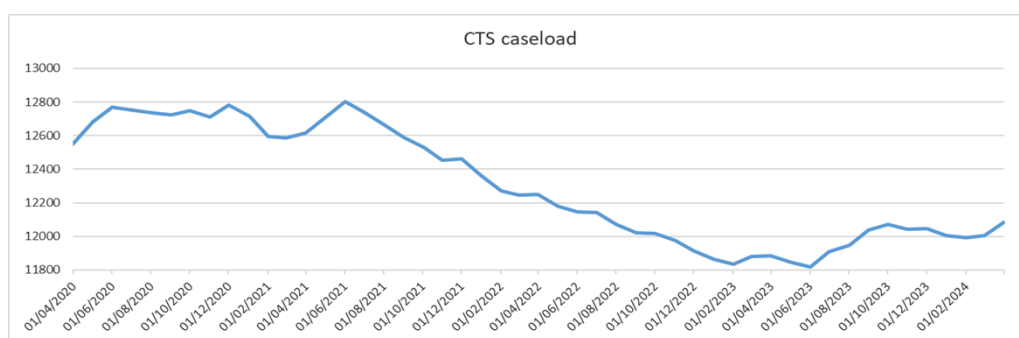
Council Tax

- 1.7. The following chart shows the performance in respect of Council Tax collection over the last 5 years, which outlines a very steady trend, with a temporary reduction during the 1st year of the pandemic. During 2023/24 performance exceeded target by 0.03%.



1.8. Prior years (arrears) debt collection also showed significant improvements, with collection of 15.9% against a target of 14.3%, meaning over £2.4m of arrears were collected.

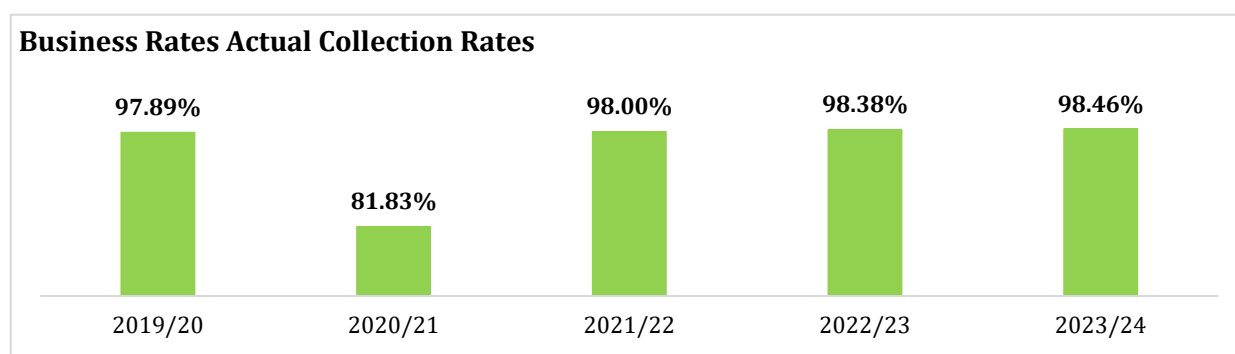
1.9. During 2020/21 and into early 2021/22 there was a rise in the Local Council Tax Support (LCTS) caseload. Caseloads subsequently reduced, but 2023/24 has seen a steady increase again, as outlined in the following chart.



1.10. To support households during the cost-of-living crisis, all households in receipt of Council Tax Support during any period in 2023/24 have received a top-up of up to an additional £36 towards their bill. Over 10,700 households have benefitted from this additional payment. The Council has also supported more than 83 households through its discretionary Council Tax discount scheme which is a noticeable increase in comparison to previous years and highlights the pressure on household budgets.

Non-Domestic Rates (NNDR)

1.11. The following chart outlines the 5-year collection performance for NNDR with a notable reduction in 2020/21 when the pandemic significantly impacted the collection of NNDR (the majority of these arrears were recovered during 2021/22). For 2023/24, collection of NNDR improved again to 98.46%. This is despite the prevailing economic climate and challenging operating conditions currently being faced by local businesses.



1.12. In 2022/23 a Business Improvement District (known as Peterborough Positive) in the city centre was formed. Collection rates in this area remain in line with expectations despite not having taken any enforcement action to date. The collection rate for 23/24 was 94.02% (94.75%, 22/23)

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