

CABINET	AGENDA ITEM No. 7
17 DECEMBER 2018	PUBLIC REPORT

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

BUDGET CONTROL REPORT OCTOBER 2018

RECOMMENDATIONS	
FROM: Corporate Director: Resources	Deadline date: N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The Revenue Budgetary Control position for 2018/19 at October 2018 includes a £4.015m overspend position on the revenue budget. 2. The key variance analysis and explanations are contained in Appendix A. 3. The estimated reserves position for 2018/19 is outlined in Appendix B. 4. In year budget risks are highlighted in Appendix C. 5. The Asset Investment and Treasury Budget Report is contained in Appendix D. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following discussion by the Corporate Management Team (CMT).

2. PURPOSE AND REASON FOR REPORT

- 2.1 This report provides Cabinet an update as at October 2018 of the Budgetary Control position.
- 2.2 This report is for Cabinet to consider under its Terms of Reference:

No. 3.2.1 *'To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services', and*

No. 3.2.5 *'To review and recommend to Council changes to the Council's Constitution, protocols and procedure rules'.*

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. OCTOBER 2018 BUDGETARY CONTROL - REVENUE

- 4.1 The revenue budget for 2018/19, agreed at Full Council on 7 March 2018, was approved at £147.456m.

Revised Budget 2018/19	£000
Approved Budget 2018/19	147,456
Use of Reserves per MTFS	4,231
Revised Budget 2018/19	151,687
Drawdown of reserves during 2018/19	1,103
Revised Budget at October 2018	152,790

- 4.2 The 2018/19 year-end outturn position, is currently forecast to be £4.015m over spent. This is based on reported departmental information as at the end of October 2018.

- 4.3 This has reduced by £0.895m (18%) in comparison to a £4.910m overspend position forecast at the end September 2018, which was reported to Cabinet on 19 November 2018. The main reasons for the improvement are outlined in the following table:

Key Movements between the Forecasts	£000
Previous month forecast	4,910
Additional interest income from extending a loan arrangement with Empower Community Management LLP in respect of solar installations	(396)
People and Communities- adults	254
Communities - non staffing underspend	(129)
Targeted Youth Support Service Employee costs	(62)
Education income	(70)
ICT underspend	(82)
Business Rates income	(300)
Other Variances	(110)
Current Month forecast	4,015

- 4.4 CMT have put plans in place to manage and scrutinise expenditure throughout the council, to mitigate the financial impact of the forecast overspend identified. There has been recent improvement in the position highlighting positive progress towards balancing the current year position.

- 4.5 The current overspend is largely isolated in one area, children's services, which was outlined in detail when reported at the Cabinet meeting on 23 July 2018, although there are a number of other key areas of overspend to be aware of. These are as follows:

- Demand within children's services £4.5m
- Demand within adults services £0.8m
- Peterborough Serco Strategic Partnership -Transformation costs, Business support and variable costs £2.0m
- Amey contract extension £1.0m
- Parking Services £0.5m
- ICT £0.5m
- Volumes within the Coroners service £0.2m

- 4.6 These pressures are currently being mitigated in part by the one-off use of capital receipts, generated from the sale of Council assets, and the reduced financing needs of a smaller capital programme. The move to a truly sustainable budget will require a reduction in the use of “One-off” savings, as by nature these are not repeatable.
- 4.7 The financial negotiations with Amey have now concluded regarding the costs of extending the contract to 1 February 2019. The additional estimated costs to the 1 February 2019 is £0.958m, these are included within the forecast position outlined in this report. A full report will come to Cabinet on 17 December which will set out the full business case and ongoing costs for delivering the services within this contract which will be delivered through a Local Authority Trading Company which will be 100% controlled by the Council.
- 4.8 The Ministry for Housing, Communities and Local Government (MHCLG) recently announced that an additional £240m would be made available to Local government to support adult social care services, helping to alleviate winter pressures placed on the NHS. This grant will be received within the current financial year, with Peterborough’s allocation of the grant confirmed at £0.794m. This will be used to help mitigate the nursing pressures within the adults Independent Sector Placements (ISP) budget.
- 4.9 As announced in the Autumn Budget there is to be additional funding made available for highway authorities to tackle potholes, repair damaged roads and invest in keeping bridges open and safe. The Department for Transport (DfT) have allocated £1.535m of this funding to Peterborough City Council. The funding received is to be used for capital purposes and has to be used by 31 March 2019. The terms and conditions of this grant have not yet been received from the DfT, and they could stipulate this to be spent in addition to, and not replacing existing funding. Although it is thought any financial revenue benefit from this grant will be small, the grant will provide additional flexibility for the authority to invest in to keeping the roads safer and in better quality, hopefully reducing costs further down the line.
- 4.10 There has been a recent ruling that cash machines accessed externally on supermarkets and petrol stations should not be assessed separately for business rates. This is likely to have a large impact for Councils nationwide, and the impact of this for Peterborough is still being reviewed, however it is hoped that it will be covered within the provision that was previously created. The Valuation Office Agency (VOA) was refused leave to appeal but could still challenge the decision in the Supreme Court.
- 4.11 The summary budgetary control position is outlined in the following table:

	Budget 2018/19	Cont. from reserves	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserves	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
Directorate	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executives	1,583	55	1,638	1,567	0	(71)	-4%	(56)	(15)
Governance	4,654	111	4,765	4,984	0	219	5%	229	(10)
Growth & Regeneration	23,850	400	24,250	25,339	0	1,089	4%	1,078	11
People & Communities	84,459	339	84,798	88,915	0	4,117	5%	4,166	(49)
Public Health	(126)	198	72	72	0	0	0%	0	0
Resources	37,267	0	37,267	36,277	0	(990)	-3%	(458)	(532)
Total Expenditure	151,687	1,103	152,790	157,154	0	4,364	3%	4,959	(595)
Financing	(151,687)	(1,103)	(152,790)	(153,139)	0	(349)	0%	(49)	(300)
Contribution to Capacity reserve	0		0	0		0	0%	0	0
Net	0	0	0	4,015	0	4,015	3%	4,910	(895)

5. APPENDICES

5.1 Further information is provided in the following appendices:

- Appendix A – Detailed revenue budgetary control position and explanation of key variances and risks
- Appendix B – Reserves position
- Appendix C – Budget risk register
- Appendix D - Asset Investment and Treasury Budget Report