

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 10</b>
<b>13 JULY 2020</b>	<b>PUBLIC REPORT</b>

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

## **BUDGET MONITORING REPORT FINAL OUTTURN 2019/20**

<b>RECOMMENDATIONS</b>	
FROM: Acting Director of Corporate Resources	Deadline date: 12 June 2020
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Note the final outturn position for 2019/20 (subject to finalisation of the statutory Statement of Accounts) of a £0.096m underspend on the Council's revenue budget;</li> <li>2. Note the reserves position outlined in section 6 and Appendix B, which includes a contribution to the capacity building reserve of £0.096m, as a result of underspend in the revenue outturn report details contained in Appendix A;</li> <li>3. Note the implications of the COVID-19 pandemic on the Council's financial position, as outlined within section 5 and Appendix E;</li> <li>4. Note the outturn spending of £64.3m in the Council's capital programme in 2019/20 outlined in section 7;</li> <li>5. Note the performance against the prudential indicators outlined in Appendix C;</li> <li>6. Note the performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.</li> <li>7. Approve the amendment to the Treasury Management Strategy to reflect the Business Improvement District loan outlined in section 7.</li> </ol>	

### **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 2019/20, subject to any changes required in the finalisation of the Statement of Accounts.

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
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### 4.0 CORPORATE BUDGET OVERVIEW

#### Budget 2019/20

4.1 On 6 March 2019 Council approved a balanced budget for 2019/20. The approved budget included plans for £20.7m of savings and the recognition of £11.0m of additional service pressures from increasing costs and increases in demand for services.

4.2 The budget incorporated the use of £3.1m from the Grant Equalisation (GE) reserve. This reserve was created in 2015/16 to mitigate the impact of reduced government grant, protecting as far as possible the delivery of services, whilst enabling officers time to develop a sustainable budget.

4.3 Non-repeatable savings were included in the budget, such as the use of capital receipts, council tax surplus and the use of the reserves, as mentioned in point 4.2. These are outlined in Table 1. The Council has used additional funding to deliver a balanced outturn following the Secretary of State approval to borrowing £5.6m to fund revenue expenditure (Capitalisation Direction). This has funded transformational activities undertaken during the year which lead to longer term savings and a more sustainable operating environment. For further detail see sections 5.11-12.

**Table 1: Non-repeatable Savings**

	Prior Years		Current Year	Years relating to this MTFS		
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Receipts	12,738	2,922	10,639	3,930	-	-
MRP Re-provision	-	3,700	-	-	-	-
Council Tax Collection Fund Surplus	173	1,188	201	662	-	-
Business Rates Pool & Provision Release	-	-	-	3,231	-	-
Capitalisation direction	-	-	5,564	1,217	-	-
Planned use of Reserves	7,194	4,231	3,084	1,510	-	-
<b>Total</b>	<b>20,105</b>	<b>12,041</b>	<b>19,488</b>	<b>10,550</b>	<b>-</b>	<b>-</b>
In year use of Reserves	-	2,119	-	-	-	-
In year increased Use of Capital Receipts	-	3,298	235	-	-	-
<b>Total</b>	<b>20,105</b>	<b>17,458</b>	<b>19,723</b>	<b>10,550</b>	<b>-</b>	<b>-</b>

## In-year Budget Management

- 4.4 Budget managers receive detailed budgetary control information each month. A monthly budgetary control report is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and has been considered by Cabinet on a regular basis throughout 2019/20.
- 4.5 A balanced budget was set for 2019/20 however as contained in the MTFs detailed plans for some of the savings proposals were not developed in time for the first reporting round and a forecast overspend of £5.5m was reported in the April 2019 Budgetary Control Report, reported to Cabinet on 10 June 2019. The main variance reported relating to the shared services savings targets.
- 4.6 In July 2019 the CMT implemented a series of financial management controls, designed to reduce the forecast overspend by enhancing the level of scrutiny applied to all expenditure activities and to minimise non-essential spend. These controls include:
- A panel to review all recruitment and agency requests;
  - Business case requirement for all expenditure in excess of £10k;
  - Service based Heads of Finance providing additional scrutiny and challenge of the business cases in excess of £10k with regular review from the Chief Finance Officer;
  - In November, controls were enhanced, with all expenditure over £1k requiring Chief Finance Officer approval;
  - A review of the effectiveness and operation of financial and human resource controls across the organisation;
- 4.7 A review of the robustness of all current budget assumptions was undertaken during the summer. This identified a 2019/20 budget pressure of £6.0m, with the ongoing underlying budget pressure of £9.8m. Departmental in year savings targets were established and CMT identified £4.8m of specific savings against these targets. In combination with the enhanced spending controls listed above, forecasted expenditure reduced throughout the year.
- 4.8 Other actions undertaken by the CMT and Cabinet have included:
- Departmental management teams, together with CMT, have reviewed the budget position monthly and have taken appropriate action, including plans to address budget issues. These have been reported in Budgetary Control Reports throughout the year.
  - The establishment of a Financial Improvement Programme Management Board (FIPMB), dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new savings plans and ensuring the delivery of financial targets.
  - Regular reports to CMT have included a summary of progress on the delivery of savings proposals. Savings delivery has been monitored by the Rapid Implementation Team (RIT), which was established in September 2019.
  - Regular review of additional budget pressures and risks, in order to identify mitigating actions to reduce the council's expenditure.
  - An officer led Capital Review Group has met on a regular basis. This group has the responsibility of reviewing and reporting information to CMT:
    - Review of the capital programme during the year, deferring projects into future financial years or removing projects that are no longer required. Any reduction in the amount that the Council is required to borrow to fund the capital programme has reduced the costs of financing borrowing which has been reflected in the revenue outturn position.
    - Monitoring capital receipts from asset sales.
    - Scrutinising capital investment proposals relieving pressure on the general fund.

- Reviewing new capital project proposals to ensure value for money and are truly necessary projects.
- Thorough review of the reserves' balances including a review of the future planned use of reserves.
- The Risk Management Board has met regularly throughout the year, led by the Acting Corporate Director of Resources. The purpose of this board is to challenge and support risk management across the council and partner organisations and reports corporate and departmental risks into CMT.

4.9 The January 2020 Budget Control Report was published on the Councils ['Our Finances' webpage](#). This was originally scheduled to go to Cabinet on 30 March 2020, but in response to the COVID-19 social distancing measures all public meetings were cancelled. This report outlined a £3.5m forecast outturn overspend.

4.10 The Council's final position is an underspend of £0.096m which contributes to the Capacity Building Reserve balance. The final outturn position for 2019/20 is outlined in a summary table in Section 5, with detailed information in Appendix A.

4.11 The Council's finance and service-based officers have worked extremely hard throughout the course of the year to achieve this final financial position. Officers have shown enthusiasm and dedication to ensure the Council's financial position remains viable, while ensuring services continue to be delivered. Officers have worked together with the CMT to reduce expenditure by implementing the enhanced financial controls and generating new ideas to save money, increase income generation or create efficiencies within the existing Council processes.

### **Medium Term Financial Strategy**

4.12 The Council has been able to set a balanced budget for 2020/21, as a result of identifying budget reductions, additional funding and the use of one-off savings (as outlined within Table 1). However, with deficits of £14.2m in 2021/22 and £14.8m in 2022/23, the Council needs to put in place structural organisational change, to deliver the required level of expenditure reduction to operate within its financial envelope and secure the Council's future.

4.13 The CMT have undertaken a Lean Cost Structure Review (LCSR) to develop a revised operating model for the Council. The Council has continued to work with Grant Thornton to investigate and challenge existing service delivery. The Council has accessed expertise and support from the Local Government Association (LGA). The LCSR findings will result in:

- Reduced contractual expenditure and a tighter contract management.
- Redesign of delivery of services including:
  - Delivering services at a lower cost, enhanced value for money, and more efficient manner;
  - Providing a lower level of services or make them 'leaner'.
  - Reduction in service provision.
- Cost reduction, sharing and integration.

4.14 The Council was originally scheduled to take an options paper to Cabinet in spring, with a final model being recommended for approval in summer. However, due to the pandemic the timescales have slipped in order to for the CMT and officers to focus on the COVID-19 response to support businesses, residents and the community. Additional funding from central government has been made available in 2020/21 for COVID-19 expenses. However, ambiguity remains on the total quantum of funding available in response to the emergency and the ongoing medium to longer term impact of the pandemic to the council.

4.15 The delivery of the LCSR remains a key priority for the Council to ensure the delivery of a balanced budget in 2021/22. The financial envelope of the Council means that transformational change to council services is required and this position is further impacted by COVID-19 implications. For further detail see sections 5.13-15 and Appendix E.

4.16 At this stage the Council has assumed that key funding streams will remain unchanged from the Local Governments Fair Funding Review (FFR). However, on 28 April MHCLG have confirmed that the FFR and the anticipated changes to the Business Rates system have all been postponed adding to the Council's uncertainty over future funding levels.

## 5.0 FINAL REVENUE OUTTTURN 2019/20

5.1 The Council's overall revenue outturn shows an underspend of £0.096m for 2019/20. The table below summarises the revenue outturn position by directorates during 2019/20.

**Table 2: Revenue outturn 2019/20**

Directorate	Budget	Cont. from Reserve	Revised Budget	Actual	Cont. to Reserve	Revised Variance
	£000	£000	£000	£000	£000	£000
Chief Executive	1,526	284	1,810	1,584	-	(226)
Governance	4,273	71	4,344	4,393	-	49
Place & Economy	18,189	1,012	19,201	18,501	83	(618)
People & Communities	71,559	3,391	74,950	76,930	1,004	2,985
Public Health	(164)	392	228	241	-	13
Resources	44,678	4,843	49,521	44,949	3,680	(893)
Customer & Digital Services	7,256	509	7,765	7,783	-	18
Business Improvement	764	361	1,125	1,071	-	(54)
<b>Directorate Outturn</b>	<b>148,081</b>	<b>10,863</b>	<b>158,944</b>	<b>155,452</b>	<b>4,767</b>	<b>1,274</b>
Capitalisation Direction applied	-	-	-	(5,564)	-	(5,564)
Asset Sales shortfall	(2,821)	-	(2,821)	-	-	2,821
CCG- Credit notes	-	-	-	1,631	-	1,631
Financing Adjustment (Business Rates Levy Surplus)	-	-	-	(258)	-	(258)
<b>Revised Outturn</b>	<b>145,260</b>	<b>10,863</b>	<b>156,123</b>	<b>151,261</b>	<b>4,767</b>	<b>(96)</b>
Contribution to the Capacity Building Reserve						<b>(96)</b>
<b>Final Variance</b>						<b>Nil</b>

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

5.3 In summary the directorate service budgets show an overall overspend of £1.3m, which is a £2.2m (63.6%) improvement against the January 2020 £3.5m forecast outturn overspend. The movement between the last forecast outturn and final position is summarised in Table 3.

**Table 3: Departmental Variance Summary**

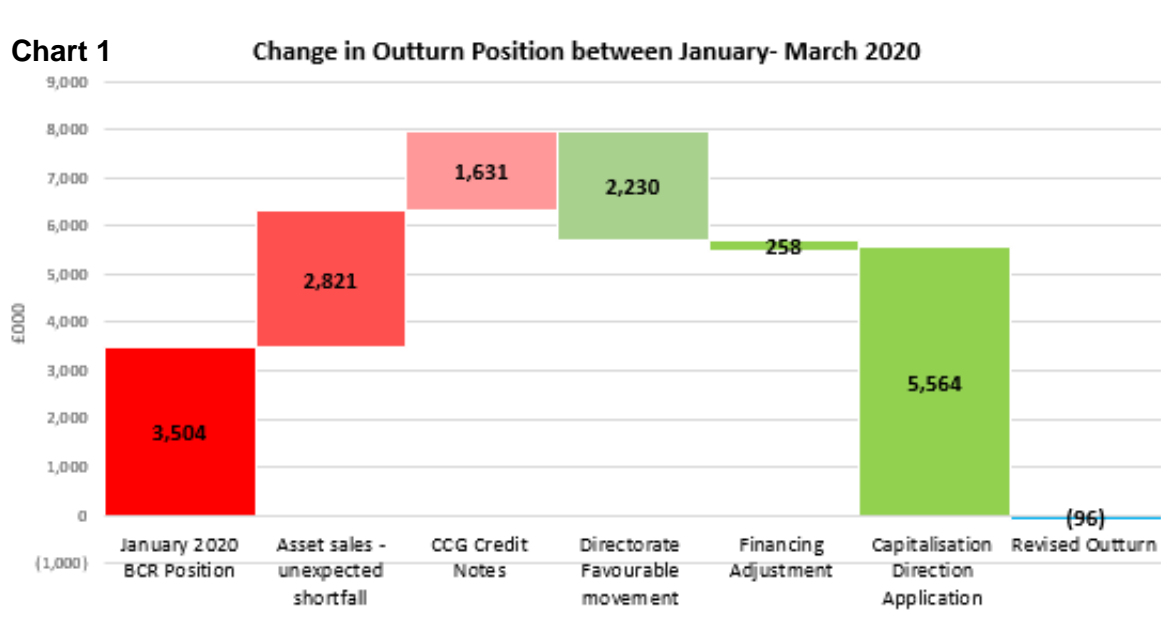
Variance Change	£000
<b>January 2020 position</b>	<b>3,504</b>
Chief Executive	(51)
Governance	46
Place & Economy	(751)
People & Communities	(510)
Public Health	(48)
Resources	(548)

Variance Change	£000
Customer & Digital Services	(369)
Business Improvement	1
<b>Outturn position</b>	<b>1,274</b>

5.4 Larger movements which incurred late in the year include:

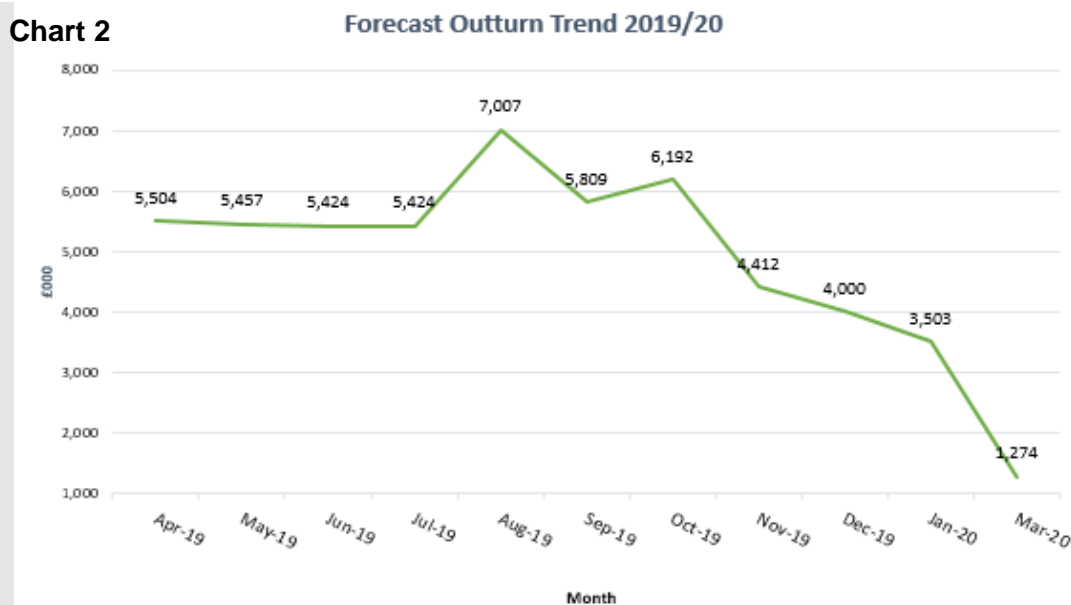
- A shortfall on the previously forecast level of capital receipts from a reduction in completed asset sales following implementation of COVID-19 restrictions.
- The issue of credit notes to prior year invoicing discrepancies with Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).
- The application of the capitalisation direction which enabled the council to borrow to fund revenue expenditure. This is outlined in more detail in sections 5.12-14.

5.5 Chart 1 summarises the movement from January 2020 forecast outturn position to final outturn.



5.6 The CMT have implemented a series of actions including enhanced financial management and HR controls, and a full review of the all current budget to ensure robustness and appropriateness of all assumptions. External advice and support has been utilised, with the CMT and senior officers working collaboratively with Grant Thornton on the development and implementation of savings proposals.

5.7 Chart 2 outlines the directorate forecast outturn variance reported throughout 2019/20. This tracks the forecast outturn overspend and the reduction following implementation of spending and HR controls, detailed reviews of the capital programme and the early implementation of 2020/21 savings plans leading to the improved position.



\* note no BCR reporting completed in February

- 5.8 In July 2019 the Council received a structural review report of the Northminster car park. The report highlighted significant concerns for the structural integrity of the car park, which could pose a risk to the general public. The Council considered the options available and concluded to demolish the carpark with it closing to the public. The Council sought approval for this action and the associated £2.75m forecast costs via [CMDN](#) published in August and has since published further information on the [website](#), including the structural review reports. This created additional financial burden to the Council, from the one-off costs from moving operations and demolition, to the ongoing revenue budget implications from the loss of carpark income.
- 5.9 The Council launched a Voluntary Redundancy (VR) scheme in January 2020 to deliver savings. The redundancy costs from this scheme and others incurred as part of the delivery of specific service-based savings plans are expected to cost £6.6m.
- 5.10 With the in-year position forecasting an overspend, the additional costs of transformation required to deliver the level of change required for the Council to operate within its financial envelope, and additional financial pressures from the Northminster Carpark, the Council's financial resilience was reduced. As outlined in the MTFs Robustness Statement the reserves balances were forecast to reduce to a perilously low level. As a result, and in consultation with Local Members of Parliament, the Council made an application to MHCLG for a Capitalisation Direction to enable the council to fund revenue expenditure from borrowing. This application was approved and has enabled the Council to have sufficient resilience to be able to react to emergencies and develop the LCSR proposals.

### Capitalisation Direction

- 5.11 In January 2020 the Council made an application to MHCLG to fund the costs of transformational activities, including expenditure incurred through acceptance of voluntary redundancies, from borrowing (Capitalisation Direction). The Secretary of State has the power, under section 16(2)(b) of the Local Government Act 2003, to issue such a Direction. The effect of a direction is that specified revenue expenditure may be funded from capital sources e.g. borrowing, thereby increasing a local authority's financial flexibility.
- 5.12 MHCLG wrote to the Council on 30 March 2020 to confirm that a Capitalisation Direction up to a total of £6.9m (£5.7m in 2019/20 and £1.2m in 2020/21) had received approval and could be applied to the appropriate expenditure. In 2019/20 the Council has identified and applied

£5.6m to transformational expenditure. The approved Capitalisation Direction is £2.1m short of the £9.0m applied for by the Council. This shortfall has contributed to reduced reserve levels in the medium term, in comparison to those projected within the [Medium Term Financial Plan 2020/21-2022/23](#).

## Coronavirus COVID-19

5.13 On the 24 March 2020 the Council declared a critical incident which enabled the Council to enact the emergency policy. This provides the Council with:

- Governance structure of Gold, Silver and Bronze Command Groups to operate, with regular diarised meetings to ensure swift and effective decision making takes place, and actions are implemented.
- Additional guidance to ensure that vital services are delivered by redeploying staff to key roles and staffing levels are maintained to deliver vital services.
- Business Continuity Plans are reviewed and daily communication to the organisation is undertaken via email and on the intranet site.

5.14 The Council responded quickly to the COVID-19 pandemic, to maintain key services and to provide the additional support to the community and businesses. A Coordination Hub has been established in partnership with other Local Councils and is focused on supporting those residents that are at the highest risk and those that have no reliable support network. The hub is ensuring that critical services across the public sector, such as care for the elderly, can continue through the support of staff who have been redeployed from other Council services, partner organisations and the support of volunteers. This work includes ensuring our most vulnerable residents have access to food, medicines and other important supplies, as well as ensuring broader social needs are met as far as possible. With the introduction of the social distancing measures the Council has transitioned to a working from home model, building on the already successful agile working policy. The Council has provided support, advice and flexibility to staff to ensure services can continue and staff wellbeing is considered and actively managed.

5.15 The impact of the pandemic will affect the Councils financial position in the current 2020/21 financial year, and the financial position in the medium term. These are outlined in further detail within Appendix E.

## 6.0 RESERVES

6.1 The Council's reserve balances are monitored throughout the year as part of the BCR process and feed into the budget setting process. Table 6 summarises the balance for all reserves at the beginning of 2019/20 and end of 2019/20, and the forecast position for future years. A more detailed outline of the reserves is outlined in Appendix B.

**Table 6: Council Reserves Summary Position**

Summary of Reserves	Balance at 31.03.19	Balance at 31.03.20	Est. Balance at 31.03.21	Est. Balance at 31.03.22
	£000	£000	£000	£000
General Fund	6,000	5,111	6,000	6,000
Usable Reserves (inc. COVID-19 funding)	26,076	23,401	7,429	7,429
Ring-Fenced Reserves	5,140	4,063	4,054	4,054
<b>Total Earmarked &amp; General Fund Balance</b>	<b>37,217</b>	<b>32,575</b>	<b>17,483</b>	<b>17,483</b>



6.2 The balance on reserves at the end of 2020/21 is favourable compared to the estimated balance contained in the MTFs. It was estimated that the balance for earmarked reserves and General Fund would be £22.4m, compared to £32.6m outlined in Table 6. Contributory factors include:

- The receipt of the £5.3m COVID-19 response fund on 27 March 2020 which was identified as un-ringfenced and will be used in 2020/21 to cover the additional cost incurred as a result of the pandemic.
- Improvement on the BCR position in comparison to that outlined in the MTFs and the January BCR report.
- A change in the profiling of commitments on the departmental reserves balances - originally it was anticipated that the majority of this balance would be utilised within 2019/20, but a combination of further grants being received and a change in the timing of planned expenditure has meant that the balance was £3.9m greater than forecast.
- A change in the timing of expenditure relating to transformational activity committed from the Capacity Building Reserve.
- A reduction in the commitment relating to the Northminster car park demolition. A commitment of £2.75m was included within the reserves forecast in July, and over the course of the year a proportion of this has been identified as capital expenditure and funded via the capital programme.

6.3 Despite these favourable movements the overall forecast for reserve balances at the end of 2021/22 has decreased by £2.5m, compared to the MTFs reported to Council in March 2020. This is the result of:

- The £1.6m of credit notes which were issued to the CCG.
- Reduction in the value of capital receipts due to less asset sales as the market reacted to the restrictions from the pandemic.
- Within the MTFs the Council had assumed that the full application for the Capitalisation Direction would be approved by MHCLG, however the approval received was for costs up to £6.9m, £2.1m less than applied.
- The re-profiling of reserve commitments as outline within 6.2, has meant that there is a healthier balance on the reserves at the end of 2019/20, however this expenditure is expected to take place in 2020/21, therefore reducing the reserves balance by the end of the year.

6.4 The earmarked reserves balances are set aside for specific purposes, the table highlights which of these reserves are ring-fenced for specific use, or available for use on change programmes. The Change Programme Funds will be utilised in part over the next financial years to fund the cost of transformational change to support the development of a sustainable and balanced budget.

6.5 The table also indicates what the estimated future reserves balances are, once the planned commitments against these have been undertaken.

6.6 Key reserves movements are as follows:

**Departmental Reserves** - the amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance to minimise risk exposure to the Council in the following financial year. This reserve balance has reduced to £5.0m from £6.9m, this is due to a combination of use of a number of grants which have been received for projects covering multiple years. These include:

- Family Safeguarding Innovation Programme Pilot £1.8m
- Integrated communities £0.9m
- Controlled Migration Fund £0.4m

**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 reduced in 2019/20 to £0.009m, as £0.355m has been utilised in year due to the identification of unfunded costs as a result of work completed on a new Section 75 agreement for children's public health services with Cambridgeshire and Peterborough NHS Foundation Trust. This pressure has now been recognised and factored into future budgets.

**Capacity Building Reserve** - this reserve is held to meet one off costs of service transformation and the delivery of savings within the Medium-Term Financial Strategy (MTFS). A number of transformation programmes have been committed against this reserve including the ICT strategy, Adults Positive Challenge programme and the delivery of savings programmes across the Council, which includes the cost of Grant Thornton, who have been supporting the Council with this work. The reserve has reduced by £2m and has funded the final 2019/20 position, as outlined in Table 1.

**COVID-19 Reserve**- the government have been keen to ensure Local Authorities do not encounter any issues with cash flow. The Council received COVID-19 funding on 27 March 2020. The grant is un-ring-fenced and at this point the Council had incurred little expenditure as a result of COVID-19, therefore it is held in a reserve to support the additional costs incurred 2020/21.

**Grant Equalisation** – this reserve was created in 2015/16, with the purpose of stabilising the budget position, while the government funding received by the Council reduces. The £7.2m was used to support the position in 2017/18, £4.2 in 2018/19 and £3.1m in 2019/20. The remaining balance was transferred to the Capacity Building Reserve during 2019/20.

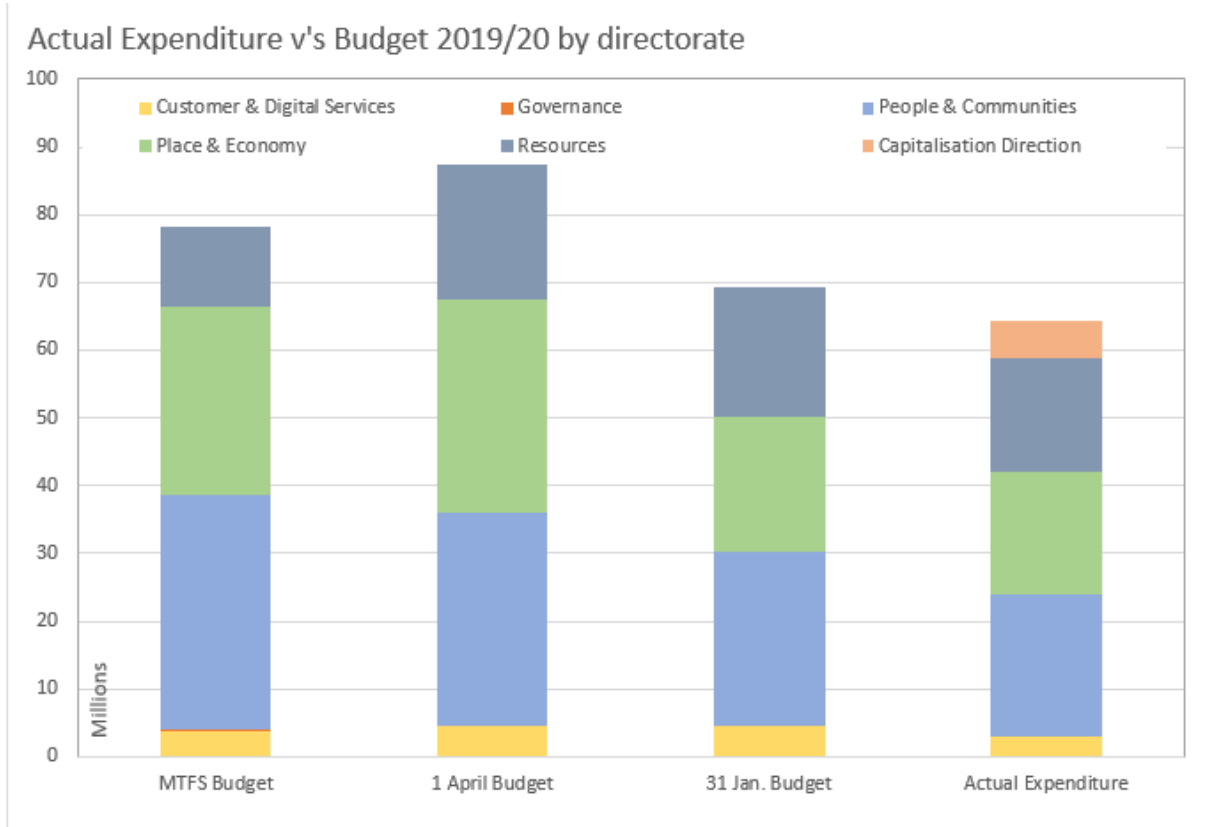
**General Fund** – the general fund level is at £6.0m, however in 2019/20 a timing difference of section 31 grant income associated with Business Rates has been identified which meant income received was £0.889m lower than anticipated within the 2019/20 budget. This amount is expected to be fully received in 2020/21, and therefore the General Fund reserve has been used in 2019/20 to mitigate the variance and will be fully replenished in 2020/21. This was identified within the Budgetary Control Report- May 2019, and reported to [Cabinet on 15 July 2019](#).

## **7.0 FINAL CAPITAL OUTTURN 2019/20**

7.1 This report considers final position of the Council's Capital Programme and the treasury activity for the financial year 2019/20. Treasury activity for the Council during 2019/20 has been compliant with the Treasury Management Strategy approved in March 2019 as part of the MTFS process. This information compliments the Prudential Indicators performance report as set out in Appendix C.

### **Capital Programme Outturn 2019/20**

7.2 The Council's final revised capital budget was £94.2m which includes the budget for the Invest to Save (I2S) Schemes of £24.8m for the 2019/20 financial year. The agreed capital budget as per the Medium Term Financial Plan (MTFS) was £114.1m. The following chart and table shows the movement in capital programme throughout the year with the final position. Capital budgets as agreed for the 2019/20 MTFS (£114.1m), budgets containing slippage from 2018/19 (£124.4m), and the budget as reported at 31 January 2020 (£94.2m). These budgets are then compared to the final expenditure for each directorate and how this investment is financed (£64.3m).



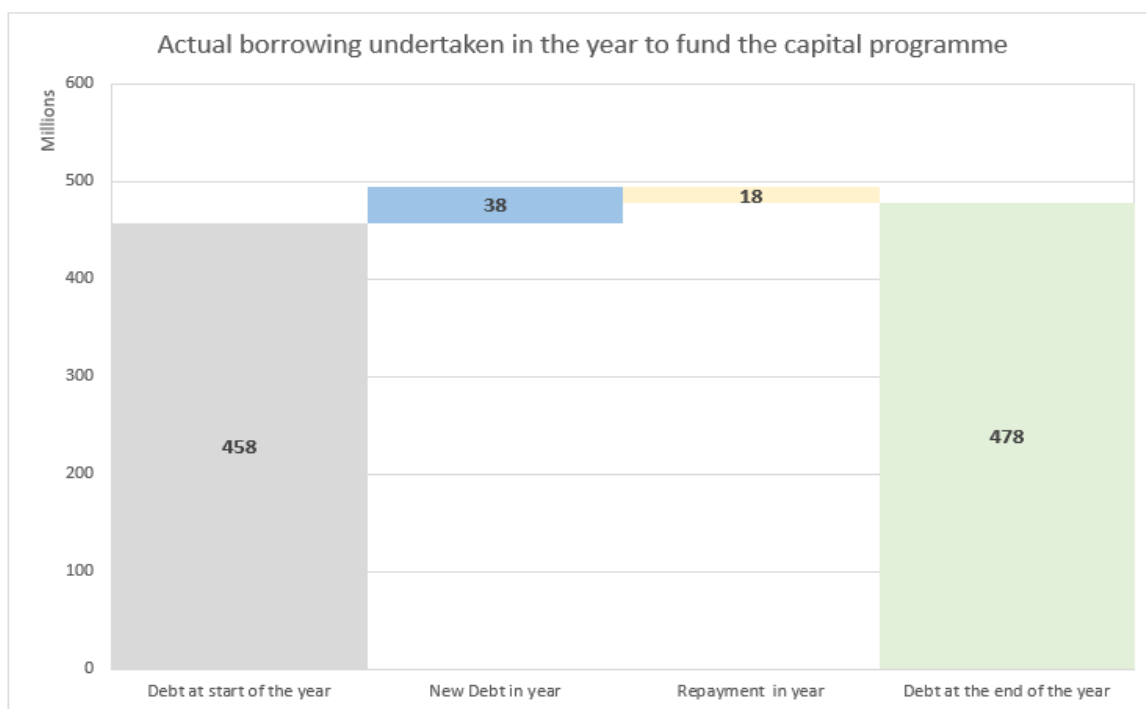
Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Customer & Digital Services	3,800	4,415	4,463	3,026
Governance	90	90	-	-
People & Communities	34,671	31,521	25,715	20,986
Place & Economy	27,873	31,560	20,084	18,066
Resources	11,700	20,051	19,069	16,689
Capitalisation Direction	-	-	-	5,564
<b>TOTAL</b>	<b>78,134</b>	<b>87,637</b>	<b>69,331</b>	<b>64,331</b>
Grants & Contributions	26,826	32,855	34,252	36,225
Capital Receipts	23,150	23,150	23,150	-
Borrowing	28,158	31,632	11,929	28,106
<b>TOTAL</b>	<b>78,134</b>	<b>87,637</b>	<b>69,331</b>	<b>64,331</b>
Invest to Save (100% funded from borrowing)	35,999	36,799	24,849	-

- 7.3 The movement between the MTFS position and the £64.3m actual outturn is a result of the in-depth review of the capital programme by the Capital Review Group (CRG) and Corporate Management Team (CMT) under taken throughout 2019/20 to ensure that the capital programme is both affordable and appropriate and to realise revenue savings to address the forecast overspend reported.
- 7.4 A number of projects across all directorates have been reprofiled to reflect the spending over future years and other projects removed following an enhanced scrutiny process linking to the development of the 2020/21 MTFS. The Capitalisation Direction notification was received late in March 2020 and is included in these outturn figures for 2019/20, the strategy for which is as outlined and approved in the 2020/21 MTFS.
- 7.5 Invest to Save projects have been reduced over the next few years due to no planned expenditure. The two big schemes contained in this budget are the Fletton Quays hotel where the drawn down of the loan has been delayed, and from acquisitions of commercial properties where there were no opportunities became available which met the Council's investment criteria. It should be noted that this does not impact the Council's revenue capital financing budgets as these projects are schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.
- 7.6 Listed below are the material value projects that have slipped into 2020/21 that have contributed to the variance between the revised budget reported at January 2020 and the reported outturn of £64.3m.
- Heltwate Special School - £3.8m
  - Hampton Lakes Primary - £1.7m
  - Marshfields School Expansion - £1.8m
  - Northwestgate Development - £3m
  - North Town Hall Works - £2.1
  - A605 Whittlesey Access – Phase 2 Stanground - £3.2m
  - Safety Fencing Network - £1.4m

### Funding the Capital Programme

- 7.7 In reflection of the Council's Minimum Revenue Provision (MRP) Policy, 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 now used to repay debt as per the MRP policy.

- 7.8 It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the approved Treasury Management Strategy. The Council borrows to fund expenditure for new assets, and for the Capitalisation Direction granted by the Secretary of State.
- 7.9 The Council's total borrowing as at the end of the financial year is £477.6m, and the total interest paid on these loans for the year was £14.7m. The following chart summarise the overall treasury borrowing activity undertaken for the year, and summary details for the Council's debt portfolio.



Borrowings	Less than 1yr	1-2yrs	3-5yrs	6 -10yrs	10+yrs	Total	Ave. Interest Rate	Ave. length of loan
	£000	£000	£000	£000	£000	£000	%	Years
PWLB	-	4,500	20,128	14,520	330,439	<b>369,587</b>	3.5	30
Local Authority	85,500	5,000	-	-	-	<b>90,500</b>	1.0	-
Market Loans	17,500	-	-	-	-	<b>17,500</b>	4.5	26
<b>Total Borrowing</b>	<b>103,000</b>	<b>9,500</b>	<b>20,128</b>	<b>14,520</b>	<b>330,439</b>	<b>477,587</b>	<b>3.0</b>	<b>28</b>
% of total Borrowing	18%	2%	4%	3%	73%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

- 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 As per the MTFs and the Council's MRP policy, capital receipts generated from the sale of Council assets are used to repay debt and therefore form part of the MRP calculation.

7.12 The following table shows the amounts of capital receipts built into the MTFS and the actual capital receipt received in 2019/20. The total amount of capital receipts used to repay debt as per the MRP policy in 2019/20 was £10.9m which included the Bayard Place sale, overage received, and other asset sales completed in the 2018/19 financial year and carried forward for use in 2019/20.

Budget	Assets sold in year	Other receipts	Variance
£000	£000	£000	£000
10,639	823	10,051	(235)

### Investments and Loans to Third Parties

7.13 The Council aims to achieve the optimum interest on treasury investments commensurate 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 appropriate to keep investments short term to cover cash-flow fluctuations, and only invest with Barclays (the Council's banking provider) the Debt Management Office and a Money Market Fund.

7.16 The Council has also secured loans to third parties to advance the Council's strategic interests. The loans are only made after the Council's formal decision-making process has been followed. This includes formal approval by the Acting Corporate Director: Resources.

7.17 As part of the formal decision to make the loan, the security for the loan was assessed as to its adequacy in the event of the third party defaulting on repayment and individual loan agreements provided for the recovery of the capital loan in the event of the default.

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

Third Party Details	Loan Amount	Status
ECS Peterborough 1 LLP	Capital Loan £23.2m	Due in 2020/21
Vivacity	Capital Loan £0.4m	Due in 2024/25

7.19 At the end of the financial year, the Council's external investments totalled £9.7m. 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 £1,989k.

7.20 An unsecured loan of up to £125k to Peterborough Positive, a company set up to establish a Business Improvement District in Peterborough may require to be issued in 2020/21 which was noted by Cabinet on 18 November 2019. This will be issued in accordance with the governance in section 13.2 of the Treasury Management Strategy within the Council's MTFS.

7.21 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 D. For two of the indicators final performance against estimated performance in the MTFS was greater:

- Indicator 3 - this is linked to the capital financing expenditure (as report monthly as part of BCR) where the MRP was greater than budgeted due to the number of assets with shorter lives than originally estimated, and delays with the development of the hotel in Fletton Quays which meant interest receipts were lower than budgeted.

- Indicator 4 - shows the proportion of debt to capital financing requirement. It shows the council to be in an 'under borrowed' position – ie using the strength of the balance sheet to 'internally borrow' in order to keep borrowing costs low. Overall the amount of borrowing taken in year, was lower than estimated but proportionally more when compared to the capital financing requirement.

## **8.0 Consultation**

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

## **9.0 Anticipated Outcomes**

9.1 That the outturn position for 2019/20 is noted.

## **10.0 Reasons for Recommendations**

10.1 This monitoring report forms part of the 2019/20 closure of accounts and decision-making framework culminating in the production of the Statement of Accounts and informs Audit Committee of the final 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 - 2019/20 Revenue Outturn Report
- APPENDIX B - Council Reserve Position
- APPENDIX C - Treasury Management Strategy – Prudential Indicators 2019/20
- APPENDIX D - Performance Monitoring Report Prompt payment of invoices
- APPENDIX E – COVID-19 Financial position

## **14.0 Background Documents:**

- [Budget Book Tranche One 2020/21-2022/23](#)
- [Budget Book 2019/20-2021/22](#)
- [Budget Monitoring Report- Final Outturn 2018/19 \(item 14\)](#)
- [Budgetary Control Report- April 2019- 17 June Cabinet \(item 13\)](#)
- [Budgetary Control Report- May 2019- 15 July Cabinet \(item 7\)](#)
- [Budget Process Report- Council 24 July 2019](#)
- [Budget Process Report Appendix- Council 24 July](#)
- [Budgetary Control Report- June 2019- 23 September Cabinet \(item 9\)](#)
- [Budgetary Control Report- September 2019- 4 November Cabinet](#)
- [Budgetary Control Report- November 2019- 3 February Cabinet \(item 6\)](#)
- [Budgetary Control Report December 2019- 25 February Cabinet](#)
- [Budgetary Control Report January 2020- Published online due to cancellation of Cabinet meeting due to Covid-19](#)
- [Council Taxbase 2020/21 and Collection Fund Declaration](#)

## APPENDIX A – 2019/20 REVENUE OUTTURN REPORT

### Final Departmental position

Budget Group	Budget 2019/20	Cont. from reserves	Revised Budget 2019/2020	Actual Outturn 2019/20	Cont. to reserves	Variance 2019/20	January 20 Variance	Movement
	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executive	205	38	243	223	0	(20)	(3)	(17)
HR	1,321	246	1,567	1,361	0	(206)	(172)	(34)
<b>Total Chief Executives</b>	<b>1,526</b>	<b>284</b>	<b>1,810</b>	<b>1,584</b>	<b>0</b>	<b>(226)</b>	<b>(175)</b>	<b>(51)</b>
Director of Governance	91	33	124	184	0	60	86	(26)
Constitutional Services	1,995	0	1,995	2,057	0	62	35	27
Legal Services	2,036	0	2,036	1,978	0	(58)	(105)	47
Performance & Information	151	38	189	174	0	(15)	(13)	(2)
<b>Total Governance</b>	<b>4,273</b>	<b>71</b>	<b>4,344</b>	<b>4,393</b>	<b>0</b>	<b>49</b>	<b>3</b>	<b>46</b>
Director, OP & JV	482,012	31	514	355	83	(76)	(26)	(50)
Director of Housing	0	67	67	67	0	0	0	0
Development and Construction	121	61	182	228	0	46	32	14
Peterborough Highway Services	3,694	125	3,819	2,576	0	(1,243)	(895)	(348)
Sustainable Growth Strategy	1,533	0	1,533	1,401	0	(132)	(67)	(65)
Waste, Cleansing and Open Spaces	12,160	606	12,766	12,811	0	45	130	(85)
Westcombe Engineering	207	13	220	191	0	(29)	48	(77)
Energy	260	0	260	(145)	0	(405)	(307)	(98)
City Centre Management	287	21	308	854	0	546	538	8
Service Director Environment & Economy	(556)	89	(467)	163	0	630	678	(48)
<b>Total Place &amp; Economy</b>	<b>18,189</b>	<b>1,012</b>	<b>19,201</b>	<b>18,501</b>	<b>83</b>	<b>(618)</b>	<b>133</b>	<b>(750)</b>
Adults	34,671	539	35,210	35,460	0	250	(407)	656
Commissioning & Commercial Operations	17,416	0	17,416	16,925	0	(491)	(199)	(292)
Children's & Safeguarding	10,971	251	11,222	11,070	0	(152)	(25)	(127)
Director	(2,168)	28	(2,140)	1,075	0	3,215	3,570	(355)
Education	3,559	137	3,696	3,475	58	(163)	188	(351)
Communities	7,534	2,262	9,796	9,495	627	326	369	(43)
DSG	(424)	174	(250)	(569)	319	(0)	(0)	(0)
<b>Total People &amp; Communities</b>	<b>71,559</b>	<b>3,391</b>	<b>74,950</b>	<b>76,930</b>	<b>1,004</b>	<b>2,985</b>	<b>3,495</b>	<b>(510)</b>
Children 0-5 Health Visitors	3,702	355	4,057	4,054	0	(3)	0	(3)
Children 5-19 Health Programmes	983	0	983	937	0	(46)	(3)	(43)



Budget Group	Budget 2019/20	Cont. from reserves	Revised Budget 2019/2020	Actual Outturn 2019/20	Cont. to reserves	Variance 2019/20	January 20 Variance	Movement
	£000	£000	£000	£000	£000	£000	£000	£000
Sexual Health	1,942	0	1,942	1,931	0	(11)	(0)	(11)
Substance Misuse	2,198	0	2,198	2,201	0	3	3	0
Smoking and Tobacco	281	0	281	281	0	0	0	(0)
Miscellaneous Public Health Services	1,382	37	1,419	1,457	0	38	30	8
Public Health Grant	(10,621)	0	(10,621)	(10,620)	0	1	1	0
Public Health Department Savings Target	(31)	0	(31)	0	0	31	31	0
<b>Total Public Health</b>	<b>(164)</b>	<b>392</b>	<b>228</b>	<b>241</b>	<b>0</b>	<b>13</b>	<b>61</b>	<b>(48)</b>
Director's Office	199	0	199	209	0	10	13	(3)
Financial Services	6,918	2,994	9,912	6,138	3,678	(96)	(5)	(91)
Capital Financing	21,563	0	21,563	19,437	0	(2,126)	(1,761)	(365)
Corporate Items	7,668	772	8,440	8,742	2	303	288	15
Peterborough Serco Strategic Partnership	7,586	12	7,598	8,788	0	1,190	959	231
Cemeteries, Cremation & Registrars	(1,416)	0	(1,416)	(1,690)	0	(274)	(99)	(175)
Corporate Property	2,161	1,064	3,225	3,325	0	100	260	(160)
<b>Total Resources</b>	<b>44,678</b>	<b>4,843</b>	<b>49,521</b>	<b>44,949</b>	<b>3,680</b>	<b>(893)</b>	<b>(345)</b>	<b>(548)</b>
Director Customer & Digital Services	(486)	0	(486)	(17)	0	469	564	(95)
ICT	6,891	444	7,335	7,004	0	(331)	(31)	(300)
Marketing & Communications	510	51	561	515	0	(46)	(76)	30
Resilience & Health & Safety	341	14	355	281	0	(74)	(70)	(4)
<b>Total Customer &amp; Digital Services</b>	<b>7,256</b>	<b>509</b>	<b>7,765</b>	<b>7,783</b>	<b>0</b>	<b>18</b>	<b>387</b>	<b>(369)</b>
Director of Business Improvement	0	0	0	0	0	0	0	0
Programme Management Office	764	361	1,125	1,071	0	(54)	(55)	1
<b>Total Business Improvement</b>	<b>764</b>	<b>361</b>	<b>1,125</b>	<b>1,071</b>	<b>0</b>	<b>(54)</b>	<b>(55)</b>	<b>1</b>
Asset Sales	(2,821)	0	(2,821)	0		2,821	0	2,821
CCG	0	0	0	1,631		1,631	0	1,631
Capitalisation Direction	0	0	0	(5,564)	0	(5,564)	0	(5,564)
<b>Total Expenditure</b>	<b>145,260</b>	<b>10,863</b>	<b>156,123</b>	<b>151,519</b>	<b>4,767</b>	<b>162</b>	<b>3,503</b>	<b>(3,341)</b>
<b>Financed by:</b>								
Council Tax	(72,127)	0	(72,127)	(72,127)	0	0	0	0
Council Tax - Adult Social Care precept	(5,450)	0	(5,450)	(5,450)	0	0	0	0
NNDR Income	(46,256)	0	(46,256)	(46,233)	0	23	0	23
NNDR Levy	306	0	306	404	0	98	0	98

	Budget 2019/20	Cont. from reserves	Revised Budget 2019/2020	Actual Outturn 2019/20	Cont. to reserves	Variance 2019/20	January 20 Variance	Movement
Budget Group	£000	£000	£000	£000	£000	£000	£000	£000
NNDR S31 Grants	(5,442)	889	(4,553)	(4,770)	0	(217)	0	(217)
NNDR Tarriff	2,424	0	2,424	2,424	0	0	0	0
Revenue Support Grant	(10,246)	0	(10,246)	(10,246)	0	0	0	0
Parish Precept	(672)	0	(672)	(672)	0	(0)	0	(0)
New Homes Bonus	(4,713)	0	(4,713)	(4,713)	0	0	0	0
S31 Grants	0	0	0	(5,494)	5,332	(162)	0	(162)
Contribution from/to Grant Equalisation Reserve	(3,084)	0	(3,084)	(3,084)	0	0	0	0
Contribution from/to Reserves	0	(11,752)	(11,752)	(11,752)	0	0	0	0
Collection Fund - Council Tax	0	0	0	0	0	0	0	0
Collection Fund - NDR	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>(145,260)</b>	<b>(10,863)</b>	<b>(156,123)</b>	<b>(161,713)</b>	<b>5,332</b>	<b>(258)</b>	<b>0</b>	<b>(258)</b>
<b>Net</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(10,194)</b>	<b>10,099</b>	<b>(96)</b>	<b>3,503</b>	<b>(3,599)</b>

### Explanation of departmental variances in comparison to the January 2020 Position:

Dep	Variance Change	£000
	<b>January 2020 position</b>	<b>3,503</b>
CeX	Further Staffing savings within the Human Resources Department as a result of the early delivery of savings plans.	(32)
GOV	Additional costs due to increased case volumes within the Child Protection Legal Team.	47
P&E	Additional interest income from the extension of the Loan to Empower Loan.	(100)
P&E	Further Pressure in relation to the wholesale electricity prices obtained from the sale of electricity produced at the Energy for Waste(EfW) plant.	164
P&E	Underspend in relation to an insurance rebate received in respect of the EfW plant, following a recent review.	(250)
P&E	Further Network Management income generation within Peterborough Highways Services (PHS)	(225)
P&E	Further savings within the Peterborough Highways Service (PHS) as a result of a reduction in uptake of concessionary fares, income as a result of services provided to other authorities and the identification of costs to be treated as capital expenditure.	(160)
P&E	Further staffing savings within Development and Construction	(89)
P&E	Additional pressure due to a shortfall on planning fee income	103
P&E	Additional Income of has been generated within Sustainable Growth Strategy as a result of services to other local authorities.	(123)
P&C	Adults- Pressure on the Independent Sector Placement Budget due to additional pressures. Underspend on mental health services due to some instances where the social care responsibility was discharged	1,044
P&C	Underspend on Childrens social care placements and the permanency service	(193)
P&C	Recharging costs to the Dedicated Schools Grant (DSG) to better reflect the cost of providing services to DSG related activities.	(347)
P&C	Additional savings across the Childrens as a result of implementing the recruitment and spending controls.	(70)
P&C	Reduction in the Home to School transport pressure.	(105)
P&C	PFI Insurance rebate.	(268)
	Additional savings across the Adult Social Care teams as a result of implementing the recruitment and spending controls	(480)
P&C	Housing Needs improvement due to reduced temporary accommodation requirement	(134)
P&C	Additional income from Parking charges.	(114)
P&C	Regulatory Services- underspend from implementing spending and recruitment controls.	(149)
P&C	Targeted Youth Services- early deliver of savings, via the implementation of a staffing/service restructure.	(140)
P&C	Coroners Service- pressure due to additional demand as a result in a rise of unexplained and sudden deaths and inquests.	98
P&C	Enforcement (including PES, Parking and CCT) - Under recovery of income and achievement of savings.	169
RES	Improvement within the capital financing budget (excluding the reduction in Capital receipts, as a result of asset sales as this has been highlighted as an exceptional item)	(424)
RES	Further pressure on the Housing Benefit subsidy budget	296
RES	Cemeteries, Cremation & Registrars- additional income due to an increase in registration fees and burial income.	(175)
RES	Additional Property income	(199)
CID	Reduced expenditure on the third-party software within the ICT budget.	(300)
	Other minor variances across the Council	(73)
	<b>Outturn position</b>	<b>1,274</b>

Full explanation of the overall variances are highlighted in Sections 1-9.

## Explanation of Key Departmental Outturn Variances:

### 1. **Chief Executives - £0.226m Underspent**

This underspend is mainly attributable to the early delivery of savings within the Human Resources Team. This is the result of removing vacancies, career regrades, maternity leave and an underspend on supplies and services budgets across the directorate.

### 2. **Governance – £0.049m overspent**

The overall position for the directorate includes the remaining balance of £0.113m against a savings target of £0.298m, which was set as part of the budget realignment exercise.

#### **Constitutional Services- £0.062m overspent**

As a result of the General Election in December 2019, there are costs for items such as security, catering and accommodation for officers fulfilling the Deputy Returning Officer (DRO) roles, which the Council are unable to seek reimbursement from the Government for and therefore have caused a £0.052m pressure.

#### **Legal Services- £0.058m Underspent**

Additional income £0.164m has been achieved in Legal Services through the negotiation of a new Service Level Agreement with Rutland and Fenland local authorities. However, this has been offset by pressures in other areas such as £0.081m within the Child Protection Legal Team, due to an increase in the volume of cases.

### 3. **Place and Economy - £0.618m Underspent**

#### **Development and Construction- £0.046m Overspent**

A shortfall in planning fee income of £0.235m was experienced with various other staffing and supplies and services totalling £0.189m offsetting this.

#### **Peterborough Highways Services- £1.243m Underspent**

- The Highways Development has generated additional Section 278 and Section 38 income from developers and delivered savings on professional services and contractors totalling £0.453m;
- Additional permit income £0.454m arising from extra work relating to the City Fibre network;
- Additional income generated from services provided to the Cambridgeshire and Peterborough Combined Authority (CPCA)
- There is a saving of £0.265m on the Concessionary Fares budget due to reduced uptake;
- These savings are offset by an overspend on employee costs totalling £0.157m which relates to the under delivery of shared services savings targets, factored into the MTFS.

#### **Sustainable Growth Strategy - £0.132m Underspent**

Additional income of £0.123m has been generated within this area as a result of several Service Level Agreements to provide services to other local authorities.

### **Waste, Cleansing and Open Spaces- £0.045m Overspent**

- The cost of waste treatment was £0.123m lower than budgeted;
- There has been a reduction in the wholesale electricity prices obtained from the sale of electricity produced at the Energy for Waste plant. These were budgeted based on the higher prices experienced in the previous financial year, this reduction led to a final outturn pressure of £0.544m.
- The Council have received a £0.250m insurance rebate in relation to the Energy for Waste plant. This was following a review of the risks experienced over the last three years.

### **Energy- £0.406m Underspent**

The Council has received additional income of £0.613m from the Empower loan due to a further extensions. However, offsetting this is £0.200m of costs in relation to legal and consultants' fees associated with the refinancing of the scheme.

### **City Centre Management- £0.546m Overspent**

- A pressure relating to a reduction in income generated through stall rental at the Market £0.100m;
- The cancellation of the Perkins Great Eastern Run (PGER) has generated an overspend of £0.160m as ticket sales were refunded and costs incurred;
- Other variances relating to Pedestrian Area Income, the Christmas lights, Information Centre, and Business Improvement District (BID) project costs equated to £0.286m of pressures.

### **Service Director Environment & Economy- £0.630m Overspent**

The position includes a £0.651m balance against a savings target of £1.530m, which was set as part of the budget realignment exercise.

## **4. People and Communities - £2.985m Overspent**

### **Adults- £0.250m Overspent**

- There is a favourable variance of £0.218m on mental health services due to some instances where the social care responsibility was discharged by the CPFT.
- Increased staffing savings of £0.173m within the Therapy, reablement and 0-25 service team, as a result of holding vacancies and following the spend and recruitment controls;
- The Independent Sector Placements (ISP) budget is overspent by £1.117m. This relates to £0.625m of invoices relating to costs incurred in 2018/19 being received and paid for in this financial year, £0.236m of costs associated with reablement, and £0.108m of additional costs associated with Cherry Lodge.
- Additional savings of £0.481m across the Adult Social Care teams as a result of implementing the spending controls was realised. The service has reduced hours and the use of agency, reduced expenditure of supplies and services and held vacancies or delayed recruitment.

### **Commissioning and Commercial Operations- £0.491m Underspent**

There is a £0.443m underspend on Childrens Social Care placements and the permanency service, this is due to the costs coming in less than budgeted for.

### **Childrens & Safeguarding- £0.152m Underspent**

- There is a pressure of £0.098m within the Children's Social Care service, in relation to the transfer back of the Fostering and Adoption teams to the Council from TACT.
- There is £0.250k of favourable variances across this service as a result of reducing the cost of agency, staffing and supplies and services through the recruitment and spend controls.

### **Director- £3.215m Overspent**

- The final position includes a £3.588m balance against a savings target of £5.876m, which was set as part of the budget realignment exercise.
- There is a £0.347m favourable variance following a review of costs, which was completed in year and allocations amended to better reflect the cost of providing services to DSG related activities.

### **Education- £0.163m Underspent**

- There is a pressure of £0.249m on the Home to School and Children's Social Care Transport budget. This is the result of new contracts and price increases to current contracts. The cost of providing this provision is affected by demography of the home and school locations and the number of children requiring transport, which has increased due to the rise in the number of children with an Educational Health Care Plans (EHCP).
- An underspend of £0.268m is reported against the PFI budget, which relates to a PFI insurance rebate covering the period September 2017- August 2019.

### **Communities- £0.326m Overspent**

- The temporary accommodation budget overspent by £0.344m, a £0.134m improvement on the position previously reported in January. This pressure relates to an increase in homeless presentations, peaking earlier in the year when there were 416 households in temporary accommodation, 110 of which were in Bed and Breakfast. The recruitment of a housing specialist, and the continued approach to developing a portfolio of housing supply to meet this demand, the Council has experienced improvements in the numbers of households in temporary accommodation, and have reduced the number of households in Bed and Breakfast to just one as at 31 March 2020. Offsetting this is an underspend on staffing, and supplies and services costs within the housing needs team totalling £0.133m.
- The Parking Services budget was flagged as having significant pressure on its income targets earlier in the year, as a result of a change in usage by motorists and the demolition of the Northminster Car Park. This was incorporated within the budget re-alignment exercise, however by the end of the year income generated a surplus compared to budget of £0.114m.
- A pressure of £0.169m on the enforcement services relates to the under recovery of fine income and a shortfall on the CCTV savings.
- There is an overspend of £0.098m within the Coroners service due to a higher volume of investigations into sudden and unexplained deaths and inquests. This pressure has been increasing over a number of years and under the Coroner and Justice Act 2009 Local Authorities are required to provide the necessary staffing and other resources to enable HMC to fulfil their duties under the Act. The Council has little control over these additional costs. Activity is being monitored however it is anticipated this pressure will continue into next financial year.

- An underspend is reported within the Targeted Youth Services Team of £0.140m, this is due to staffing saving as a result of the early delivery of restructure savings.
- An underspend of £0.149m is reported across the Regulatory Services Teams, this is the result of spending and recruitment control on salary and supplies and services budgets.

#### 5. **Public Health- £0.013m overspent**

Minor variances reported across the directorate.

#### 6. **Resources- £0.893m Underspent**

##### **Capital Financing and Capital Receipts- £2.126m Underspent**

The final outturn for capital financing was impacted in the middle of March as the global COVID-19 crises hit the UK, with the sale of the football club unable to be completed by the end of the financial year. The loss of these sale proceeds has been mitigated in part through:

- Less borrowing undertaken for the capital programme in 2018/19 than budgeted for in the MTFS resulting in less budget being required to fund existing borrowing in 2019/20;
- The council has been able to benefit from interest rates experienced for new borrowing being lower than those forecast at the time the MTFS was set. However, the council amended its borrowing approach during the year by taking shorter period loans for new debt to mitigate the impact of the Treasury announcement that increased the interest rate for Public Works Loan Board (PWL) by one percentage point. This approach led to a more favourable position against the forecast outturn.
- Capital programme reviews, and management action over the timing of project completion, enabled forecast for borrowing and timings to be more realistically estimated and savings derived.
- Following clarification discussions with the Council's external auditors, regarding the timing of the recognition of asset sale income, the sale of assets relating to the stock transfer to Cross Key Homes has been recognised during this financial year.
- The underspend position was offset by the level of interest receipts forecast to be generated from loans the council had issued has been reduced from those contained in the MTFS as a result of the early repayment of loans from a housing association received at the end of 2018/19 and the delay in the drawdown of the loan granted to the hotel build in Fletton Quays;

##### **Corporate Items - £0.303m Overspent**

This pressure is mainly the result of a reduction in direct revenue funding (DRF) of £0.250m. This is due to a shortfall in the value of schools funding being transferred from revenue into capital due to the number of schools converting to academy status.

##### **Peterborough Serco Strategic Partnership (PSSP)- £1.190m Overspent**

- Within the BCR reporting throughout the year, the risk that ADP (Annual Delivery Plan) costs which is currently costing the Council £0.065m per month, would create an adverse variance against the budget unless costs were switched off or charged to a budgeted project. Within the outturn variance there are eight months of cost of £0.521m which relates to August 2019 to March 2020 (April 2019 –July 2019 was funded through budget realignment exercise). In addition, there are BTSI variable costs that have been charged to the PSSP cost centre on a monthly basis and are included in this variance of £0.472m for costs from April 2019-



March 2020. Following receipt of a breakdown from Serco there was a re-allocation of costs to project budgets, totalling £0.582m. Therefore, the total ADP/BTSI costs remaining within Resources Directorate is £0.411m.

- There is a pressure of £0.796m in relation to Housing Benefit (HB). The Council had been receiving and budgeting for additional income from recovering HB overpayments. Incidences of overpayment are now reduced, as rent allowance payments and housing subsidy both reduce in line with the roll-out of Universal Credit. There is an improvement on the collection of more recent arrears, but there are other arrears which are older and proving challenging to collect, and therefore increasing the level of bad debt provision required, this creates a revenue pressure for the Council. The 2020/21 budget has been amended to reflect the revised level of HB, therefore there should be no further pressure pressures reported.

#### **Cemeteries, Cremation & Registrars- £0.274m Underspent**

This underspend relates to additional income generation as a result of statutory price increases on the sale of certificates from the registration service and additional burial income.

#### **Corporate Property- £0.100m Overspent**

- The main overspend in this area are relates to legal costs of £0.137m and the use of temporary staffing totalling £0.063m. This was in relation to purchased and leased properties as part of the reducing Homelessness project.
- However, offsetting this pressure is additional income of £0.199m across the Councils property portfolio.

### **7. Customer and Digital Services - £0.018m Overspent**

#### **Director Customer & Digital Services - £0.469m Overspent**

- The final position includes a £0.562m savings target which was set as part of the budget realignment exercise.
- The Council received three £0.105m Brexit grants to support the council's preparation and planning for leaving the European Union, across the financial years 2018/19 and 2019/20. These grants have been used to procure specialist expertise and advice; however, Council officers and the Director of Customer and Digital have absorbed a work supporting these preparations within their own roles, therefore £0.095m of the grant has been unused.

#### **ICT- £0.331m Underspent**

- There is a £0.351m favourable outturn on the third-party software budget. This is due to the Council incurring lower than budgeted costs in relation to Microsoft 365, Salesforce licenses and Google licenses as the transfer to Microsoft was finalised quicker than originally expected.
- There is a £0.118m pressure off setting this, which relates to capital financing charges for ICT work, which were not budgeted for.

### **8. Business Improvement – £0.054m Underspent**

The underspend of £0.054m has been delivered via the early delivery of savings plans, through a staff restructure within the Programme Management Office.



**9. Financing- £0.258m Underspent**

An additional income £0.140m from business rates during 2019/20, results from a redistribution of overpaid levies from previous years amounting to £40m at a national level of which £0.140m was received by Peterborough. The redistribution was based on an assessment of need.

## Appendix B: Council Reserves Position

Summary of Reserves	Balance C/Fwd 1.4.19 £000	Cont from Reserve in 2019.20 £000	Cont to Reserve in 2019.20 £000	Movement between Reserves £000	Est Balance at 31.03.20 £000	Est Balance at 31.03.21 £000	Est Balance at 31.03.22 £000
<b>General Fund Balance</b>	<b>6,000</b>	<b>(889)</b>	<b>-</b>	<b>-</b>	<b>5,111</b>	<b>6,000</b>	<b>6,000</b>
<b>Usable Reserves</b>							
Capacity Building Reserve	14,973	(7,022)	3,774	1,268	12,992	6,281	6,281
Grant Equalisation Reserve	4,214	(3,084)	-	(1,130)	-	-	-
Departmental Reserve	6,890	(2,443)	768	(138)	5,077	1,147	1,147
Covid-19 Reserve	-	0	5,332	-	5,332	-	-
	<b>26,076</b>	<b>(12,549)</b>	<b>9,874</b>	<b>-</b>	<b>23,401</b>	<b>7,429</b>	<b>7,429</b>
<b>Ring-Fenced Reserves</b>							
Insurance Reserve	3,398	(325)	-	-	3,073	3,073	3,073
Schools Capital Expenditure Reserve	482	(49)	319	-	752	752	752
Parish Council Burial Ground Reserve	54	-	2	-	56	56	56
Hackney Carriage Reserve	226	(53)	-	-	173	173	173
Lease Consolidation Reserve	615	(615)	-	-	-	-	-
Public Health Reserve	364	(355)	-	-	9	0.00	0.00
	<b>5,140</b>	<b>(1,398)</b>	<b>321</b>	<b>-</b>	<b>4,063</b>	<b>4,054</b>	<b>4,054</b>
<b>Total Available and Ring-Fenced Reserves and General Fund Balance</b>	<b>37,217</b>	<b>(14,836)</b>	<b>10,195</b>	<b>-</b>	<b>32,575</b>	<b>17,483</b>	<b>17,483</b>

## Appendix C - Treasury Management Strategy Prudential Indicators Outturn 2019/2020

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

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

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

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

The outturn for the Prudential Indicators for the financial year are detailed below. The indicators include the Invest to Save schemes. The costs of borrowing associated with these schemes will be offset by the income or savings generated by these projects. The updated 2019/20 Prudential Indicators are shown below and the Council's performance to date against them.

### 1. Indicator 1: Capital Expenditure

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

Capital Expenditure	2019/20 Indicator £m	2019/20 Actual £m
Capital Expenditure	76.5	58.8
Capitalisation Direction	-	5.6
Invest to Save	37.6	-
<b>Total</b>	<b>114.1</b>	<b>64.3</b>

The actual capital programme expenditure outturn is £64.3m which is lower than the MTFS indicator due to a number of projects across all directorates being reprofiled to more accurately reflect the spending over future years and other projects removed as part of an enhanced scrutiny process linked to achieving additional savings in 2019/20 to mitigate the forecast overspend during the year and as part of the development of the 2020/21 MTFS.

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

### 2. Indicator 2: Capital Financing Requirement (CFR)

The CFR measures the Council's underlying need to borrow money in the long term for capital purposes. Any capital expenditure which has not immediately been paid for will increase the CFR.

Capital Financing Requirement	2019/20 Indicator £m	2019/20 Actual £m
CFR b/fwd	606.3	577.4
Underlying Need to Borrow	30.6	11.3
Underlying Need to Borrow - Invest to Save	17.6	-
<b>Total CFR C/fwd</b>	<b>654.5</b>	<b>588.7</b>

### 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 9.5% is reflected in the explanatory text for capital financing as contained in the Appendix A. In summary this is a result of the minimum revenue provision being greater than budgeted due to the amount of assets being funded from borrowing which are shorter life ie ICT related assets. It reflects the reduced interest income received in the year compared to the original budget which reflects the delay in the loan for the hotel being drawn down.

<b>Ratio of net financing costs to net revenue stream</b>	<b>2019/20 Indicator</b>	<b>2019/20 Actual</b>
Total Ratio	8.9%	9.5%

### 4. Indicator 4: Proportion of Gross Debt to the Capital Financing Requirement (CFR)

This indicator shows the proportion of the Council's external borrowings (Gross Debt) against the CFR. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

<b>Proportion of Gross Debt to the CFR</b>	<b>2019/20 Indicator £m</b>	<b>2019/20 Actual £m</b>
CFR	654.5	588.7
Gross Debt (inc PFI & Leases)	<b>570.4</b>	<b>527.4</b>
% of Gross Debt to CFR	87.1%	89.6%

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

### 5. Indicator 5: The Operational Boundary

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

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

<b>Operational Boundary</b>	<b>2019/20 Indicator £m</b>	<b>2019/20 Actual £m</b>
Borrowing	618.6	477.6
Other Liabilities (PFI & Leases)	52.0	49.8
<b>Total Operational Boundary</b>	<b>670.6</b>	<b>527.4</b>

## 6. Indicator 6: The Authorised Limit

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is “prudent”.

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

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

<b>Authorised Limit</b>	<b>2019/20 Indicator £m</b>	<b>2019/20 Actual £m</b>
Borrowing	733.5	477.6
Other Liabilities (PFI & Leases)	52.0	49.8
<b>Total Authorised Limit</b>	<b>776.0</b>	<b>527.4</b>

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

## 7. Indicator 7: Fixed Interest rate exposure

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

<b>Upper limit for fixed rate exposure</b>	<b>2019/20 Indicator £m</b>	<b>2019/20 Actual £m</b>
Upper Limit	777.3	477.6
% 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

<b>Upper limit for variable rate exposure</b>	<b>2019/20 Indicator £m</b>	<b>2019/20 Actual £m</b>
Upper Limit	194.3	0.0
% of variable interest rate exposure	25%	0%

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

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

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The borrowing that the Council has actually taken is £457.6m (shown in the indicator below).

Period	Upper Limit Indicator	Actual Borrowing	Actual Borrowing £m
Under 12 months*	40%	18%	103.0
1 – 2 years	40%	2%	9.5
2 – 5 years	80%	4%	20.1
5 – 10 years	80%	3%	14.5
Over 10 years	100%	73%	330.5
<b>Total Borrowing</b>			<b>477.6</b>

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

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

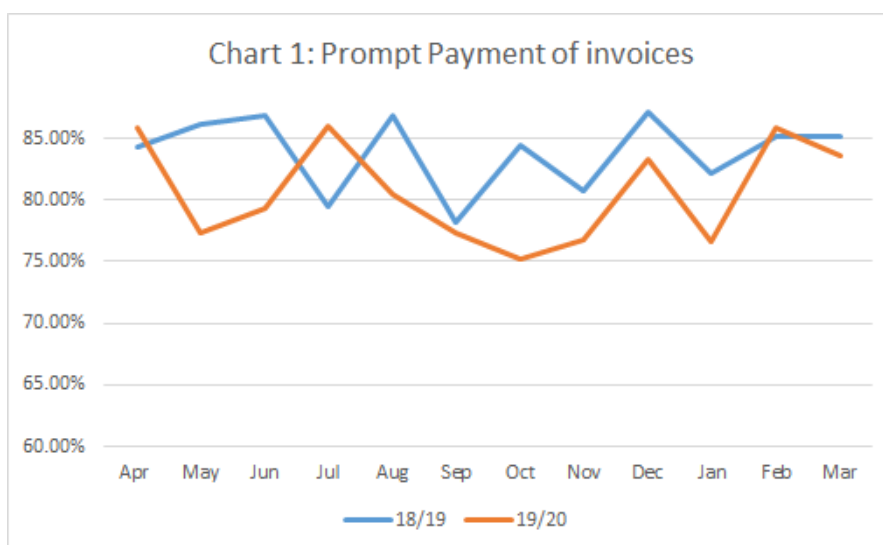
Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

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

	2019/20 Indicator £m	2019/20 Actual £m
Principal sums invested >364 days	0.0	0.0

## Appendix D – Performance Monitoring Prompt Payment of Invoices (Invoices paid within 30 Days)

- 1.1. The cumulative position on prompt payment of invoices paid in 30 days (based on invoice date, rather than received date) as at 31 March 2020 was 80.8% which is 3.1% down on the previous year's performance of 83.9%. This can be explained by the number of historic invoices that were resolved and paid (after long periods of dispute). The performance measure was also impacted mid-year when Peterborough Limited (PL) went live. This was prior to the designated resources being in place for the new entity and therefore there was an impact on the AP team (due to the late decision by PL to request Serco to deliver their AP service). The performance for 2019/20 is shown alongside the equivalent 2018/19 figures within chart 1
- 1.2. Within the last financial year system workflow has been improved and tightened to help drive better compliance. Childrens Services payments (for foster carers and young persons) now go through an interface and there is work in progress to automate more Adult Social Care payments. The Accounts Payable team continue to work closely with procurement to ensure adherence to on boarding rules, and Peterborough City Council (PCC) to ensure that suppliers are paid quickly, wherever possible



- 1.3. In 2019/20 a total of 70,231 invoices were paid, of which 56,773 were paid within 30 days (based on invoice date, please see earlier)

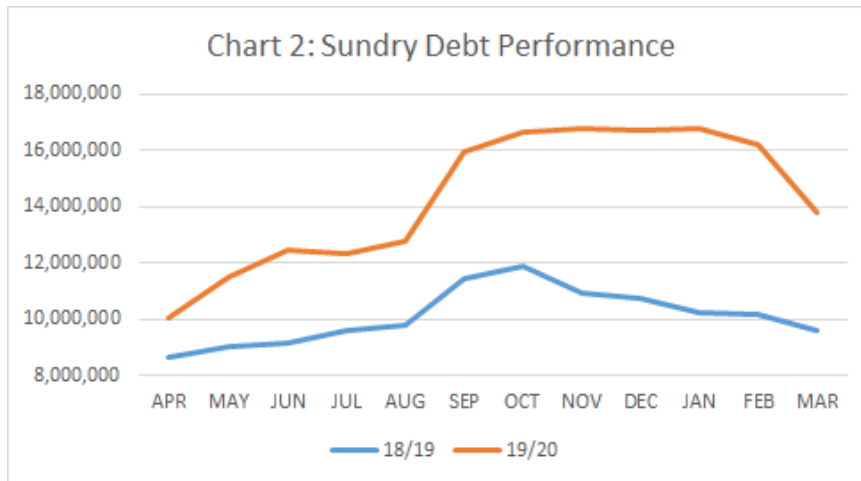
The total value of payments made was £322m of which;

- £320m was paid by either BACS or CHAPS
- £1.3m was paid via cheque (700 payments)
- 69k of the total payments were made electronically (via BACS or CHAPS), which equates to 99.00% of invoices

## 2. Sundry Debt Performance

- 2.1. The total outstanding sundry debt in excess of 6 months old (as at 31 March 2020) was £13.8m in total and is set out in Chart 2 (alongside the comparative figures for 2018/19). Of this £13.8m figure, a total of £10.0m, or 72.6%, was in respect of the NHS/ CCG debt (these latter figures are up by £4.0m, or 9.5% from the previous year). It should be noted however that £3.9m of

NHS/CCG payments are unallocated due to the poor quality of information on remittances that have been submitted with the payments (this value is not included in the above)

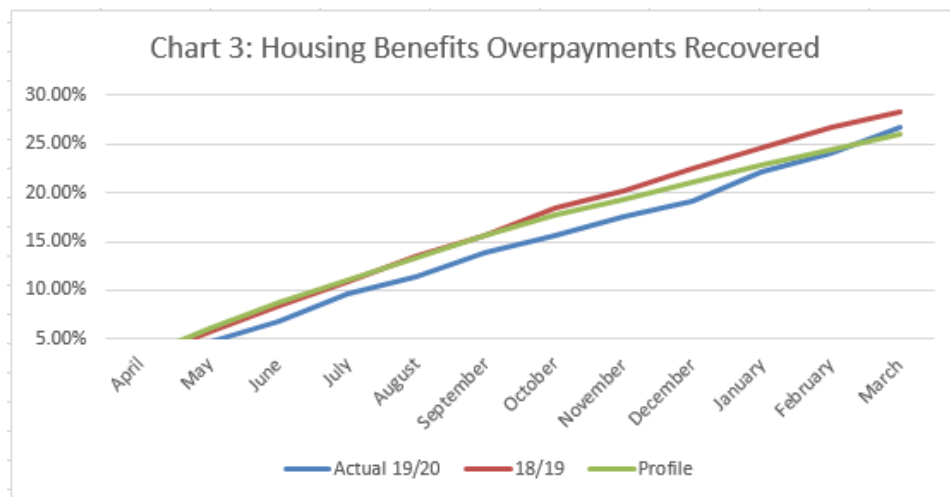


2.2. The top 20 debts owed to the Council at 31 March 2020, and which were more than 30 days old, totalled £1.9m of which £1.4m were for the NHS/ CCG. A review of the end-to-end sundry debt recovery process remains ongoing and in conjunction with Cambridgeshire County Council (CCC). One of the outcomes of this work will be the introduction of more control at the billing stage (with the PCC budget managers becoming more involved). This will improve accuracy and ensure evidence is in place to support latter stage recovery action (should it be required). In turn closer working between Serco’s Sundry Debt team, and PCC directorates continues to be positively developed

2.3. In 2019/20 a total of £66.5m was raised, whilst £64.7m was collected (across all years). The difference between the two being £1.8m, which is made up of credit notes of £824k, write-offs of £747k and adjustments. The two ‘aged debt’ projects are winding down now. At the end of 2019/20, a total of £405k had been collected across the two initiatives

### 3. Housing Benefit Overpayments

3.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2019/20 (and the 2018/19 figures).

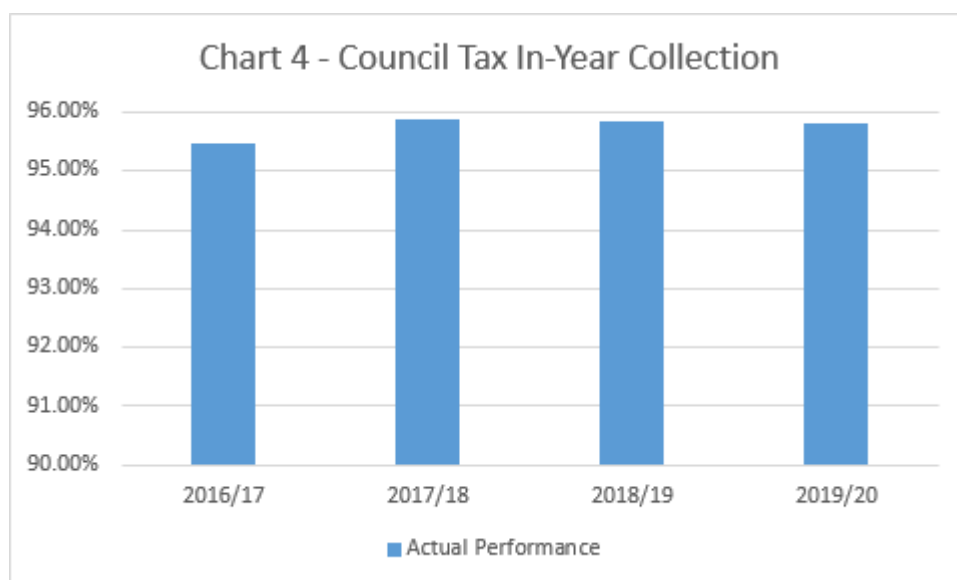




- 3.2. Housing benefit overpayment collection as at the 31 March 20 was 26.70% which is above the target of 26.0% but 1.68% lower than the figure for March 2019 (28.38%). The amount of debt carried forward from 2018/19 was just over £7.5m and the amount of newly identified debt in 2019/20 was £1m lower than 2018/19. As a result, the age profile of the debt was much older.
- 3.3. The value of debt collected in 2019/20 was 135% of the value of the debt raised in year, only the second time this has been above 100% (2018/19 was 110%).
- 3.4. Overall overpayments are reducing for a few reasons, the main ones being that:
- a) Benefits processing is significantly more up to date that it has been historically, leading to fewer overpayments caused by delays in processing;
  - b) Recent data matching of earnings with DWP and HMRC has led to claims being more promptly updated when changes occur; and
  - c) Universal credit is reducing the caseload of Housing Benefit claims. The reduction in identification of new debt is of overall benefit to the council but does mean the achievement of the KPI becomes increasingly difficult.
- 3.5. Further resource has been assigned to the oldest debt in 2019/20. An additional £0.34m has been collected as a result, and work on this will continue into 2020/21.

#### 4. Council Tax and Non-Domestic (NDR) Rates Collection

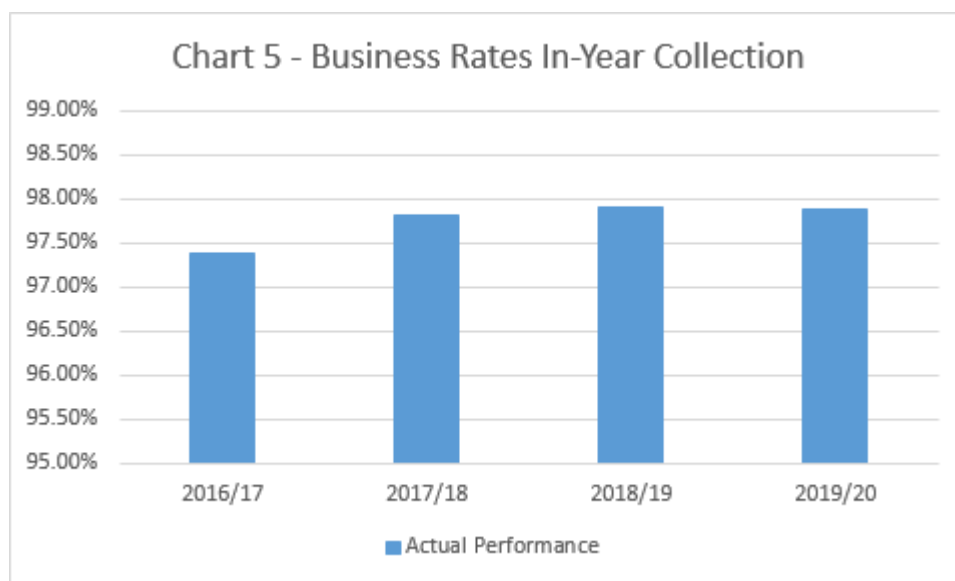
- 4.1. Chart 4 shows the performance for the collection of Council Tax over the last four years. In-year council tax collection at 31 March 2020 was 95.81%, which is 0.02% less than the amount collected by this stage in 2018/19.



- 4.2. The amount of Council Tax arrears collected by the 31 March 2020 was 15.06%, achieved against a target of 14.31%. The arrears performance has benefited from the continuation of stringent recovery action during 2019/20, including the utilisation of enforcement agents where appropriate.

4.3. Administration of the Council Tax Support scheme continues to be challenging, affecting overall council tax collection rates. The continued roll out of Universal Credit is further adversely affecting collection due to the multiple changes incurred throughout the year, delaying recovery of the remaining debt. Changes have been made to the scheme in 2019/20 to reduce expenditure (forecast to be approximately £0.300m), although this will increase pressure on recovery. Further changes have been made for 2020/21 and it will continue to be reviewed to modernise the scheme, reduce administration costs and simplify the scheme for claimants.

4.4. Chart 5 shows the performance for the collection of Non-Domestic Rates over the last 4 years. To date, the in-year collection of Non-Domestic Rates as at 31 March 2020 was 97.89%, which is 0.01% lower than achieved in 2018/19. Achievement would have been higher during this year but was impacted by a higher than normal insolvency rate in addition to some businesses not making agreed payments as a result of COVID-19.



4.5. Temporary additional resources employed in the business rates team in addition to targeted work on the debt lists and the continuing recovery action through enforcement agents, supported the achievement of the collection target. Business rates collection continues to remain challenging due to increasing use of avoidance tactics.

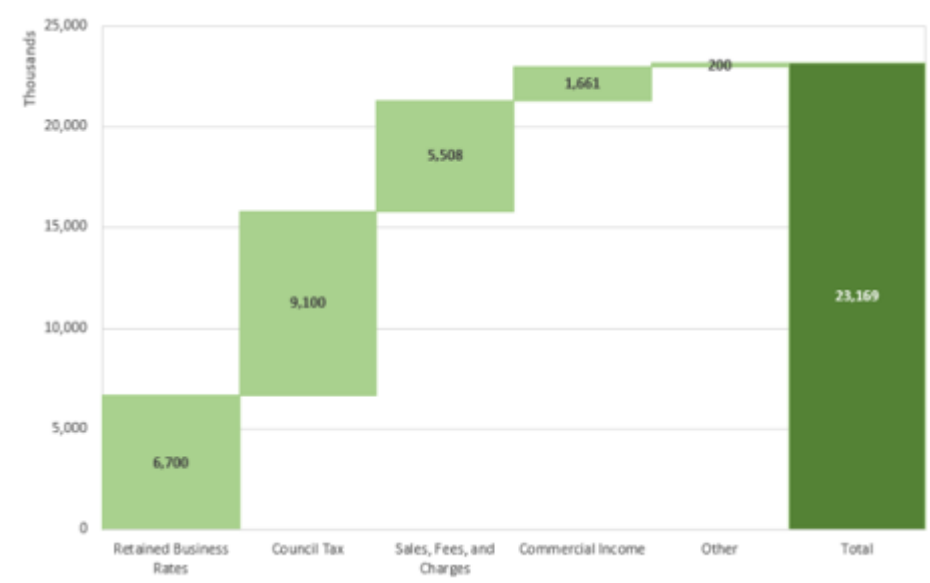
4.6. During 2019/20 the business rates team also implemented the three new discretionary schemes announced in the Spring Budget which benefited small business, public houses and those rate payers most impacted by the 2017 revaluation.

4.7. In terms of Non-Domestic rates arrears, the amount achieved was 51.89% during 2019/20 against a target of 30.00%.

## Appendix E- COVID-19 Financial Position

- 1.1 The post pandemic financial resilience of the Council and Local Government in general, is anticipated to be significantly at risk. It is expected that some of the additional costs incurred throughout the response to the pandemic will be difficult to reverse and will increase the Council's expenditure base, at least in the medium term. The recovery of income levels will also prove challenging for the Council. The Council currently heavily relies on income generated from Council Tax and Business Rates, due to the steep reductions in Revenue Support Grant (RSG).
- 1.2 Council Tax income will be effected by a rise in Local Council Tax Support claims, collection rates are expected to be much lower than assumed within the Council Tax base, on top of general growth being much lower due to pause placed on most construction and house building activity. Business Rates income is expected to come under similar pressure, despite the reliefs and grants provided to date by the government. These grants and reliefs will not save all businesses and inevitably as the Chancellor states '*not all businesses can be protected*'. It is likely that there will be business closures and difficulties in collecting prior and future Business Rates income.
- 1.3 The Council is forecasting a devastating reduction in the level of income generated, not only from Business Rates and Council Tax, but other key streams such as parking charges, planning fees, commercial property rental income and other fees and charges across all service. The following chart outlines that the anticipated loss of income could reach £23.2m, dependant on how long the pandemic lasts.

**Chart 1: Summary of Expected Income Reductions**



*\*Note- Although the chart shows Council Tax and business Rates income reduction in 2020/21 this will impact on the Councils Budget in 2021/22, and the Councils cashflow in 2020/21*

- 1.4 The Council is also facing financial pressure due to meeting an additional £7m of estimated costs associated with COVID-19. Some of these costs include providing:
- Additional staffing and agency cover;
  - Protective Personal Equipment (PPE) for front line staff;
  - Enhanced technology to support agile working and communication, even in care facilities and highways roles;

- Accommodation for rough sleepers to ensure they can self-isolate safely;
- Set up costs for a temporary mortuary;
- Additional Childrens social care placements;
- The Coordination Hub, including the cost of supplying, storing and distributing food to those in the community that have been identified as vulnerable.
- The Council recently agreed to [10% uplift for organisations who provide Adult Social care](#), recognising the tremendous pressure they face because of COVID-19. This will cost an additional £0.450m per month and has initially been agreed until the end of June.

1.5 The Government have announced several initiatives and support to be delivered to and through Local Government. These include additional funding to the Council, Businesses and individuals, and have been outlined within Table 1. The Government has also provided Local Authorities with advance payments of the RSG and allowed the ability for Council to defer up to £2.6 billion (three months' worth of payments) in business rates payments to central government until July. This is in acknowledgement by the Government that Council's cashflow may be put under strain in the coming months as a result of providing additional vital services in response to the pandemic, combined with a sharp loss of resources.

1.6 The Ministry of Communities and Local Government (MHCLG) has requested regular financial reporting from local authorities, so they can assess the most up to date position across Local Government. The Department for Business, Energy & Industrial Strategy (BIES) are also requesting weekly reporting on the delivery of grant payments to businesses to ensure the support is reaching businesses efficiently. As Mentioned in section 1.4 the Council has implemented a new governance structure, with monitoring the Councils financial position being a priority within this. Therefore, the level of financial scrutiny and monitoring surrounding the COVID-19 pandemic has been enhanced, and regular reports will be taken to Cabinet, to ensure members are fully abreast of the situation.

**Table 1: Covid-19 Grant and Support measures administered by Local Government for Peterborough**

Government Department	Description	Value of funding £000
MHCLG	<a href="#">£1.6bn Coronavirus (COVID-19) response fund</a> to support for local authorities with financial pressures as a result of COVID-19.  This was paid to the Council on 27 March 2020 and has been put in to reserves, as shown in table 6 and appendix B)	5,337
MHCLG	<a href="#">£1.6bn additional Coronavirus (COVID-19) Local Government funding</a> on 18 April the Local Government Secretary announced £1.6bn of additional funding to support Councils respond and help them deal with the immediate impact of the pandemic. The funding will mean councils can continue to provide essential services and support to those who need it most.  <a href="#">Grant allocations</a> confirmed on 28 April 2020	5,634
MHCLG	<a href="#">£500m Hardship Fund-</a> for Local Government to provide support to economically vulnerable households. This funding to be used to provide more council tax relief, either through existing council tax support schemes or through complementary reliefs. It is expected that a sum of £150 will be allocated to every recipient of Council Tax Support based on the present information on the Council Tax system	1,669
MHCLG	<a href="#">Business Rates Nursery Discount 2020/21-</a> On 18 March 2020, the government announced that many childcare providers would pay no business rates in	338

Government Department	Description	Value of funding £000
	<p>202/21. In Peterborough there is 31, nursery settings which qualify for this relief, with a total value of £0.338m in relief. The Council share of this relief equates to 49% (£0.166m), which reflects the Councils share of the loss of business income generated. The Government are paying the full amount of relief to local authorities, to support with cashflow and there will be a reconciliation as part of the NNDR3 return for 2020/21.</p> <p>This will be paid to the Council via a section 31 grant.</p>	
MHCLG	<p><a href="#">Business Rates Expanded Retail Discount</a>- 100% Retail Discount Relief- On 11 March, the Budget announced that businesses in the retail, hospitality and leisure sectors, with a rateable value of less than £51,000, would pay no business rates in 2020/21, then on 17 March, the government announced it would go further by removing the £51,000 rateable value threshold. On 25 March, the Treasury announced that <a href="#">exclusions to the relief, including estate agents, letting agencies and bingo halls</a>, would be lifted and they also would not pay business rates this year. Local authorities will be fully compensated for their loss of Business Rates income as a result of these changes, The Councils share equates to 49%. The Government are paying the full amount of relief, which is expected to be £36.225m for Peterborough, to support local authorities with cashflow. As stated above there will be a reconciliation as part of the NNDR3 return for 2020/21.</p> <p>This will be paid to the Council via a section 31 grant.</p>	36,255
MHCLG	<p><a href="#">£3.2m homelessness funding</a> : to help reduce impact of COVID-19 on people facing homelessness, including accommodating those where it is difficult to self-isolate. This funding is to be reclaimed once the costs have been incurred.</p>	28
BIES	<p><a href="#">£13bn of Coronavirus (COVID-19): Small Business Grant Fund (SBGF)- including Retail, Hospitality and Leisure Grant Fund (RHLGF)</a>- This funding is to support those businesses effected by the COVID-19 shut down, to provide them with a lifeline to ensure struggling businesses can continue. It was originally announced by the chancellor on 11 March, but then on the 17 March the level of funding was increased. These grants are being paid to Local authorities to administer and deliver the grant scheme.</p> <p>As at 11 May the Council had issued 91% of grant payments to businesses in Peterborough. BEIS are publishing this data on a weekly basis the delivery of these grants to businesses. They are expecting that at least 90% of these grants will have been delivered by the 30th April.</p>	34,450
Indirectly funded by the Health	<p>The local Clinical Commissioning Group (CCG) have agreed to fund the temporary additional care capacity required in in order to free valuable space within hospitals</p>	<i>Plans to be finalised</i>
	<b>Total benefit to Peterborough (including residents, Businesses and the Council)</b>	<b>83,711</b>

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