

<b>CABINET</b>	<b>AGENDA ITEM No. 10</b>
<b>13 FEBRUARY 2023</b>	<b>PUBLIC REPORT</b>

Report of:	Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth, Executive Director of Corporate Services and S151 Officer Patricia Phillipson, Interim Director of Finance and Deputy S151 Officer	Tel. 01733 452520

## BUDGET CONTROL REPORT DECEMBER 2022 - QUARTER 3

RECOMMENDATIONS	
<b>FROM:</b> Executive Director of Corporate Services and S151 Officer	<b>Deadline date:</b> N/A
<p>It is recommended that the Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The budgetary control position for 2022/23 on 31 December 2022 is a forecast overspend of £0.8m position.</li> <li>2. The key variance analysis and explanations are contained in section 4.2 and Appendix A to the report.</li> <li>3. The Council's performance with respect to Business Rates (NNDR) and Council Tax Collection, as outlined within Appendix B to the report.</li> <li>4. The Council's capital financial performance as outlined in Appendix C to the report.</li> </ol>	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet to provide an update on the Councils forecast Outturn Position for 2022/23, following review and consideration from the Corporate Leadership Team.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide Cabinet with an overview of the Councils forecast outturn for 2022/23, as at 31 December 2022.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.12, *'To be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit'*.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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### 4. BACKGROUND AND KEY ISSUES

#### 4.1 REVENUE SUMMARY

At the end of quarter 3, the forecast outturn position for 2022/23 is an overspend of £0.8m (overspend of £1.0m reported in Quarter 2 September BCR). There are some known financial challenges facing the Council, which are not unique to Peterborough and reflect the wider economic environment. These include:

- A key risk for the Council relates to rising inflation rates, with identified pressures for pay, fuel, energy and social care costs totalling £6.9m. It is assumed the inflation reserve will be used to mitigate the immediate budgetary impact. This is outlined further in section 4.5.
- Delivery of the Savings programme has been a risk which has been managed throughout the year with a savings board focussed on monitoring delivery, challenging any shortfalls or delays and finding mitigating solutions. This has meant that only 3% (£0.5m) of the savings programme is now identified as amber risk. This is outlined further in section 4.3.

The following table below sets out the Council's Forecasted Position by expenditure type:

**Table 1: 2022/23 Forecast Position- Subjective Analysis**

	<b>Budget YTD £000</b>	<b>Actual £000</b>	<b>Variance YTD £000</b>	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Projected Variance £000</b>
Employees	54,080	49,230	(4,850)	72,107	68,001	(4,106)
Premises	14,201	13,784	(417)	18,935	17,910	(1,025)
Transport	4,369	4,347	(22)	5,825	6,779	954
Supplies and Services	101,468	110,421	8,952	135,285	142,168	6,883
Third Party Payments	32,314	29,819	(2,495)	43,085	44,169	1,084
Transfer Payments	57,408	58,226	818	76,544	76,006	(538)
Support Service	0	96	96	0	48	48
Income	(150,140)	(203,302)	(53,162)	(200,187)	(202,196)	(2,009)
Financing Capital Expenditure	25,411	9,491	(15,920)	33,881	33,309	(572)
<b>Total Expenditure</b>	<b>139,111</b>	<b>72,110</b>	<b>(67,001)</b>	<b>185,476</b>	<b>186,194</b>	<b>719</b>
Financing	(139,111)	(200,662)	(61,551)	(185,476)	(185,369)	107
<b>Net</b>	<b>(0)</b>	<b>(128,552)</b>	<b>(128,552)</b>	<b>(0)</b>	<b>826</b>	<b>826</b>

- **Employee** expenditure is lower than the YTD budget as there are corporate elements of this, such as pay award (c£1m), which has been allocated to service budgets and pensions lump sum contribution (c£2m) which is still to be invoiced. The projected year end variance, due to vacancies, is being analysed and will inform future budget setting, for example consideration of a vacancy reduction factor.
- In the projected variance for the year, employee costs are forecast to be lower than budgeted for, due to there currently being 207 vacant FTEs. Some of these are covered by agency workers (74 in place) where roles are essential, such as social workers or additional expertise is required.
- **Supplies and Services** pressure includes £2.1m within Adults and Children's relating to challenges delivering the savings programme and High-Cost placements. A temporary accommodation cost pressure of £1.6m which is being offset by a £0.8m rent saving within premises.

- **Income** £9.7m Forecast Income from Energy Recovery Facility (ERF) has been moved to Inflation Reserve please see section 4.5 - Reserves for further information.

An exercise to profile budgets to support enhanced variance information, particularly on the year to date position, and improved performance reporting is underway, and will be incorporated within the 2023/24 budgets.

## 4.2 DIRECTORATE SUMMARY

The following table summarises the forecast outturn position by directorate:

**Table 2: 2022/23 Forecast Position- Directorate Analysis**

Directorate	Budget £000	Actual YTD £000	Forecast £000	Variance £000	Overall Status
Chief Executives	341	237	319	(22)	Underspend
Legal & Governance	4,323	3,427	4,396	73	Overspend
Place & Economy	27,836	20,356	27,338	(498)	Underspend
People Services	97,457	21,238	100,044	2,587	Overspend
Public Health	(178)	(8,283)	(178)	0	On Budget
Corporate Services	27,218	30,571	26,988	(230)	Underspend
Capital Financing	28,479	4,564	27,287	(1,192)	Underspend
<b>Total Expenditure</b>	<b>185,476</b>	<b>72,110</b>	<b>186,194</b>	<b>719</b>	<b>Overspend</b>
Financing (inc. Reserves)	(185,476)	(200,662)	(185,369)	107	Overspend
<b>Net Overspend</b>	<b>(0)</b>	<b>(128,552)</b>	<b>826</b>	<b>826</b>	<b>Overspend</b>

The following section summarises the key variances (see Appendix A for a further breakdown):

### Legal & Governance

#### Pressure:

- Legal Services: A reduction in income from Land Charges Searches (which are now conducted by the Land Registry) and from Legal work performed for another Council. This has been mitigated by other income, and savings in salaries and supplies and services, but a net pressure of £0.1m remains. This also includes additional costs associated with running the Council elections.

### Place & Economy

#### Pressures:

- Housing: £0.8m The Council is experiencing increased demand for temporary accommodation, including short term use of additional B&B accommodation. It is anticipated that B&B use will reduce as other suitable temporary accommodation provision is procured. This pressure is partially being mitigated with staffing savings, as refreshed strategy has been produced meaning a planned recruitment had been paused.
- Communities: £1.1m pressures because of:
  - £0.8m Delays in Implementing the Culture and Leisure savings plan.
  - £0.3m Underachievement of income on Environmental Enforcement income. This is being mitigated by vacant posts and service savings along with plans to redeploy staff to other enforcement activities.

- Planning development management & Building Control: £0.4m of additional staffing costs which is due to an increasing its focus on regeneration and economic growth of the City as outlined in the recently published Draft budget and MTFS and demonstrated by the successful £50m Levelling up Fund bid.

#### **Favourable:**

- Waste Cleansing and Open Spaces: £2m saving due to:
  - £1.3m from compensation received from ERF operator following a settlement on an income dispute.
  - £0.7m due to additional income due to a favourable change in the price obtained from the sale of materials and waste treatment costs have been lower than budgeted
  - £0.2m insurance rebate.
- Energy: £0.6m saving from reduced MRP and Interest Payable, due to four schemes completing in 2021/22 on the Energy Performance Contract (EPC) and on the domestic Photovoltaic (PV) system estate recently returned to the Council ownership from Empower.

#### **People Services**

##### **Pressures:**

- Education: £0.8m pressure reporting on Home to School Transport (HtST) arising from a number of factors including increasing number of out of city SEND placements, the requirement to transport children out of catchment area due to the lack of school places and supplier/inflationary issues. Transformation of the (HtST) is underway, focusing on greater efficiencies in route planning, procurement processes and more effective modes of transport. Proposals are also in place to increase places in our existing special schools and create new provision in the City.
- Children's Commissioning: £2.2m of pressures including:
  - £1.1m pressure due to significant high-cost placements that have become solely funded by Social Care. Costs of the placement have been forecast to the end of 2022/23; however, placement searches are ongoing to identify a move on placement for this young person at a lesser weekly cost. Other savings initiatives are progressing to off-set some of the pressures associated with this placement.
  - £0.8m Pressure from non-achievement of MTFS savings related to fostering and generating additional income. The pressure has been fully mitigated for this financial year within the directorate, and in future years, fostering will be a core pillar of the Children's transformation programme.
  - £0.3m pressure in relation to Domiciliary Care packages for Children with Disabilities where both demand and complexity of needs have increased.
- Commissioning: includes a £1.6m pressure due to reduction in Clare Lodge Income arising from recent OFSTED inspection. Mitigations to reduce this forecast overspend have been put in place, including increasing fees and increasing occupancy and staffing levels.
- Adult's Commissioning: £1.2m Pressure on Adult Social Care package spend. Demand for social care has been increasing during this year due to a number of factors including increased demand on new care home placements and the use of off-framework provision. Demand on working age adults has also continued to grow as acuity of needs becomes more complex. This pressure is being partially mitigated as outlined below.

#### **Favourable:**

- Adult's Commissioning: £0.9m Favourable, including:
  - £0.5m Relating to inspection costs which is now delayed until 2023/24 and complaints of which have been at much lower levels than expected.
  - £0.2m saving relating to NI Social Care Levy removal, which was removed by the government in November.
  - £0.2m Saving on lower mental health (section 75) costs, predominantly staffing.
- Adults Operations: £1.3m Favourable including:
  - £1.1m Due to a favourable forecast on staffing costs due to difficulties in recruiting.
  - £0.2m Grant funding utilised to fund Client review backlog.
- Children's Operations: £1.0m Favourable, including:
  - £0.6m Favourable as a result of utilising one off grant funding received.

- £0.4m Salary savings due to vacancies and recruitment delays within children's social care, Cherry Lodge and Targeted Youth Services

## Corporate Services

### Pressures

- Corporate Property- £0.3m Pressure for Sand Martin House office accommodation costs.

### Favourable

- Internal Audit & Insurance- £0.1m as a result of lower insurance premiums and a vacancy.
- Corporate Property - £0.1m favourable variance against Business Rate budget due to 62-68 Bridge Street being purchased to develop into New Library and Cultural Hub and while under development the property has no Business Rates liability rating dating back to June 2021.
- Digital, Data Technology Services - £0.1m favourable savings on staffing, supplies and services costs.
- Cemeteries, Cremation & Registrars - £0.2m favourable due to additional income within the service.

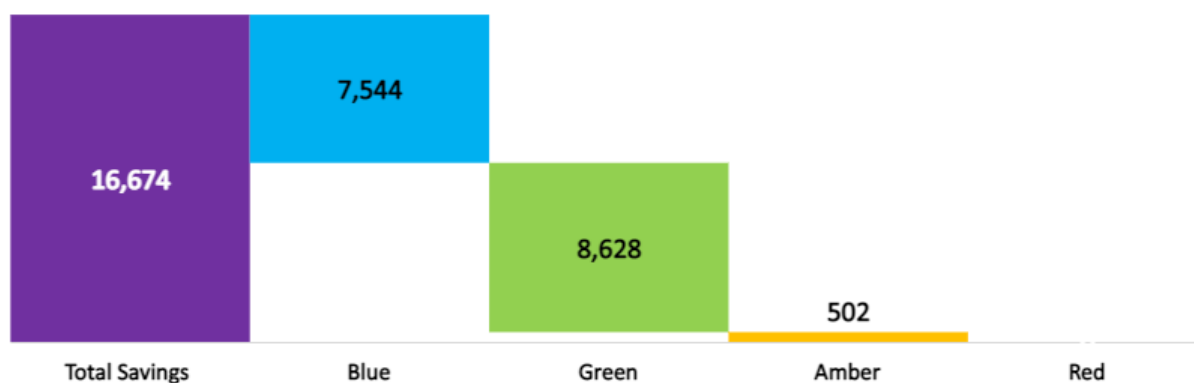
## 4.3 SAVINGS PLAN POSITION

The Council's savings board meets monthly to review, challenge, and provide support to each directorate, to ensure the Council's £16.7m savings plan is being delivered. Some of the original savings plans are not being delivered as intended and mitigating actions have, and are being taken to ensure that the total value of the savings is ultimately achieved by the end of the year.

The following chart summarises the current RAG status of the 2022/23 Savings Plans, outlining:

- 45% are categorised as blue (realised)
- 52% as green (low risk to achievability in year),
- 3% as amber (moderate risk to achievability in year)

Forecast Savings Delivery 2022/23 by Risk Rating (£000)



The Council is continuing to concentrate and focus on delivering the £0.5m of savings plans (amber risk) that are yet to be fully realised. The amber ragged items have been reduced to two items which are:

1. **Contracts and Procurement Saving – (£0.462m)** - of the £1.7m balance only £0.460m remains as amber now. A procurement specialist is working closely with the recently insourced procurement team to continue driving delivery on this saving.
2. **ICT- Telephony Stage 1 – (£0.040m)** - The total target for this plan was £0.275m, from which only £0.04m is still yet to be achieved, this is due to the conditions of the new mobile phone contract. The renegotiation of the contract is underway as well as other mitigations to ensure that the saving will be delivered in full.

#### 4.4 KEY RISKS

The following table outlines the Council's current known budgetary risks. These have not been fully incorporated within the forecast outturn position as the anticipated pressure has not yet materialised, the strategic direction and approach to mitigating these risks are considered and implemented.

**Table 3: Budgetary Risks**

Risk	Description	Management Response
Integrated Care System (ICS)	The Council's Health Partner (ICS) has a significant in year saving. The risk is that there could be cost shunt to the Council around Continuing Healthcare due to the increase in number of service users coming into Adult Social Care support.	The Council will challenge and appeal each case where necessary and monitor the resulting impact.
Children's Social Care & Workforce-Agency Costs & Recruitment	<p>There are recruitment and retention challenges within social care and care sector.</p> <p>Using agency workers to cover vacant roles which exposes the Council to possible increased costs and reduced availability of suitable workers.</p> <p>The Clare Lodge facility is particularly exposed to this risk.</p>	<p>A Medium-term children's workforce strategy is in development that will aim to mitigate the volatility of staffing in the longer term. This will not take effect until at least next financial year</p> <p>A review at Clare Lodge is underway to see if reconfiguration of the facility would aid the reduction for some shifts to be covered.</p>
Rise in Children's and Adults Social Care-Placements	Although the financial risk of high-cost placements or a sharp rise in demand is lower due to being close to the end of the financial year, the risk would continue in to 2023/24, where it would place a strain on the proposed budget.	<p>It therefore remains a financial risk that the Council will closely monitor and develop plans to ensure suitable and appropriate options have been considered where any specific placements require a high level of care.</p> <p>The Councils continued focus on prevention and early intervention activities continue, contributing to effective demand management, whilst at the same time enabling people to remain independent for longer.</p>
Inflationary Pressures-£6.9m	<p>Current inflationary rates have been rising for over a year now, with the latest <a href="#">ONS forecast</a> rates of 10.5% (CPI). This is impacting on the cost of living and will be additional costs to the Council for providing services. The Council is experiencing pressures on the following budgets:</p> <ul style="list-style-type: none"> <li>• Adult and Children's Social Care</li> <li>• Electricity and Gas</li> <li>• PFI scheme</li> <li>• Pay award</li> </ul>	<p>The Council is monitoring the economic position and where possible putting mitigations in place to reduce the risk exposure to these external factors.</p> <p>Establishing a £4.7m inflation reserve to mitigate the impact of the costs of inflation in 2022/23.</p> <p>With future years inflationary assumptions having been considered as part of the MTF5.</p>

	Please see the inflationary breakdown outlined in section 4.5 table 5.
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#### 4.5 RESERVES

The following section and table summarise the current forecast reserves position:

- An inflation reserve totalling £4.7m was established at the end of 2021/22 to help the Council manage any immediate financial implications resulting from the rising interest rates. (Further information below table 4)
- The Innovation Fund is used to fund the cost of the transformation and the Council's improvement plan.
- The current £0.8m projected overspend will met from the £2m Budget risk reserve, with the remaining £1.2m being transferred to the General fund, inline with the Council reserves policy and strategy, which outlines a plan to build up these balances and thus overall resilience. The Council will still remain focussed on ensuring expenditure is tightly managed to reduce this overspend as far as possible.

**Table 4: Reserves Position**

	Bal as at 31/03/22	Cont from Reserve	Cont to Reserve	Transfer between Reserve	Estimated balance at 31/03/23	Estimated balance at 31/03/24	Estimated balance at 31/03/25
	£000	£000	£000		£000	£000	£000
General Fund	7,300	-	-	1,206	8,506	9,506	10,506
Usable Reserves (Innovation Fund and Departmental and Grant Reserves)	33,182	(11,426)	1,183	-		15,017	14,767
Budget and Inflation Risk Reserves	6,693	(7,725)	9,748*	(1,206)	7,510	5,370	5,370
Local Tax Income Risk Reserve	12,307	(4,672)	-	-	7,636	6,636	6,636
Ring-Fenced Reserves	4,183	(285)	423	-	4,321	3,810	3,573
<b>Total Earmarked and General Fund Balance</b>	<b>63,666</b>	<b>(24,107)</b>	<b>11,354</b>	<b>0</b>	<b>50,913</b>	<b>40,339</b>	<b>40,852</b>

\* Contribution of £9.7m from the Energy Recovery Facility

An inflation reserve totalling £4.7m was established at the end of 2021/22, in recognition of the rising interest rates and associated economic climate. The purpose of this reserve is to smooth the immediate pressures of any inflationary and pay related cost increases in 2022/23, whilst longer term plans are developed as part of the MTFS.

The Council operates an Energy Recovery Facility (ERF) which generates income from selling the electricity it generates. As a result of the current energy market this income is forecast to be £9.7m in excess of budget, which is being contributed to the inflation reserve to mitigate the Council's rising energy costs and other inflationary pressures. We know from previous years trends that this market can be volatile, therefore in addition to hedging the Council own energy cost increases the remaining balance will be used as a smoothing mechanism to mitigate any future income fluctuations.

The Council is currently estimating £6.9m of emerging inflationary pressures and risks as a result of rising fuel and electricity costs, and index linked contracts care costs. The following table outlines in more detail the specific inflationary risks:

**Table 5: Inflation Risks**

<b>Area</b>	<b>Description</b>	<b>2022/23 £000</b>
Pay Award	Employers have approved an offer of £1,925 increase to all NJC salary SCP's. The cost of this was much higher than the 2% the Council (like many others) had built into the 2022/23 budget.	1,930
Schools PFI	PFI inflationary pressure is in relation to the Unitary Charge contribution which is linked to the RPI inflation index. This has not been an issue in recent years due to the lower rates of inflation.	200
Electricity	Electricity rates have risen by 80%, from the 1 October 2022. This is when the Council entered into a new pricing arrangement. The full year effect of this is around £1.7m.	1,334
Gas	New prices were implemented from 1 April 2022 which will lead to a £0.3m pressure across the gas budgets. Likewise, the pricing for 1 April 2023 has been agreed ( <a href="#">CMDN</a> ). Even with this representing a good deal, the pressure from 2023/24 will be a further £0.5m.	250
Adult Social Care	Like other Councils, and the private sector, the Council is exposed to the changes in the rates of inflation and the potential pressure of this on the care market. The Council is actively working alongside suppliers to manage these additional cost pressures. The Council recognised the potential impact of inflation at the end of the last financial year and created an Inflation Reserve to bridge the timing impact of such cost increases whilst mitigating plans are developed in accordance with the MTFS and development of balanced budget.	3,113
Children's Social Care- including Short breaks and In House Fostering	Children's Social Care inflationary pressures include: <ul style="list-style-type: none"> <li>• Competition between commissioning Local Authorities for Children's placements is currently very high. This can result in for example non-availability of a Fostering Placement leading to more expensive residential provision.</li> <li>• Demand for respite provision for Children with Disabilities is rising following the pandemic resulting in budget pressures. This is an early intervention service to prevent children coming into Care</li> <li>• Providers may hand back packages if they are unable or unwilling to deliver care at rates we pay.</li> </ul>	105
<b>Total</b>		<b>6,931</b>

## 5. CORPORATE PRIORITIES

- 5.1 Monitoring the Councils in year forecast outturn is a key part of the Council's performance and improvement framework and aims to demonstrate how the Council manages its finances and expenditure throughout the year. This therefore supports all the council's priorities, but it is strongly geared towards enabling the Council to deliver on the following priority:

**Supported by a Sustainable Future City Council - adjust how we work, serve and enable, informed by strong data and insight capability and led by a culture of strong leadership.**

## 6. CONSULTATION

- 6.1 Not Applicable - Performance report, item for information



## **7. ANTICIPATED OUTCOMES OR IMPACT**

7.1 For Cabinet to review and note the Councils current year forecast Outturn Position for 2022/23.

## **8. REASON FOR THE RECOMMENDATION**

8.1 To ensure members of the Cabinet are abreast of the Councils current year forecast Outturn Position for 2022/23.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

9.1 Not Applicable - Performance report, item for information.

## **10. IMPLICATIONS**

### **Financial Implications**

10.1 Not Applicable - Performance report, item for information.

### **Legal Implications**

10.2 Not Applicable - Performance report, item for information.

### **Equalities Implications**

10.3 Not Applicable - Performance report, item for information

## **11. BACKGROUND DOCUMENTS**

[Quarter 1- June 2022 Budgetary Control Report \(agenda item 9\)](#)

[Quarter 2- September 2022 Budgetary Control Report \(agenda item 12\)](#)

## **12. APPENDICES**

- 12.1
- Appendix A – Departmental Variances
  - Appendix B – Council Tax and Business Rates Performance
  - Appendix C – Capital Programme

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