

CABINET	AGENDA ITEM No. 5
25 MARCH 2019	PUBLIC REPORT

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

BUDGET CONTROL REPORT JANUARY 2019

RECOMMENDATIONS	
FROM: Acting Corporate Director of Resources	Deadline date:
It is recommended that Cabinet notes:	
<ol style="list-style-type: none"> 1. The Revenue Budgetary Control position for 2018/19 at January 2019 includes a £3.444m overspend position on the revenue budget. 2. The key variance analysis and explanations are contained in Appendix A. 3. The estimated reserves position for 2018/19 is outlined in Appendix B. 4. In year budget risks are highlighted in Appendix C. 5. The Asset Investment and Treasury Budget Report is contained in Appendix D. 	

1. ORIGIN OF THE REPORT

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

2. PURPOSE AND REASON FOR REPORT

- 2.1. This report provides Cabinet an update as at January 2019 of the Budgetary Control position.
- 2.2. This report is for Cabinet to consider under its Terms of Reference:

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

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

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	Yes	If yes, date for Cabinet meeting	N/A
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4. JANUARY 2019 BUDGETARY CONTROL – REVENUE

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

Revised Budget 2018/19	£000
Approved Budget 2018/19	147,456
Use of Reserves per MTFS	4,231
Revised Budget 2018/19	151,687
Drawdown of reserves during 2018/19	2,900
Revised Budget at January 2019	154,587

- 4.2. The 2018/19 year-end outturn position, is currently forecast to be £3.444m over spent. This is based on reported departmental information as at the end of January.
- 4.3. This has increased by £0.912m (36.0%) in comparison to a £2.532m overspend position forecast at the end of December 2018, which was reported to Cabinet on 25 February 2019. The main reasons for the improvement are outlined in the following table:

Key Movements between the Forecasts	£000
Previous month forecast	2,532
Additional Amey Contract Extension costs	458
Parking - security costs	103
Projects have been delayed to mitigate overspends in other People and Communities budgets.	(193)
Home to School	221
Temporary Accommodation Costs	215
ICT	(133)
Energy income	116
Cemeteries, Cremation & Registrars income	108
Other	17
Current Month forecast	3,444

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

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

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

4.6. Capital programme revenue costs however are reducing due in part by the one-off use of capital receipts, generated from the sale of Council assets, to offset MRP payments and the reduced financing needs of a smaller capital programme. The move to a truly sustainable budget will require a reduction in the use of “One-off” savings, as by nature these are not repeatable.

4.7. The summary budgetary control position is outlined in the following table:

Directorate	Budget 2018/19	Cont. from reserves	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserves	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executives	1,581	55	1,636	1,451	0	(185)	-11%	(91)	(94)
Governance	4,640	57	4,697	4,965	0	268	6%	259	9
Growth & Regeneration	23,845	1,910	25,755	27,446	0	1,691	7%	984	707
People & Communities	84,465	617	85,082	89,621	0	4,539	5%	4,313	226
Public Health	(126)	198	72	72	0	0	0%	0	0
Resources	37,281	64	37,345	35,459	0	(1,886)	-5%	(1,950)	64
Total Expenditure	151,687	2,900	154,587	159,014	0	4,427	3%	3,515	912
Financing	(151,687)	(2,900)	(154,587)	(155,570)	0	(983)	1%	(983)	0
Contribution to Capacity reserve	0		0	0		0	0%	0	0
Net	0	0	0	3,444	0	3,444	3%	2,532	912

4.8. Further information is provided in the following appendices:

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

Appendix A – Detailed Revenue Budgetary Control position and explanation of key variances and risks

Chief Executives

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executive	241	0	241	212		(29)	-12%	(29)	0
HR	1,340	55	1,395	1,239		(156)	-11%	(62)	(94)
Total Chief Executives	1,581	55	1,636	1,451	0	(185)	-11%	(91)	(94)

The Chief Executive's department is forecasting £0.185m underspend.

HR

There are staffing savings of £0.073m and supplies and services savings of £0.083m.

Governance

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Director of Governance	289	0	289	161		(128)	-44%	(131)	3
Legal Services	1,616	0	1,616	1,862		246	15%	254	(8)
Constitutional Services	2,062	0	2,062	2,057		(5)	0%	(19)	14
Performance & Information	193	57	250	249		(1)	0%	(1)	0
Coroners Service	480	0	480	636		156	33%	156	0
Total Governance	4,640	57	4,697	4,965	0	268	6%	259	9

Currently the Governance department is forecasting £0.268m overspend.

Director of Governance

There is a saving of £0.070m on the Director of Governance post, and other small savings of £0.058m.

Legal Services

There is a forecast overspend of £0.360m within the legal team largely due to staffing costs as a result of increased workloads relating to Child Protection, General Data Protection Regulation (GDPR), Homelessness and a compensation payment, this is partially offset by additional Land Charges income of £0.117m.

Coroner Service

There is a forecast pressure of £0.156m within this area. Final 2017/18 costs were greater than expected and not fully recognised in that financial year. The forecast overspend in 2018/19 is due to

backlog of referrals, budget pressures from additional staff hired, and a number of complex cases. The Council is awaiting further detail from Cambridgeshire County Council on the overspend as there is a lack of clarity on costs charged, and this will be reported in due course, however this pressure is likely to continue into future years and a bid for investment is included in Tranche 3 of the budget process.

Growth & Regeneration

Budget Group	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
Development and Construction	175	0	175	379		204	117%	195	9
Director, OP & JV	(2)	0	(2)	18		20	-1000%	20	0
Peterborough Highway Services	9,076	0	9,076	8,907		(169)	-2%	(190)	21
Sustainable Growth Strategy	1,468	194	1,662	1,520		(142)	-9%	(140)	(2)
Waste, Cleansing and Open Spaces	12,266	54	12,320	12,704		384	3%	(74)	458
Westcombe Engineering	91	0	91	167		76	84%	0	76
Corporate Property	1,226	1,605	2,831	3,240		409	14%	409	0
Resilience & Health & Safety	249	0	249	227		(22)	-9%	(41)	19
City Centre Management	318	37	355	610		255	72%	259	(4)
Marketing & Communications	252	0	252	475		223	88%	172	51
Parking Services	(2,096)	0	(2,096)	(1,475)		621	-30%	500	121
Regulatory Services	669	20	689	468		(221)	-32%	(186)	(35)
Service Director Environment & Economy	153	0	153	206		53	35%	60	(7)
Total Growth and Regeneration	23,845	1,910	25,755	27,446	0	1,691	7%	984	707

Currently the Growth and Regeneration department is forecasting £1.691m overspend.

Development and Construction

There is a forecast variance of £0.204m in this area, mainly due to £0.138m of temporary staffing costs in Development Control and Planning Enforcement and a £0.085m redundancy payment.

Peterborough Highway Services

Street lighting energy costs are budgeted to reduce as the Street Lighting LED Programme replaces the old lighting with more energy efficient units. However, the savings are taking longer to deliver than originally envisaged, and combined with energy price increases, this is leading to a forecast overspend of £0.148m.

Due to a high workload and agency staff covering vacant posts employee costs are forecast to overspend by £0.023m. However additional income of £0.165m from “selling” highways work to developers has been generated which offsets this pressure.

Various small savings have been identified including Concessionary fares £0.069m and Transport Planning matching Combined Authority funding £0.076m. These are offset by Queensgate Bus Station rates £0.010m, staff recharges £0.021m, Network Management utility debtor invoices not paid £0.032m, along with other small savings of £0.011m.

Bus Services - applying BSOG funding to enhance and develop further existing services and reduced Voluntary Partnership Arrangement (Stagecoach) £0.104m

Sustainable Growth Strategy

Savings on employee costs £0.090m, additional income £0.056m, miscellaneous small pressures £0.004m.

Waste, Cleansing and Open Spaces

Income from electricity sales at the Energy from Waste facility is currently higher than budgeted, leading to a favourable forecast of £0.542m. This is due to the performance of the plant and the escalating energy prices which offsets the pressure that the council is seeing on the electricity that it buys. Final earnings for 2017/18 income at the Energy from Waste plant have also now been confirmed and this was higher than expected by £0.177m.

The new Household Recycling Centre is due to open early 2019, therefore the budgeted investment is not fully required in 2018/19 saving £0.120m. However there are costs of £0.060m relating to the existing site contract extension costs.

Materials Recycling Facility fees for legal advice and support for resolving contract issues, together with claims for waste contamination and increased fees are expected to cost an additional £0.350m creating a pressure.

The financial negotiations with Amey have now concluded regarding the costs of extending the contract to 31 March 2019. The additional costs to the 31 March is £1.393m, resulting in a forecast overspend on the budget. The Council also expects to receive a pension rebate due to lower contribution rates from the Amey contract. This is due to lower contribution rates payable when comparing the contract and actuarial review which results in a £0.519m favourable position offsetting a proportion of the additional costs.

There has been an Insurance Rebate from the EFW Plant of £0.271m.

Further overspends relate to the closure of the WEE facility being delayed £0.025m, an income shortfall of £0.066m for charging for bins where there are new properties, specialist pavement cleansing in the City Centre £0.032m and £0.087m redundancy cost to deliver future savings.

Corporate Property

Sand Martin House income is forecast to be lower than originally anticipated. This is due to the nature of the listed buildings and the works required, commercial unit income and office sub-let income having been delayed or reduced, resulting in at £0.336m forecast overspend. There has been a saving of £0.128m on Sand Martin House rent as the occupancy date was later than anticipated. Revenue costs associated with the feasibility and abortive works for capital projects amounts to £0.100m. A budget will need to be established for this in future years. There is £0.100m relating to revenue costs associated with the procurement of temporary accommodation, to reduce the overspend on housing and accommodate families at risk of homelessness.

City Centre Management

Income is forecast to be lower than budgeted for the City Market based on current stall occupancy £0.076m, for rent in the Pedestrian Area £0.043m and advertising space £0.012m. There was £0.057m lower income than budgeted on the Great Eastern Run due to fewer runners and less sponsorship, however there is additional income from events held at the Embankment of £0.009m. Other small pressures £0.076m.

Marketing & Communications

Temporary staffing costs of £0.150m, £0.045m design and print and £0.028m other minor overspends.

Parking Services

At present the forecast income is £0.298m lower than the budget for off street car parking, including staff car parking off street fees, permits and season tickets. This arises from a shortfall in expected income based on current parking volumes £0.155m, and the additional multi-storey car park capacity at Fletton Quays £0.143m which is not yet fully utilised by the public, or widely promoted due to the ongoing works around the site.

There is also a forecast pressure relating to the costs from National Non-Domestic Rates (Business Rates), security, cleaning, and Ringo (debit/credit card charges), which totals £0.323m.

Regulatory Services

Employee cost savings £0.155m and other savings £0.066m.

People & Communities

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Move ment
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Adults	44,403	24	44,427	43,776		(651)	-1%	(458)	(193)
Commissioning & Commercial Operations	14,098	250	14,348	18,974		4,626	32%	4,576	50
Children's & Safeguarding	10,705	0	10,705	10,708		3	0%	(15)	18
Director	837	0	837	846		9	1%	(10)	19
Education	5,494	87	5,581	5,837		256	5%	133	123
Communities	8,665	256	8,921	9,217		296	3%	87	209
Dedicated Schools Grant	263	0	263	263		0	0%	0	0
Total People and Communities	84,465	617	85,082	89,621	0	4,539	5%	4,313	226

Further Breakdown in to the key service areas:

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
Adults:									
Independent Sector Placements	31,981		31,981	32,731		750	2%	750	0
Adult Social Care Teams	7,656		7,656	7,686		30	0%	70	(40)
Block Contracts	6,351	24	6,375	6,248		(127)	-2%	(96)	(31)
Financing	(3,073)		(3,073)	(4,299)		(1,226)	40%	(1,112)	(114)
Home Service Delivery Model	1,488		1,488	1,410		(78)	-5%	(70)	(8)
Total Adults	44,403	24	44,427	43,776	0	(651)	-1%	(458)	(193)
Commissioning & Commercial Operations:									
Permanency Service	12,523		12,523	17,060		4,537	36%	4,537	0
Clare Lodge	(1,171)	250	(921)	(866)		55	-6%	0	55
Commissioning & Commercial Operations - Other	2,746		2,746	2,780		34	1%	39	(5)
Total Commissioning & Commercial Operations	14,098	250	14,348	18,974	0	4,626	32%	4,576	50
Children's & Safeguarding:									
Children's Social Care	6,676		6,676	6,678		2	0%	3	(1)
Children's - Other	4,029		4,029	4,030		1	0%	(18)	19
Total Children's & Safeguarding	10,705	0	10,705	10,708	0	3	0%	(15)	18
Director:									
Director	2,114		2,114	2,123		9	0%	(10)	19
Department Savings target	(1,277)		(1,277)	(1,277)		0	0%	0	0
Total Director	837	0	837	846	0	9	1%	(10)	19
Education:									
Home To School & Childrens Social Care Transport	4,001		4,001	4,492		491	12%	248	243
School Improvement Traded Service	(937)		(937)	(937)		0	0%	0	0
Education - Other	2,430	87	2,517	2,282		(235)	-9%	(115)	(120)
Total Education	5,494	87	5,581	5,837	0	256	5%	133	123
Communities:									
Housing	2,392	50	2,442	2,928		486	20%	299	187
Cultural Services	2,447	22	2,469	2,621		152	6%	115	37
Targeted Youth Support Service (TYSS)	1,622		1,622	1,434		(188)	-12%	(204)	16
Prevention Enforcement Service (PES)	559	11	570	452		(118)	-21%	(95)	(23)
Communities - Other	1,645	173	1,818	1,782		(36)	-2%	(28)	(8)
Total Communities	8,665	256	8,921	9,217	0	296	3%	87	209
Dedicated Schools Grant	263		263	263		0	0%	0	0
Total People and Communities	84,465	617	85,082	89,621	0	4,539	5%	4,313	226

Adults- Independent Sector Placements

A pressure of £0.750m is reported in relation to Adults Placement costs. This relates to residential nursing packages (£0.651m adverse to date) and Transforming Care (£0.151k adverse to date). Additional Client and Health income is partially offsetting this pressure. Forecast figure includes expected Summer and Winter pressures

Adults- Adult Social Care Teams

Overall there is a £0.030m forecast overspend on all operational teams. Within this is an overspend on temporary staffing £0.270m, with an underspend on Occupational Therapy equipment £0.061m and miscellaneous other £0.179m.

Adults- Block Contracts

There is currently a favourable variance in respect of the recovery of an £0.080m overpayment to an Extra Care provider. An overall underspend of £0.012m is forecast due to one off Direct Payments to Carers. Carer support is predominantly covered in Independent Sector Placements with services such as carers sitting services and respite. There is also an underspend of £0.005m relating to Older People meals service and £0.029m other contract savings.

Adults- Financing

Projects have been delayed to mitigate overspends in other People and Communities budgets. This action was implemented earlier in the year and has been increased to cover further emerging pressures.

Adults- Home Services Delivery Model

There is a £0.028m underspend on vacant posts and £0.035m on commissioned surveyor work, other underspends are £0.015m.

Commissioning- Permanency Service (TACT)

The Council is forecasting to overspend by £4.537m within this area. This is the result of agreeing to pay TACT an additional £0.637m in relation to the financial year 2017/18 and £3.9m in relation to financial year 2018/19. An upwards trend in the number of children coming into care, and the mix of placement types used, is feeding into the forecast overspend position. Although TACT are using their specialist expertise to recruit foster parents and adoption placements, progress towards achieving a balanced placement mix is in transition meaning there are still a number of placements with high associated costs.

Clare Lodge

A reserve contribution of £0.250m has been agreed which offsets the forecast overspend arising from the delayed opening of the new High Dependency Unit. A £0.055m adverse variance is reported which is as a result of decreased occupancy and therefore Income. The forecast is based on bed occupancy of 11 until 31.3.19. Current bed occupancy is 10. There is a significant risk that occupancy will decrease as Local Authority commissioners attempt to minimise spend. Clare Lodge management are controlling all costs including Agency staffing in an effort to mitigate loss of income.

Commissioning and Commercial Operations- Other

A £0.044m forecast overspend is reported against Play Centres, which is the result of a delay in the Community Asset Transfers. This is partially offset by other small underspends are £0.010m.

Children's Social Care

An overspend of £0.002m is forecast against Children's Social Care .A risk exists around Financial Assistance and the use of Agency staff to cover substantive posts.

Director

It is assumed that all Department Savings targets will be achieved or will be offset by pipeline savings. There is a pressure of £0.027m due to staff regrading, and other small underspends £0.018m.

Education- Home to School and Children's Social Care Transport

Home to School Transport is forecast to overspend by £421k. The Passenger Transport Team Manager has been tasked to produce a paper for CMT to explain this overspend and the effect on future year budgets. An adverse variance of £0.020m is reported with regard to Passenger Transport Team staffing. Children Social Care transport is forecast to overspend by £0.050m. Further analysis has been requested to understand what is driving this increase e.g. more children transported, longer average journeys, etc.

Education- Other

PFI Utility costs are forecast to underspend by £0.100m, this is as a result of an accrual which is not required. Employee costs are forecast to underspend by £0.010m. An adverse variance of £0.079m is reported in relation to the underachievement of income on School Academy conversions. This income target was introduced as a result of charging schools to recover a proportion of the cost the local authority incurred to administer the conversion. However, as the pace of schools converting has reduced against previous estimates this target is unlikely to be achieved. A reduction in business rates was also built in to the budget as a result of the relief academies receive for holding charitable status. As outlined in the funding section, NNDR (business rates) is showing a favourable position. A favourable variance of £0.017m is reported with regard to pre-98 pension strain costs. The Education Psychology Service is forecast to over achieve its traded income target by £0.061m. A favourable variance of £0.090m is reported in regard to School Attendance Fines along with other small underspends of £0.036m.

Communities- Housing

Housing is forecast to overspend by a total of £0.486m. Temporary Accommodation costs are forecast to overspend by £0.629m. This is offset by a projected underspend on staffing of £0.180m. Other budget headings are forecast to overspend by £0.037m.

Communities- Cultural Services

A savings target of £0.250m against the contract with Vivacity will not be achieved, although has been offset by other savings of £0.058m. St. Georges Hydrotherapy pool is forecast to underspend by £0.040m.

Communities- Targeted Youth Support Service (TYSS)

The TYSS is forecast to underspend by £0.188m this relates to holding staff vacancies pending new service implementation. This comprises a forecast underspend of £0.306m on employee costs, offset by other pressures of £0.118m.

Communities- Prevention Enforcement Service (PES)

The PES is forecast to underspend by £0.118m. Employee costs are forecast to underspend by £0.100m and Kingdom costs are forecast to underspend £0.139k. As a result of the staff vacancies the income from Penalty Charge Notices, Fixed Penalty Notice & CCTV is £0.246m below the budget profile. Recruitment to vacant posts is continuing and other mitigations have been put in place to reverse this trend.

Communities – Other

There is a forecast underspend of £0.036m. This comprises a £0.152m favourable variance against non-staffing budgets offset by a £0.116m overspend on staffing.

Public Health

Budget Group	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
Children 0-5 Health Visitors	3,718	198	3,916	3,913		(3)	0%	(3)	0
Children 5-19 Health Programmes	879	0	879	879		0	0%	0	0
Sexual Health	1,830	0	1,830	1,883		53	3%	53	0
Substance Misuse	2,299	0	2,299	2,299		0	0%	0	0
Smoking and Tobacco	317	0	317	305		(12)	-4%	(12)	0
Miscellaneous Public Health Services	1,661	0	1,661	1,623		(38)	-2%	(38)	0
Public Health Grant	(10,905)	0	(10,905)	(10,905)		0	0%	0	0
Children 5-19 Healthy Schools Programme	65	0	65	65		0	0%	0	0
Healthy Peterborough	10	0	10	10		0	0%	0	0
Total Public Health	(126)	198	72	72	0	0	0%	0	0

Public Health savings are on track to be delivered.

Resources

Budget Group	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
Director's Office	112	0	112	200		88	79%	88	0
Financial Services	3,282	0	3,282	2,830		(452)	-14%	(412)	(40)
Programme Management Office	139	57	196	175		(21)	-11%	(15)	(6)
Capital Financing	18,321	0	18,321	15,319		(3,002)	-16%	(3,002)	0
Corporate Items	4,930	0	4,930	4,760		(170)	-3%	(189)	19
Peterborough Serco Strategic Partnership	5,806	7	5,813	7,956		2,143	37%	2,143	0
ICT	5,302	0	5,302	5,651		349	7%	482	(133)
Energy	780	0	780	35		(745)	-96%	(861)	116
Cemeteries, Cremation & Registrars	(1,391)	0	(1,391)	(1,467)		(76)	5%	(184)	108
Total Resources	37,281	64	37,345	35,459	0	(1,886)	-5%	(1,950)	64

Financial Services

There is a £0.375m contribution to insurance reserve that is no longer required in this financial year following the Actuary review, along with other underspends of £0.077m

Capital Financing and Capital Receipts

The forecast underspend for Capital Financing is £3.002m as a result of the decision to apply additional capital receipts to offset the minimum revenue provision (MRP) in the 2018/19 financial year. In addition, the reprofiling of schemes, delays in the timing of capital expenditure and interest rates remaining lower than forecast in the MTFs for the beginning of the year, all contribute to the cost of new borrowing being forecast lower than originally budgeted. The forecast cost of raising new loans has been based on a capital programme of approximately £100m, of which £39m is based on new borrowing as the timing of the Empower loan repayment is still to be determined.

This forecast outturn also factors in a greater dividend from ESPO being received compared to the budgeted amount as contained in the MTFs, £100k additional benefit.

Corporate Items

A lump sum underspend against the pension contribution budget of £0.390m, and other underspends £0.051m.

Peterborough Serco Strategic Partnership (PSSP)

The overspend forecast in this service is from a combination of three key areas. There is a £0.850m pressure due to the Annual Delivery Plan (ADP) and business transformation (strategic improvement core cost). All items on the ADP should be linked to funding streams as core funding was reduced to nil in last year's budget. Offsetting this is £0.100m of contract income brought forward, and £0.091m of favourable variances on the costs of changes in the contract. The following savings that were included in the 2018/19 MTFs, are currently not on track to be achieved.

- The £1m Serco variable spend saving. Overall variable spend with Serco has not yet reduced, due to ongoing programmes of work. Whilst budgets are in place for these works, these are mainly one off, and it has not been possible to make the planned ongoing budget reduction of £1m.
- The Serco Business support saving of £0.100m.

ICT

Savings that were expected to be generated through the implementation of a technology platform across Social Care (PeopleToo) is not now expected to be achieved as planned, creating a £0.137m pressure. The budgeted return on loans to partners to deliver this project has also not materialised as planned creating a £0.131m pressure through loss of interest receipt.

Savings targets in relation to Digital Roadmap project, including guaranteed resale income and also savings through decommissioning ICT Legacy systems and departmental efficiencies are not expected to be fully achieved, causing a £0.792m pressure.

There is a pressure against the core contract budget in 2018/19 due to one-off costs associated with new change controls being implemented £0.219m. However, a rebate received in year within the core contract budget, following a prior year change control notice reconciliation has offset the above pressures by £0.741m.

Savings are expected against the corporate computer software budget of £0.117m and other underspends £0.072m.

Energy

The Council has received additional interest income from extending a loan arrangement with Empower Community Management LLP in respect of solar installations.

Cemeteries, Cremation & Registrars

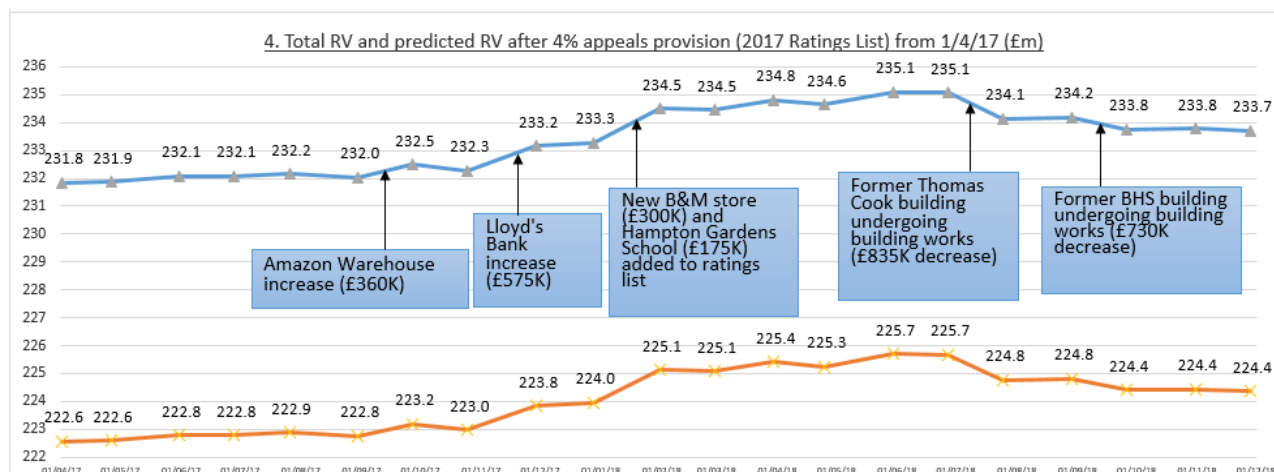
Bereavement income is forecast to be £0.044m greater than the budget, other underspends £0.032m

Financing

The following table show how the Council's expenditure is funded via council tax, business rates, non-specific grants and use of reserves.

Budget Group	Budget 2018/19 £000	Cont. from reserves £000	Revised Budget 2018/19 £000	Forecast Spend 2018/19 £000	Cont. to reserves £000	Forecast Variance 2018/19 £000	Forecast Variance 2018/19 %	Previous Month Variance £000	Movement £000
Council Tax	(68,110)		(68,110)	(68,110)		0	0.00%	0	0
Council Tax - Adult Social Care precept	(5,328)		(5,328)	(5,328)		0	0.00%	0	0
NNDR Income	(45,465)		(45,465)	(46,448)		(983)	2.16%	(983)	0
NNDR Levy	216		216	216		0	0.00%	0	0
NNDR S31 grants	(3,128)		(3,128)	(3,128)		0	0.00%	0	0
NNDR Tariff	2,370		2,370	2,370		0	0.00%	0	0
Revenue Support Grant	(15,056)		(15,056)	(15,056)		0	0.00%	0	0
Parish Precept	(586)		(586)	(586)		0	0.00%	0	0
New Homes Bonus	(5,152)		(5,152)	(5,152)		0	0.00%	0	0
Section 31 Grant	(5,742)		(5,742)	(5,742)		0	0.00%	0	0
Contribution from/to Grant Equalisation Reserve	(4,231)		(4,231)	(4,231)		0	0.00%	0	0
Contribution from/to Reserves	0	(2,900)	(2,900)	(2,900)		0	0.00%	0	0
Contribution to Capacity Reserve	0		0	0		0	0.00%	0	0
Collection Fund - Council Tax	(1,188)		(1,188)	(1,188)		0	0.00%	0	0
Collection Fund - NDR	(287)		(287)	(287)		0	0.00%	0	0
Total Financing	(151,687)	(2,900)	(154,587)	(155,570)	0	(983)	0.64%	(983)	0

The following graph outlines the change in the Rateable Value of the properties and the key changes to the properties



Appendix B - Reserves

The Council's departmental reserves and the capacity building reserve are monitored throughout the year and feed into the budget setting process accordingly. The following table summarises the expected balance for all reserves for 2018/19 to 2021/22

Out of the total reserves balance only £15.7m is deemed available or uncommitted, due to restrictions placed on the remaining reserves.

	2018/19	2018/19	2018/19	2018/19	2018/19	2019/20
Summary of Reserves	Balance C/Fwd 1.4.18	Contribution from Reserve in 2018.19	Contribution to Reserve in 2018.19	Movement between Reserves	Estimated Balance at 31.03.19 £000	Estimated Balance at 31.03.20 £000
General Fund Balance	6,000	0	0	0	6,000	6,000
Available Reserves						
Capacity Building Reserve	12,714	(8,863)	4,687	2,088	10,626	6,796
Grant Equalisation Reserve	8,445	(4,231)	0	0	4,214	1,130
Development Equalisation Reserve	1,233	(1,233)	0	0	0	0
Departmental Reserve	5,197	(3,695)	0	(600)	902	902
	27,589	(18,022)	4,687	1,488	15,742	8,829
Ring-Fenced Reserves						
Insurance Reserve	4,936	0	0	(1,488)	3,448	3,448
Schools Capital Expenditure Reserve	1,208	(33)	0	0	1,176	1,176
Parish Council Burial Ground Reserve	51	0	0	0	51	51
Hackney Carriage Reserve	203	0	0	0	203	203
School Leases Reserve	243	(122)	0	0	121	79
Future Cities Reserve	240	(240)	0	0	0	0
Public Health Reserve	428	(198)	0	0	230	230
	7,310	(593)	0	(1,488)	5,229	5,188
Total Available and Ring-Fenced Reserves and General Fund Balance	40,899	(18,615)	4,687	0	26,972	20,016

* £4.2m drawn down per approved 2018/19 MTFS

** Capacity Building Reserve

- May be used to finance transformational costs associated with delivery of savings plans outlined in the 2019/20 – 2021/22 MTFS
- £4.4m of Capital receipts will be transferred to Capacity reserve during 2018/19.
- The forecast overspend in 2018/19 of £3.4m will be required to be funded from the Capacity reserve.

*** it should be noted that there has been a transfer of reserves from the Insurance reserve totalling £1.488m, following the actuarial review of the balances. This also includes an estimate for additional risk the council may be exposed to as a result of the Local Authority Trading Company (LATCo).

Appendix C – Budget Risk Register

The following table highlights the risks which have been identified within the 2018/19 Budget

Dept	Risk	Description	Rag rating	£000	Preventative Management Action taken, or planned
G&R	Parking Income	Further reduction in income – reduced footfall	Amber	0	tbc
Gov	Cost of Coroner Service	2018/19 contract costs - lack of clarity on costs charged by Cambridgeshire County Council	Amber	0	tbc
P&C	Independent Sector Providers (ISP)	Additional pressures on Nursing Residential, Delayed Transfer of Care (DTC), Sleep In payments following Mencap court case and Transforming Care service users could increase the ISP overspend	Red	0	tbc
P&C	Homelessness	Demand led area. Should demand increase or mix between accommodation types changes, forecasts could alter	Amber	0	tbc
P&C	TACT placements	Demand led area. If placement mix changes or demand increases, only needs one or two cases to impact significantly	Amber	0	tbc
P&C	Traveller sites	Clearing of traveller sites	Amber		Physical measures were installed along Norwood Lane at the start of September 2018 to prevent fly tipping at this location. At the current time the measures have prevented tipping along the Lane, although it is still happening at the entrance. Clearance costs have significantly reduced and will continued to be monitored. A site visit is taking place to see if measures can be extended to the entrance and a gateway opposite to further reduce costs
P&C	Clare Lodge	Risk around loss of Income, & the cost of Agency Staff if recruitment and retention strategies are not successful	Amber		

Appendix D - Asset Investment and Treasury Budget Report as at January 2019

Introduction

The following report provides an update on the Council's Asset Investment Plan and the Treasury activity as at January 2019. It also provides an estimate of the borrowing requirement for 2018/19 to fund this plan.

Asset Investment Plan 2018/19

The revised Asset Investment Plan budget as at January 2019 is £98.3m, which includes £1.7m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £158.7m. The movement between the MTFS position and the £181.3m as at April 2018 was a result of slippages mainly due to delays completing projects from 2017/18.

This revised budget includes the following items, as set out in the December BCR report, which came to Cabinet on 25 February:

- the Stamp Duty payable (£600k) on Sand Martin House as this has been assessed as a finance lease
- purchasing Refuse Collection Vehicles (RCV) (£700k) and
- a loan facility for Local Authority Trading Company (LATCo) to provide working capital and to cover start up costs (£1,450k).

The actual investment expenditure as at January 2019 is £60.7m (84.7% of the revised budget to date). The latest forecast for expenditure is £98.3m, therefore the Council is expecting to spend a further £37.6m before March 2019.

The Council has a Capital Review Group (CRG) which meets monthly to ensure that the capital programme is not aspirational in terms of the timing of the delivery of schemes, to challenge and ensure the future five years programme is line with the capital strategy, and monitor the expenditure and progress of schemes.

The following table shows the breakdown of the Council's Asset Investment over the directorates and how this investment is to be financed.

Sub-Directorate	MTFS Budget	1st April Budget	Current Budget FY	Revised Budget YTD	Actual YTD
	£000	£000	£000	£000	£000
Governance	49	49	-	-	-
Growth & Regeneration	55,239	63,363	49,493	41,245	32,438
People & Communities	58,883	64,692	34,097	28,414	22,009
Resources	16,195	1,119	10,197	8,497	5,481
Invest to Save	28,350	52,064	1,729	1,441	775
<i>SMH Stamp Duty*</i>	-	-	600	-	-
<i>LATCo Loan & RCVs*</i>	-	-	2,150	-	-
TOTAL	158,716	181,287	98,266	79,597	60,703
Grants & Contributions	40,486	46,335	38,621	32,184	30,052
Capital Receipts	1,000	1,000	1,000	833	1,500
Borrowing	117,230	133,952	58,645	46,580	29,151

TOTAL	158,716	181,287	98,266	79,597	60,703
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*Awaiting Approval

Borrowing and Funding the Asset Investment Plan

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 Treasury Management Strategy approved as part of the MTFS. The Council borrows only to fund the Asset Investment Plan. The current plan assumes that 59.7% of the budgeted expenditure will be funded by borrowing.

The Council's total borrowing as at the end of January 2019 was £427.6m (see following table). The level of debt is measured against the Council's Authorised Limit for borrowing of £706.5m which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £659.7m. These limits are set to enable borrowing in advance of need to take advantage of favourable loan rates in consideration of future years capital investment programme.

Borrowings	Less than 1yr £000	1-2yrs £000	2-5yrs £000	5-10yrs £000	10+yrs £000	Total £000	Ave. Interest Rate %
PWLB	-	4,500	7,128	15,715	332,244	359,587	3.6
Local Authority	28,000	22,500	-	-	-	50,500	1.6
Market Loans	-	-	-	-	17,500	17,500	4.5
LEP Loan	-	-	-	-	-	-	0.0
Total Borrowing	28,000	27,000	7,128	15,715	349,744	427,587	3.4
% of total Borrowing	7%	6%	2%	4%	82%		
Borrowing Limit (PI)	40%	40%	80%	80%	100%		

The majority of the debt is taken on a 10+yr basis. The Acting Corporate Director of Resources believes it to be prudent to take advantage of a relatively low long term fixed rate of interest as it mitigates some of the risk of PWLB rate rises. Long term interest rates remain relatively low e.g. the standard PWLB rate for 50yr loans including the certainty rate was 2.42% at end of January 2019. The historically low PWLB rates are a result of the investor fears and confidence creating an ebb and flow situation between favouring more risky assets i.e. equities, or the safe haven of bonds and have been fluctuating recently due to uncertainty over Brexit negotiations.

The following table shows the activity in Loans held by the Council for the year to date, with £16m of loans being repaid and £10m of new borrowing taken to fund the capital programme:

Loans Portfolio £000		
April 2018 b/f		419,587
repayment of loans to date	(22,000)	
new loans in year	30,000	
net increase/(decrease) to date		8,000
Loans portfolio as at January 2019		427,587

Total interest payable on existing loans for the year (£427.6m) is expected to be £14.0m.

The CRG is now reviewing the Council's £17.1m of S106 and Planning Obligation Implementation Scheme (POIS) funding at the monthly meetings. To date £8.7m has been earmarked for specific projects but more work needs to be done by the services to allocate the remaining funding to reduce the borrowing costs to the Council. CRG will invite the S106 Officer to the meeting to discuss current investment projects which may be able to use this funding to reduce this funding balance further.

Investments

The Council aims to achieve the optimum interest on investments commensurate with the proper levels of security and liquidity. In the current economic climate the Council considers it appropriate to keep investments short term to cover cashflow fluctuations. This financial year investment returns have been from Barclays (the Council's banking provider), CCLA Money Market funds, the Debt Management Office and Local Authorities.

As at January 2019 the Council's external investments totalled £5.4m and have yielded interest to date of £0.089m, which reflects both relatively the low cash balances held to minimise the cost of borrowing and low interest rates being available in the economic climate

Capital Receipts Used To Fund Minimum Revenue Provisions

Capital Receipts are used as part of a contribution to fund the Minimum Revenue Provision as approved in the MTFs. Close monitoring of the receipts from asset sales is maintained as any significant change will now have a direct impact on the revenue position.

Capital Receipts are monitored on a monthly basis and each sale given a status of Red, Amber or Green to identify the likely receipt before March 2019. The MTFs includes a contribution of £2.9m Capital Receipts to fund the MRP, with the revised receipts figure including a further £6.7m rolled forward from uncompleted disposals in 2017/18.

Capital Receipts To Off Set Revenue MRP Charge RAG Status	MTFS Budget £000	Revised Budget £000	Received to Date £000	Not yet received £000
Green	-	5,919	624	5,295
Amber	2,922	1,732	-	1,732
Red	-	-	-	-
Total (not inc Investment Assets)	2,922	7,651	624	7,027
Investment Assets	-	-	-	-
Total Capital Receipts	2,922	7,651	624	7,027

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