

CABINET	AGENDA ITEM No. 9
23 SEPTEMBER 2019	PUBLIC REPORT

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 CONTROL REPORT JUNE 2019

RECOMMENDATIONS	
FROM: Acting Corporate Director of Resources	Deadline date: N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The Budgetary Control position for 2019/20 at June 2019 includes a forecast overspend of £5.424m against budget. 2. The key variance analysis and explanations are contained in Appendix A. 3. The estimated reserves position for 2019/20 at June 2019 outlined in Appendix C. 4. In year budget risks for 2019/20 at June 2019 are highlighted in Appendix D. 5. The Asset Investment and Treasury Budget Report is contained in Appendix E. <p>It is recommended that cabinet approves and recommends to Council:</p> <ol style="list-style-type: none"> 6. The revenue budget virement to reprofile the budget based on revised assumptions, outlined in section 5, with further detail of the 2019/20 reprofiled Budget contained in Appendix B 7. The capital budget virements over £0.5m. 8. The addition of the Allia Centre to the disposals schedule. 	

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 is for Cabinet to consider under its Terms of Reference No. 3.2.7 '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'.

- 2.2. This report provides Cabinet with the forecast for 2019/20 as at June 2019 budgetary control position.
- 2.3. The report also outlines a set of revenue and capital virements, for Cabinet and Council approval, in order to assure the budget reflects the Councils current financial position accurately, including the reflection of revised and robust budget assumptions.

3. **TIMESCALE**

Is this a Major Policy Item/ Statutory Plan	Yes	If yes, date for Cabinet meeting	23 September 2019
Date for relevant Council meeting	16 October 2019	Date for submission to Government Dept.	N/A

4. **JUNE 2019 BUDGETARY CONTROL- REVENUE**

- 4.1. The revenue budget for 2019/20, agreed at Full Council on 6 March 2019, was approved at £150.768m.

	£m
Approved Budget 2019/20	150.768
Use of reserves per MTFS	3.084
Revised Budget 2019/20	153.852
Drawdown of reserves during 2019/20	1.394
NNDR Timing Issue	(1.030)
Revised Budget 2019/20	154.216

- 4.1. The 2019/20 year-end outturn position is currently forecast to be overspent by £5.424m, which will need to be met from the Capacity reserve. This is based on reported departmental information as at the end of June 2019. It should be noted that this is an early projection for 2019/20, and where risks are highlighted within this report, CMT are putting plans in place to mitigate these as far as possible.
- 4.2. This has reduced by £0.033m in comparison to a £5.457m overspend position forecast at the end of May 2019, which was reported to Cabinet on 15 July 2019. The main reasons for the movement are outlined in the following table:

Key Movements between the Forecasts	£m
Previous month forecast	5.457
Employee costs - Legal Services	0.151
Empower loan interest netted against finance costs	(0.260)
Extra costs and reduced income on Solar PV	0.106
Employee cost savings - Financial Services	(0.214)
Annual Delivery Plan Costs - further two months forecast	0.132

Other Variances	0.052
Current Month forecast	5.424

- 4.3. CMT have put plans in place to manage and scrutinise expenditure throughout the council, to mitigate the financial impact of the forecast overspend identified.

The key variances where a pressure is forecast are in the following areas:

- Working with partners to deliver back office services in more cost effective ways (Peterborough Serco Strategic Partnership (PSSP), Finance, ICT, HR, Legal, Highways) £3.360m which is an ongoing piece of work;
- Peterborough Serco Strategic Partnership £1.473m, made up of variable costs reduction saving £1.000m, Business Support saving £0.100m, Annual Delivery Plan (ADP) costs £0.264m, reduction in Housing Benefit and Council tax admin subsidy £0.109m;
- Housing temporary accommodation costs £0.906m;
- Home to School Transport £0.372m;
- Underachievement of parking income £0.362m.

- 4.4. 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 has considered the options available and has concluded to demolish the carpark with the carpark closing to the public immediately. The Council has sought approval for this action via [CMDN](#) published in August and has since published further information on the [website](#) including the structural review reports.

This will come at a financial cost to the council, both from the one off actions from moving operations and the demolition, but there will also be ongoing revenue budget implications from the loss of carpark revenue. These factors are under review and will be reported in a future BCR report.

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

Directorate	Budget 2019/20	Cont. from reserve	Revised Budget 2019/20	Forecast Spend 2019/20	Cont. to reserve	Forecast Variance 2019/20	Forecast Variance 2019/20	Previous Month Variance	Movement
	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executives	1,329	0	1,329	1,589	0	260	20%	260	0
Governance	4,054	0	4,054	4,500	0	446	11%	363	83
Place & Economy	20,595	0	20,595	20,974	0	379	2%	390	(11)
People & Communities	86,886	0	86,886	88,603	0	1,717	2%	1,761	(44)
Public Health	63	362	425	425	0	0	0%	0	0
Resources	33,691	0	33,691	35,586	377	2,272	7%	2,312	(40)
Customer & Digital Services	7,061	0	7,061	7,433	0	372	5%	371	1
Business Improvement	173	0	173	151	0	(22)	-13%	0	(22)
Total Expenditure	153,852	362	154,214	159,261	377	5,424	4%	5,457	(33)
Financing	(153,852)	(362)	(154,214)	(154,214)	0	0	0%	0	0
Net	0	0	0	5,047	377	5,424	4%	5,457	(33)

5. MANAGEMENT ACTION TO ADDRESS THE FORECAST OVERSPEND - COMMENCED 1ST JULY 2019

- 5.1. The Council has reported a forecast overspend position since the start of the financial year. The Corporate Management Team (CMT) have implemented controls and will continue to progress with a number of actions to address this.
- 5.2. In July a report ([Item 13](#)) was approved at Council which outlined the process and timetable for the 2020/21 Budget Setting Process, noting that the council were working collaboratively with Grant Thornton, on a Financial Implementation Programme. This Programme has been established in order to identify and propose budgetary and service changes to bring the Councils expenditure within its funding envelope so that a lawful, balanced budget can be set for 2020/21.
- 5.3. As well as the above work CMT have put spending and recruitment controls in place, enhancing the level of scrutiny applied to this expenditure activity. All expenditure in excess of £10k has to be supported by a business case and signed off by the Head of Finance, with regular review from the Chief Finance (Section 151) Officer. All requests for recruitment or agency placements are also subject to approval at a weekly recruitment panel.
- 5.4. As part of the CMT mitigating action the Councils finance team have conducted a thorough review of the appropriateness and robustness of all budget assumptions. This has resulted in the proposed changes which will reprofile the budget to reflect the Councils financial position. This is shown within column B in the following table. The finance team identified that the 2019/20 budget pressure was £6.085m, however the ongoing underlying budget issue is £9.764m.
- 5.5. In order to address the additional budget required, identified through the process noted above, directorates will need to identify additional savings proposals to bring expenditure back within the Councils cash limits. The savings targets have been set at the ongoing pressure value, in order to achieve financial sustainability in the Council's future years budget.
- 5.6. This piece of work is still in progress with Budget Holders, Managers and Directors working collaboratively with the finance team to review specific expenditure types, to reduce any non-essential (non-business critical) expenditure. Proposals for budgetary and service changes will require development. This will include considering whether the Council can:
 - Increase income generation;
 - Reduce costs;
 - Postpone recruitment and reduce the use of agency by reviewing all contracts
 - Drive efficiencies or stop tasks where little value is added;
 - Reprioritisation of tasks or services;
 - Reviewing best practice from other Local Authorities ;
 - Innovative ideas to maintain or improve service provision while reducing cost;
 - Implementation of staff ideas submitted via the Budget Challenge campaign.
- 5.7. These changes will ensure that the annualised cash limit for the Council remains as approved on 6th March 2019, and with the same level of service provision. This is in line with the Financial Regulations

Directorate	A Revised Budget 2019/20 at June 19	B Budget Reprofiting	C Departmental Savings Target	D Contr. To Reserves	E Revised Budget
	£000	£000	£000	£000	£000
Chief Executives	1,329	208	(120)		1,417
Governance	4,054	459	(298)		4,215
Place & Economy	20,595	(218)	(1,530)		18,847
People & Communities	86,886	2,713	(5,876)		83,723
Public Health	425	0	(226)		199
Resources	33,691	2,324	(1,106)		34,909
Customer & Digital Services	7,061	517	(562)		7,017
Business Improvement	173	82	(47)		208
Contribution to Reserves				3,678	3,678
Total Expenditure	154,214	6,086	(9,764)	3,678	154,214

5.8. Further detail down to budget group level can be found at Appendix B.

CAPITAL PROGRAMME

5.9 Work has been undertaken to reduce the capital programme to £80m per year, excluding invest to save. Invest to save is shown separately due to the projects only proceeding where they lead to savings which cover the associated capital financing costs in the year they occur, and the capital financing costs are recharged to service budgets. As a result reducing the budget on these projects does not lead to revenue savings. By the inherent nature of these projects the expenditure is less likely to suffer from the same constraints as the Council not having the project officer capacity to deliver a programme over £80m.

5.10 The current programme is set out in the table below:

2019/20 Capital Programme by Directorate

Directorate	MTFS Budget	1 April Budget	Current Budget FY
	£000	£000	£000
Customer & Digital Services	4,800	5,415	4,767
Governance	90	90	-
People & Communities	34,671	31,522	26,741
Place & Economy	38,727	47,735	39,658
Resources	847	3,875	12,647
Slippage allowance			-3,813
TOTAL	79,135	88,637	80,000
Grants & Contributions	26,826	32,856	35,799
Capital Receipts	23,150	23,150	23,150
Borrowing	29,159	32,631	21,051
TOTAL	79,135	88,637	80,000
Invest to Save	34,999	35,799	25,000
Invest to Save Borrowing	34,999	35,799	25,000

- 5.11 The budget is within the level approved in the MTFS and Treasury Management Strategy and includes the following items which require approval:

Item	£000	Description
Clare Lodge Phase 7 Grant	1,532	CMDN for grant acceptance in progress
Other grants, S106 / CIL and other third party contributions	1,663	Schemes which have been subsequently identified since the MTFS was approved.
Housing RTB funding budget	8,734 (plus 2,185 2020/21)	To align the capital programme budget with the obligations under RTB funding received.
Homeless 50 budget	300 (brought forward from existing future year's budgets).	Reduced forecast for future year's capital maintenance budgets due to quality of properties enabling reprofiling of overall £10m programme to bring forward spend for additional properties.
Housing Acquisition	0	Correction of presentation of £10m 2020/21 funding budget – shown as third party funding - should be corporate resources

5.12 Disposals

For clarity to the MTFS disposal schedule, the disposal of the football ground incorporates the Allia Centre and a small piece of additional land which is adjacent to Hawksbill Way.

6. IMPLICATIONS

- 6.1. Financial Implications: see main body of report.
- 6.2. Legal Implications: A virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside of the Budget is required to have approval of the Council before the Leader and Cabinet can make that decision.
- 6.3. Equalities Implications: There are no equalities implications from this recommendation report, however if specific actions are implemented in the future arising from this report they will be subject to an Equalities Impact Assessment as required.

7. APPENDICES

- 7.1. Further information is provided in the following appendices:
- Appendix A – Detailed 2019/20 revenue budgetary control position at June 2019 and explanation of Key variances and risks
 - Appendix B – Reprofiled 2019/20 Budget
 - Appendix C – Reserves position
 - Appendix D – Budget risk register
 - Appendix E – Asset Investment and Treasury Budget Report