

CABINET	AGENDA ITEM No. 5
4 NOVEMBER 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 SEPTEMBER 2019

RECOMMENDATIONS	
FROM: Corporate Director: Resources	Deadline date: N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The Budgetary Control position for 2019/20 at September 2019 includes a forecast overspend of £5.811m against budget. 2. The key variance analysis and explanations are contained in Appendix A. 3. The estimated reserves position for 2019/20 at September 2019 outlined in Appendix B. 4. In year budget risks for 2019/20 at September 2019 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 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 September 2019 budgetary control position.

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	NO	If yes, date for Cabinet meeting	N/A
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4. SEPTEMBER 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	3.706
NNDR Timing Issue	(1.030)
Revised Budget 2019/20	156.528

4.2. The 2019/20 year-end outturn position is currently forecast to be overspent by £5.811m, which will need to be met from the Capacity Building Reserve. This is based on reported departmental information as at the end of September 2019, taking account of the newly identified pressures and the delivery against the in year savings targets, identified as part of the Budget Re-profiling.

4.3. This £5.811 projected overspend position is made up of two distinct elements:

- £5.039m of revised savings targets, agreed at Council in September that still remains to be delivered. This means that £4.725m has already been identified. More work is under way across the Council to ensure that the Council delivers to the full £9.764m target by the end of this financial year as this will deliver a net £3.7m transfer of resources into reserves.
- £0.772m of net pressures and favourable movements, identified in the period between the June Monitoring position and September.

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

	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
Directorate	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executives	1,489	35	1,524	1,519	0	(5)	0%	(5)	0
Governance	4,320	38	4,358	4,469	0	111	3%	199	(88)
Place & Economy	18,796	338	19,134	19,886	0	752	4%	803	(51)
People & Communities	83,127	1,394	84,521	89,136	0	4,615	5%	5,641	(1,026)
Public Health	(163)	364	201	231	0	30	15%	222	(192)
Resources	38,418	50	38,468	37,895	377	(196)	-1%	(454)	258
Customer & Digital Services	7,102	317	7,419	7,931	0	512	7%	639	(127)
Business Improvement	763	140	903	895	0	(8)	-1%	(2)	(6)
Total Expenditure	153,852	2,676	156,528	161,962	377	5,811	4%	7,044	(1,233)
Financing	(153,852)	(2,676)	(156,528)	(156,528)	0	0	0%	0	0
Net	0	0	0	5,434	377	5,811	0	7,044	(1,233)

4.4. This position includes newly identified pressures including:

- Great Eastern Run £0.155m – through the cancellation of the race, due to suspicious activity close to the race course;
- Homelessness £0.513m –due to increased demand for temporary accommodation;
- Home to School Transport £0.166m- as the forecast reflects the contract changes for Academic Year 2019/20;
- Peterborough Serco Strategic Partnership, Annual Delivery Plan (ADP) & Business Transformation Variable costs £0.307m- ADP which is currently costing the Council £0.065m per month will create an adverse variance against the budget unless costs are switched off or charged to a budgeted project, this is currently under review;
- Energy for Waste Plant- £.0240m reduction in wholesale electricity prices.

On 9 October the Treasury announced an increase in the interest rate for the Public Works Loan Board (PWLB) by one percentage point, meaning the typical rate for a loan is now 2.8% instead of 1.8%. This effects the rate at which the Council is able to borrow money to fund capital investments, and will likely have an impact on the current years capital financing budget. The action by the Treasury is designed to discourage councils from borrowing to fund “risky” multimillion valued property investments, however it has been reported by the Local Government Association that *“This 1% PWLB rate increase could cost councils an extra £70m a year for borrowing to be undertaken in the next year”*. The impact of this will be included within the October Budgetary Control Report at Cabinet on 9 December.

Further details regarding these pressures are outlined within Appendix A of this Report.

BUDGET REPROFILING- IN YEAR OVERSPEND PLAN

4.5. As previously reported the Council’s finance team have conducted a thorough review of all current budget assumptions. This resulted in a series of virements to reprofile the current years budget to reflect the Council’s actual financial position. This exercise identified that the 2019/20 budget pressure was estimated to be £6.085m, with the ongoing underlying budget pressure of £9.764m. CMT agreed for directors to identify additional savings proposals to ensure that expenditure is within the Councils cash limits. The savings targets have been set at the ongoing pressure value, in order to achieve financial sustainability for the Council’s future year’s budget, by contributing to the total amount available in reserves. The overall approach and amendment to service budgets was reported to and approved by Cabinet at the meeting held on 23 September ([Item 9](#)) and by Council at the meeting on 16 October ([Item 9](#)).

4.6. The Council has so far identified £4.725m of in year savings across the departments, with a remaining target balance of £5.039m, still to be identified, as outlined in the following table. The exercise 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.

4.7. Savings targets for each directorate and the value of savings which have been identified to date are shown in the table:

Directorate	Departmental Savings Target	Savings Identified	Savings Still to be identified
	£000	£000	£000
Chief Executives	120	119	1
Governance	298	185	113
Place & Economy	1,530	879	651
People & Communities	5,876	2,152	3,724
Public Health	226	238	(12)
Resources	1,105	1,105	0
Customer & Digital Services	562	0	562
Business Improvement	47	47	0
Total Expenditure	9,764	4,725	5,039

4.8. The Council has outlined plans within its Medium Term Financial Strategy to move towards a truly sustainable budget, by reducing reliance on the one-offs funding solutions. A challenging financial environment remains with demand for services increasing and service costs rising whilst funding from government reduces. As further budget pressures emerge alongside acknowledging the time required to implement new saving proposals, there is the need to ensure there is resilience with the level of reserves the Council holds, and therefore the Council plans to utilise the one off benefit of £1.4m from the sale of further assets through the generation of capital receipts. **This has not yet been factored in to the table above but could bring the remaining balance of the in year savings target down to £3.6m. If this is applied to the overall £5.811m projected overspend position this reduces to £4.411m.**

4.9. Virements for these identified savings will be reported to Cabinet on 9 December and to Council on 18 December 2019 for approval, along with a further update on the progress to date. Further detail on the departmental variances is outlined within Appendix A. It should be noted that the overall Budgetary Control Position reflects both the newly identified pressures, the new the savings identified as part of this piece of work and other minor adverse and favourable variances.

5. APPENDICES

5.1. Further information is provided in the following appendices:

- Appendix A – Detailed 2019/20 revenue budgetary control position at September 2019 and explanation of Key variances and risks
- Appendix B – Reserves position
- Appendix C – Budget risk register
- Appendix D – Asset Investment and Treasury Budget Report