

CABINET	AGENDA ITEM No. 8
22 June 2020	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 APRIL 2020

RECOMMENDATIONS	
FROM: Corporate Director: Resources	Deadline date: 12 June 2020
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The Budgetary Control position for 2020/21 as at April 2020 is a forecast overspend of £5.877m against budget. This includes the current estimated impact of COVID-19 and the additional COVID-19 Response funding; 2. Included in this is forecast overspend is £18.3m of additional pressure due to COVID-19, as reported to the Ministry of Housing Communities and Local Government, within the monthly returns, as outlined in section 4. 3. The reduction in collection rates in respect of Council Tax and National Non-Domestic Rates, in comparison to the levels achieved in 2019/20, as outlined in section 4; 4. The additional funding that has been made available and allocated to the business community due to COVID-19, as outlined in section 4; 5. The requirement to continue to lobby for additional funding to minimise the effects of COVID-19 on Peterborough, as outlined in section 4; 6. The financial and HR controls the Council is continuing to operate, as outlined in section 4; 7. The key variance analysis and explanations are contained in Appendix A. 	

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 2020/21 as at April 2020 budgetary control position.

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	NO	If yes, date for Cabinet meeting	N/A
--	-----------	-------------------------------------	------------

4. APRIL 2020 BUDGETARY CONTROL- REVENUE

4.1. The revenue budget for 2020/21, agreed at Full Council on 4 March 2020, was approved at £163.743m. The following table outlines the changes which have been made to the budget to arrive at the revised budget of £177.436m:

	£m
Approved Budget 2020/21	163.743
Use of reserves per MTFS	1.510
Capitalisation Direction	1.217
COVID-19 Response Fund Tranche 1 from reserves (received March 2020)	5.332
COVID-19 Response Fund Tranche 2 received April 2020	5.634
Revised Budget 2020/21	177.436

4.2. The following table outlines a summary of the budgetary control position. The Council is currently reporting a £5.877m overspend. This includes the additional financial pressures and funding as a result of COVID-19.

Directorate	Budget £k	Forecast Spend £k	Variance £k
Chief Executives	1,259	1,259	0
Governance	4,270	4,115	(155)
Place & Economy	20,476	21,535	1,059
People & Communities	87,223	102,411	15,188
Public Health	(369)	(288)	81
Resources	45,473	46,143	670
Customer & Digital Services	7,536	7,536	-
Business Improvement	602	602	-
COVID-19 Response Fund	10,966	0	(10,966)
Total Expenditure	177,436	183,313	5,877
Financing	(177,436)	(177,436)	-
Net	-	5,877	5,877

4.3. The pressure on the Councils revenue budget is significant, the additional pressures equate to over 10% of the Revenue budget. Most of the pressures are the result of the additional costs of providing the vital response to COVID-19 pandemic and include which have led to this position, such as:

- In Place and Economy, there was loss of income for the EFW Plant Electricity due to a decrease in wholesale demand
- Pressure on property income in Resources, due to COVID-19 having an impact on the council's ability to rent out further space in Sand Martin House
- The Resources directorate has also been unable to deliver the proposed savings in the Peterborough Serco Strategic Partnership contract due to COVID-19. Therefore, the Business Support Notice of change/ new model hub implementation has been postponed to October 2020
- The People and Communities directorate has incurred additional expenditure in adult services, this includes on care homes and domiciliary care support, an additional 10% uplift was agreed to ensure providers have the resources needed to put appropriate infection control measures in place. Additional expenditure has been required to support children and families, such as increases in children with disabilities packages and increased placement costs, as providers have needed to increase costs of placements to accommodate additional expenditure on covid related requirements. There are pressures on our domestic abuse service also.
- There have been further pressures such as loss of income for Clare Lodge as well as loss of income from parking and enforcement services

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

COVID-19 Financial Position

4.5. The Council reports the impact of COVID-19 internally on a weekly basis and undertakes a monthly reconciliation of additional costs to Ministry of Housing Communities and Local Government (MHCLG) on the 15th of each month. COVID-19 costs are having a significant effect on the Council's forecast outturn position. We are assessing COVID-19 costs on a weekly basis so now have data for COVID-19 specific items to the end of May. The April Monitoring Position takes account of COVID-19 estimates at the end of April, which corresponds to the Finance Report which was reported to Cabinet on the 11 May. The table below outlines the gross pressure and funding received, reported to MHCLG within the April and May returns.

Source of Pressure	April Position £m	May Position £m
Direct COVID-19 Expenditure	7.0	10.1
Loss of Income	6.8	6.0
Non-Delivered 2020/21 Savings	4.5	4.8
Total Pressures	18.3	20.9
Government Funding Received	(11.0)	(11.0)
Revised Net Position	7.3	10.9

4.6. The Council has received two tranches of the COVID-19 response funding from MHCLG, £5.332m on the 27 March and £5.634m on the 18 April, amounting to £10.966m to cover COVID-19 costs.

- 4.7. There is concern around tax collection percentages across the Country due to COVID-19. Now we have 2 full months of data we can compare collection rates this year against last year. Council Tax collection rates are 6.9% lower than last year and Business Rates collection rates 28.3% lower. Although we have not started to actively pursue outstanding debt, which will begin at the end of June, if these reductions were to continue it could result in £30m of non-collected Tax Revenue by the end of the year. This is significantly more than the Council's initial 10% non-collection estimate of £15.8m but is before the Council starts recovery action in July where this figure could reduce substantially.
- 4.8. The Council have also received money directly from the Government which is being applied specifically to certain sectors of the economy. This has included:
- Business rates relief of £36.6m to 1,256 Retail, Hospitality and Leisure Providers;
 - Business rates relief of £0.3m to 31 Nurseries;
 - £29.3m of specific Grant Funding for Small, Rural, Retail, Leisure and Hospitality businesses. 2,426 grants have been issued. Last week, our performance was ranked the 15 most efficient out of 314 Councils;
 - An additional £1.6m to allocate £150 to those on Council Tax Support;
 - £1.75m of direct grant assistance to Care Homes;
 - £0.181m of grant assistance to reopen our City Centre.
- 4.9. A new Discretionary Scheme for businesses of £1.5m will be presented to Cabinet at the meeting on the 22 June for noting.
- 4.10. There is the requirement for the Council, in liaison with the wider Local Government sector, to continue to lobby for additional funding to cover the present shortfall in COVID-19 support including the projected deficit position in the Collection Fund which will impact revenue budgets in 2021/22.

Financial Controls

- 4.11. During 2019/20 the Corporate Management Team (CMT) implemented a series of financial management controls designed to reduce the overspend and minimise non-essential expenditure. This was done by enhancing the level of scrutiny applied to all expenditure activities 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, section 151 Officer (CFO);
 - All expenditure over £1k requiring CFO approval;
 - A review of the effectiveness and operation of financial and human resource controls across the organisation;
- 4.12. These controls will remain in place and have been extended, as a result of the significant level of additional expenditure being incurred in response to the COVID-19 pandemic. For all resulting expenditure officers are to submit an expenditure request form for approval by their relevant Head of Finance, with the CFO maintaining a tight oversight of the requests. This is to ensure

that all expenditure being incurred is recorded, included within the response plans and In line with the government guidance issued

5. APPENDICES

5.1. Further information is provided in the following appendices:

- Appendix A – Budgetary Control Report Dashboard- April 2020.

