

CABINET	AGENDA ITEM No. 6
13 JULY 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 MAY 2020

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 2020/21 as at May 2020 is a forecast overspend of £6.3m 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 £30.8m 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 approach to the 2021/22 MTFS as set out in section 4; 6. The key variance analysis and explanations are contained in Appendix A; 7. The Councils reserves position, as outlined within 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 May 2020 budgetary control position.

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	Yes	If yes, date for Cabinet meeting	13 JULY 2020
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Date for relevant Council meeting	N/A	Date for submission to Government Dept.	N/A
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4. MAY 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 £178.489m:

	£m
Approved Budget 2020/21	163.743
Use of reserves per MTFS	1.510
Capitalisation Direction	1.217
Cohesion and Integration Reserves	1.053
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	178.489

4.2. The following table outlines a summary of the budgetary control position, within each directorate. The Council is currently reporting a projected overspend of £6.3m, a £0.4m change in comparison to April. This includes the additional financial pressures and funding as a result of COVID-19.

Directorate	Budget £k	Forecast Spend £k	Variance £k	April Variance £k	Movement £k
Chief Executives	1,259	1,294	35	0	35
Governance	4,270	4,025	(245)	(155)	(90)
Place & Economy	21,426	23,295	1,869	1,194	675
People & Communities	86,847	101,654	14,807	14,948	(141)
Public Health	(369)	(288)	81	82	(1)
Resources	19,733	20,424	691	774	(83)
Customer & Digital Services	7,536	7,528	(8)	0	(8)
Business Improvement	602	602	0	0	0
Capital Financing	26,219	26,219	0	0	0
COVID-19	10,966	0	(10,966)	(10,966)	0
Total Expenditure	178,489	184,753	6,264	5,877	387
Financing	(178,489)	(178,489)	0		
Net	0	6,264	6,264	5,877	387

4.3. Most of the pressures, impacting the Councils financial position are as the result of the 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

- Also, in Place and Economy, there has been additional expenditure, as the Council has taken additional steps in ensuring that rough sleepers and homeless families have temporary accommodation and a safe place to self-isolate due to COVID-19 pandemic
- 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-19 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 May Monitoring Position takes account of COVID-19 estimates at the end of May. The table below outlines the gross pressure and funding received (updated for June), reported to MHCLG within the April, May and June returns.

Source of Pressure	April Position £m	May Position £m	June Position £m
Direct COVID-19 Expenditure	7.0	10.1	19.2
Loss of Income	6.8	6.0	6.8
Non-Delivered 2020/21 Savings	4.5	4.8	4.7
Total Pressures	18.3	20.9	30.8
Government Funding Received	(11.0)	(11.0)	(11.0)
Additional Funding (refer to 4.6)			(5.7)
Revised Net Position	7.3	9.9	14.1

4.6. This return has asked for funding to be "grossed up" to include all grant payments received (income and Expenditure). As such, the following Grants are included in both the "Direct COVID-19 Expenditure line and the "Additional Funding" line:

- Cambridgeshire and Peterborough CCG funding for additional Capacity - £2.7m
- Grant for re-opening the Town Centre - £0.2m
- Direct Assistance Grant (Infection Control) for Care Homes - £1.8m
- Test and Trace Grant - £1.0m

- 4.7. The Council has received two tranches of the COVID-19 response funding from MHCLG, £5.337m on the 27 March and £5.634m on the 18 April, amounting to £10.971m to cover COVID-19 costs.
- 4.8. Concerns remain around the level of tax collection across the Country as a result of COVID-19. The Council has now analysed almost three months of collection data, which can be compared against collection levels from 2019/20. This comparison shows that Council Tax collection rates are 6% lower and Business Rates collection rates 25% lower than last year. 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 would result in £28m of non-collected Tax Revenue by the end of the year.
- 4.9. The Council has also received funding directly from the Government which is being applied specifically to certain sectors of the economy, this includes:
- Business rates relief of £36.6m to 1,250 Retail, Hospitality and Leisure Providers;
 - Business rates relief of £0.3m to 31 nurseries;
 - £29.9m of specific Grant Funding for Small, Rural, Retail, Leisure and Hospitality businesses. 2,503 grants have been issued. Last week, our performance was ranked the 28 most efficient out of 314 Councils. We continue to add businesses to this list dependent on valuation changes and updates which is why the figure is not quite at 100%. For the past 3 weeks an additional 20 hereditaments have been added;
 - An additional £1.6m to allocate £150 to those on Local Council Tax Support;
- 4.10. A new Discretionary Scheme for businesses of £1.5m was launched for applications on the 16th June and closed on the 26 June. There have been 267 applications for this scheme which are being assessed for payment now the application period has closed.
- 4.11. 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 £14.1m shortfall in COVID-19 support for this financial year and also the projected deficit position in the Collection Fund and ongoing COVID-19 impacts which will affect revenue budgets in 2021/22.

2021/22 Budget Update

- 4.12. The report presented to Cabinet on the 11 May set out the potential implications on the 2021/22 budget, as summarised in the following points:
- Prior to COVID-19 the Councils Medium Term Financial Strategy outlined a budget gap of £14.2m in 2021/22, rising to £14.8 in 2022/23;
 - The Council commenced a Lean Cost Structure Review (LCSR) in February and March which identified a series of savings options, amounting to a significant value. These are now being validated, to assess deliverability post COVID-19;
 - Savings plans totalling £4.7m in 2020/21 are no longer deliverable as a result of COVID-19. These are being evaluated to assess the impact in 2021/22 and future years;
 - Income totalling £6.8m in 2020/21 is forecast to be undelivered as a result of COVID-19. These are being evaluated to assess the impact in 2021/22 and future years;
 - In addition to this there will be a direct impact of the COVID-19 pandemic on the delivery of services in future years. This is being reviewed and modelled, as part of the recovery plan. If the UK were to move into a recession, the impact on the Councils services and financial position could be significant;

- There is also a significant impact on the levels Council Tax and Business Rates collection. This will have an impact on the Councils collection fund, meaning there would be a deficit starting position in 2021/22, combined with a reduced tax base, due to a reduction in Housing and business growth. The financial impact of this is likely to be a significant value for the Council.

- 4.13. The Council have set up a Recovery Board, which is made up of Peterborough and Cambridgeshire County Council senior directors, to approve initiatives as ways of working change to the “new normal” post COVID-19. All initiatives will be agreed by this Board with business cases then forming part of the 2020/21 monitoring and control process or the 2021/22 MTFS.
- 4.14. MHCLG have confirmed that the Local Government Provisional Finance Settlement will take place in late Autumn. This will provide all Local Authorities with additional challenges when producing budget plans for 2021/22 and future years. Ideally savings plans will need to be developed and approved before Christmas to allow them to be implemented within 2021/22. Although the settlement timeframes outlined are no different to the usual schedule, uncertainty around the future funding levels due to the one year Spending review in 2019, the anticipated Fairer Funding Review, Business Rates Retention and Reset still cloud the future of Local Government funding, with the financial implications of COVID-19 only making the circumstances much worse.
- 4.15. In addition to this, as part of the Audit of the 2019/20 Statement of Accounts, Earnest and Young, the Councils external Auditors have outlined their expectation for a statement, setting out the Council’s going concern status. This is expected in early Autumn, in advance of the when MHCLG propose to publish the Local Government Provisional Financial Settlement, making it difficult to confirm future financial stability.
- 4.16. Pre COVID-19, the Council had started progressing a plan to bring forward savings proposals during the summer to ensure the timely implementation and ensure the Council could move to a sustainable ongoing budget position and replenish reserves balances, which have been reduced in recent years. The early stages of this plan were outlined within the Council strategic Direction and Robustness Statement within the MTFS
- 4.17. The COVID-19 pandemic has meant that those plans now under further review and are being updated, as set out in 4.12. These plans will then be incorporated in to the MTFS where a revised budget gap will be identified for, for approval as part of the Councils Budget setting Process. However, with the Councils diminishing reserve levels, additional funding or flexibilities will be required to ensure a balanced position can be achieved. A significant proportion of Councils are in a similar or worse position and are eagerly awaiting MHCLG’s comprehensive plan, to provide some certainty and confidence in the future of Local Government finance. If no further measures are announced by the Government, significant additional savings will need to be found by the Council for it to be financially viable in future years.
- 4.18. A report is also presented to this Cabinet to update the Budget Setting Process, which is outlined within part 4, section 6 (Budget Policy Framework Procedure Rules) of the Councils constitution. This report was originally scheduled to be presented to the Constitution and Ethics Committee in March, however as a result of early social distancing restrictions this meeting was cancelled.

5. APPENDICES

- 5.1. Further information is provided in the following appendices:
- Appendix A – Budgetary Control Report Dashboard- May 2020.

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