

<b>CABINET</b>	<b>AGENDA ITEM No. 8</b>
<b>21 SEPTEMBER 2020</b>	<b>PUBLIC REPORT</b>

Report of: Formation of a Cycling and Walking Member Working Group	Peter Carpenter, Acting Director of Corporate Resources	
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 JULY 2020

R E C O M M E N D A T I O N S	
<b>FROM:</b> Acting Director of Corporate Resources	<b>Deadline date:</b> N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The Budgetary Control position for 2020/21 as at July 2020 is a forecast overspend of £9.6m against budget. This includes the current estimated impact of COVID-19;</li> <li>2. The specific impact COVID-19 on the Councils expenditure and income and the additional funding being received;</li> <li>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;</li> <li>4. The additional funding that has been made available and allocated to the business community and households due to COVID-19, as outlined in section 4;</li> <li>5. An update on the Medium Term Financial Strategy 2021/22 process as set out in section 4;</li> <li>6. The key variance analysis and explanations are contained in Appendix A;</li> <li>7. The Councils reserves position, as outlined within Appendix A.</li> </ol> <p>It is recommended that Cabinet approve and recommends to Council:</p> <ol style="list-style-type: none"> <li>8. The Capital virements contained in Appendix B, which include the purchase of 62-68 Bridge Street, and a contribution to a new access to the parkway as part of the University development which require additional borrowing to the existing capital programme.</li> </ol>	

### 1. ORIGIN OF 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 June 2020 budgetary control position.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If yes, date for Cabinet meeting	<b>21/09/20</b>
Date for relevant Council meeting	<b>21/10/20</b>	Date for submission to Government Dept.	<b>N/A</b>

### 4. JULY 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 £180.494m:

	£m
Approved Budget 2020/21	163.743
Use of reserves per MTFS	1.510
Capitalisation Direction	1.217
Integrated Community Strategy Reserve contribution: P&C-Cohesion and Integration	0.908
Capacity Reserve Contribution: ICT & Res- Committed transformation costs	0.121
COVID-19 Response Fund Tranche 1- from reserves (received March 2020)	5.332
COVID-19 Response Fund Tranche 2- received April 2020	5.634
COVID-19 Response Fund Tranche 3- received August 2020	2.029
<b>Revised Budget 2020/21</b>	<b>180.494</b>

- 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 £9.6m. This includes the additional financial pressures and funding as a result of COVID-19.

Directorate	Budget £k	Forecast Spend £k	Variance £k	Previous Month Variance £k	Movement £k	Overall Status
Chief Executives	1,252	1,267	15	32	(17)	Overspend
Governance	4,254	4,005	(249)	(245)	(4)	Underspend
Place & Economy	21,371	24,332	2,961	2,181	780	Overspend
People & Communities	86,628	104,880	18,252	15,794	2,458	Overspend
Public Health	(372)	(304)	68	81	(13)	Overspend
Resources	19,928	21,506	1,578	782	796	Overspend
Customer & Digital Services	7,619	7,684	65	(7)	72	Overspend
Business Improvement	600	670	70	60	10	Overspend
Capital Financing	26,219	26,064	(155)	(155)	0	Underspend
COVID-19	12,995	0	(12,995)	(10,966)	(2,029)	Underspend
<b>Total Expenditure</b>	<b>180,494</b>	<b>190,104</b>	<b>9,610</b>	<b>7,557</b>	<b>2,053</b>	<b>Overspend</b>
Financing	(180,494)	(180,494)	0			

Net	0	9,610	9,610	7,557	2,053	Overspend
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4.3 Most of the pressures, impacting the Councils financial position are as the result of the COVID-19 pandemic and include:

- 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.
- There is pressure on the 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 this year.
- The Resources directorate has 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 and will not be implemented during 2020/2021.
- The People and Communities directorate has incurred additional expenditure in adult services as well as 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 relate requirements.
- There have been further pressures such as loss of income for Clare Lodge as children are only being moved and accommodated on emergency basis during COVID-19, so placement demand is low. Also, the new procedures at Clare Lodge require new admissions to self-isolate for 14 days which is also influencing decision making by placing authorities. The delay to the Capital project to refurbish lounges means that two lounges are currently not available for use.
- As well as additional costs due to COVID-19, savings plans previously declared in relation to ASC Demography and the National Living Wage have been significantly impaired.

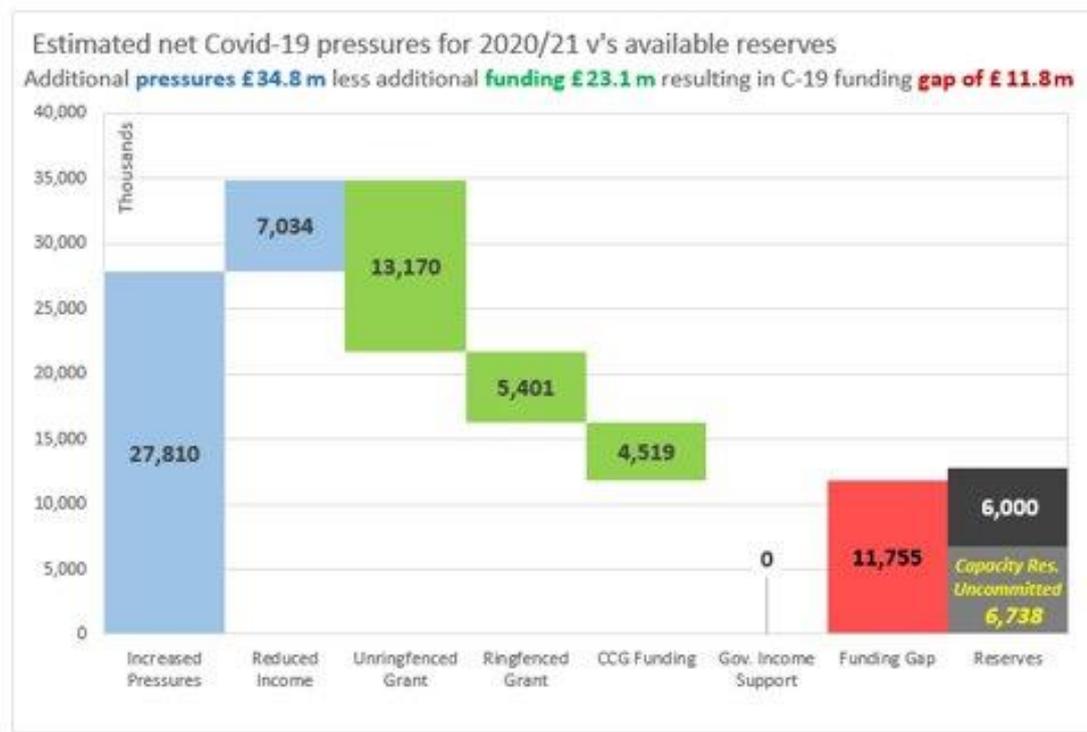
Further details regarding these pressures are outlined within Appendix A of this Report.

#### 4.4 **Financial Impact of COVID-19**

4.5 The following chart summarises the direct impact COVID-19 has had on the Councils financial position in 2020/21:

4.6

4.7



This position identifies a £11.8m gap, which is different to the £9.6m position reported within the BCR, this varies due to the following factors:

- The COVID-19 financial impact is monitored and reported on a weekly basis, making it a live document, being updated at a much quicker pace;
- The BCR position picks up a snapshot in time (as at 31 July) therefore is more historic in nature;
- The BCR includes pressures and underspends which are not COVID-19 related;
- There are some estimates within the COVID-19 tracker which reflect a high risk (worst case) position.

4.8

The Council reviews and reports the financial impact of COVID-19 internally on a weekly basis. The Council along with all other local authorities submit a monthly COVID-19 financial impact return to Ministry of Housing Communities and Local Government (MHCLG). The Council is forecasting additional pressures of £34.8m as a result of additional costs and lost income, this is reduced to £11.8m after applying £23.1m of additional funding. This forecast will have a significant effect on the Council's forecast outturn position, and longer-term implications for the future year's budgets. The Council has now submitted five returns to MHCLG, with the most recent return being submitted on 4 September. The following table summarises the financial impact reported in each month:

4.9

Source of Pressure & Income	April Return £m	May Return £m	June Return £m	July Return £m	August Return £m
Direct C-19 Expenditure	7.0	10.1	19.2	23.4	22.6
Loss of Income	6.8	6.0	6.8	7.9	6.7
Non-Delivered 2020/21 Savings	4.5	4.8	4.7	6.6	5.5
<b>Total Pressures</b>	<b>18.3</b>	<b>20.9</b>	<b>30.8</b>	<b>37.9</b>	<b>34.8</b>
C-19 response fund & un-ringfenced grants	(11.0)	(11.0)	(11.0)	(13.2)	(13.2)
Additional Funding and ring-fenced grants	-	-	(5.7)	(9.9)	(9.9)
<b>Revised Net Position</b>	<b>7.3</b>	<b>9.9</b>	<b>14.1</b>	<b>14.8</b>	<b>11.8</b>

The return to MHCLG requires the costs to be included gross of all grant income. As such, activity which is being funded by ringfenced grants or the CCG have been included within the £34.8m of additional costs. The following grants are included in both the “Direct C-19 Expenditure” line and the “Additional Funding” line:

- Cambridgeshire and Peterborough CCG funding for additional capacity - £4.5m
- 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
- Emergency Active Travel (via the CPCA) - £0.8m
- Local Authority Emergency Assistance Grant for food and essential supplies - £0.3m
- Rough Sleepers (estimate based on grant claim submitted) - £1.4m

The Council has received three tranches of the C-19 response funding from MHCLG. Nationally this un-ringfenced funding package totals £3.7bn. The Councils allocation totals £13m, and is broken down as follows:

- £5.4m received on 27 March - this was largely put in to reserves at the end of 2019/20 for use in 2020/21;
- £5.6m received on 18 April;
- £2m received on 3 August, following the announcement on 2 July, where the Secretary of State for Local Government announced a funding package for councils to help address the range of COVID-19 pressures they face.

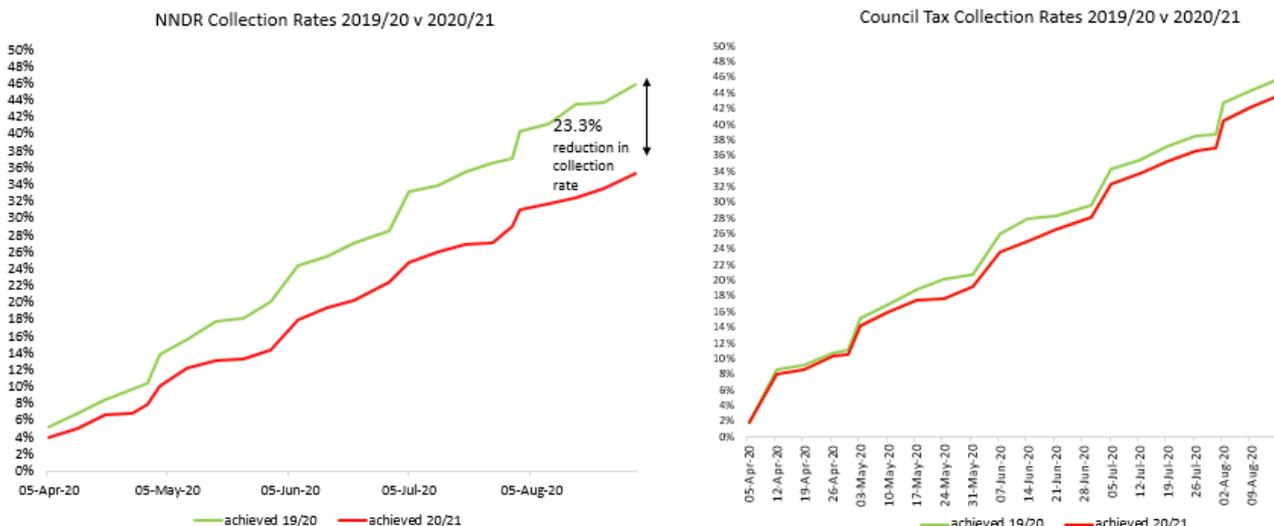
The Council has also received £0.170m of new burdens funding to cover the additional costs of administering the business rates reliefs and the Small Business Grants Fund.

- 4.12 On 2 July, the funding package announced outlined further measures to support local government. This included a new scheme to reimburse councils for lost income from sales, fees, and charges, and would allow local authorities to spread their collection fund (tax) deficit over three years rather than the usual one. Some details on these schemes were released within a [technical note](#). [At this stage no further details on the application of the collection fund deferral scheme have been announced.](#)

The [income scheme](#) has been released for Local Authorities to claim compensation for lost income. The new income loss scheme includes a 5% deductible rate, whereby councils will absorb losses up to 5% of their planned (budgeted) sales, fees and charges income for that income stream, with the government compensating them for 75p in every pound of relevant loss thereafter. Early analysis indicate the Council could receive up to c£2m of funding. The Council is preparing the 1<sup>st</sup> submission (due 30 September) which is relevant to lost income from April-July. At this stage no assumptions have been included within the Councils financial position.

Concern remains for the level of tax collection across the Country as a result of COVID-19. The Council has been closely monitoring this, and comparing the collection levels against previous collection performance. This comparison shows that Council Tax collection rates are 3.6% lower and Business Rates collection rates 23.3% lower than last year. Since the beginning of the pandemic these rates have improved, although it is still anticipated that these will not fully recover in the short term. If collection rates were to continue with this trend it would mean the Council would face non-collection of NNDR of £14.6m (£7.2m PCC share at 49%) and non-collection on Council Tax of £3.4m (£2.8m PCC share at 80.3%), a total deficit for the Council of £10m. The following charts show the trend of the collection rates for both Business Rates (NDR) and Council Tax in comparison to 2019/20:

4.13



4.14

The Council has received funding directly from the Government which is being applied specifically to certain sectors of the economy, this includes:

4.15

- Business rates relief of £40m to 1,310 Retail, Hospitality and Leisure Providers;
- Business rates relief of £0.3m to 33 nurseries;
- £31.7m of Small Business Grant Funding (SBGF) for Small, Rural, Retail, Leisure and Hospitality businesses, this has supported 2,628 businesses, this scheme will be closing at the end of September;
- Hardship funding of £1.6m to allocate £150 to those on Local Council Tax Support (LCTS) - this has been processed with 8,481 working age LCTS recipients benefiting from this funding to date;
- Discretionary grant scheme for businesses of £1.5m which was launched for applications in June. £1.24m of grants have been made to 82 local businesses.

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 £11.8m shortfall in COVID-19 support for this financial year, the projected deficit position in the Collection Fund, and ongoing COVID-19 impacts which will affect revenue budgets in 2021/22.

**Medium Term Financial Strategy - 2021/22- 2023/24**

As previously outlined within the [report](#) presented to Cabinet on 13 July the Council is in an extremely difficult financial position and there is significant uncertainty surrounding the Councils ability to set a legal and balanced budget for 2021/22. The following points summaries the issues already reported:

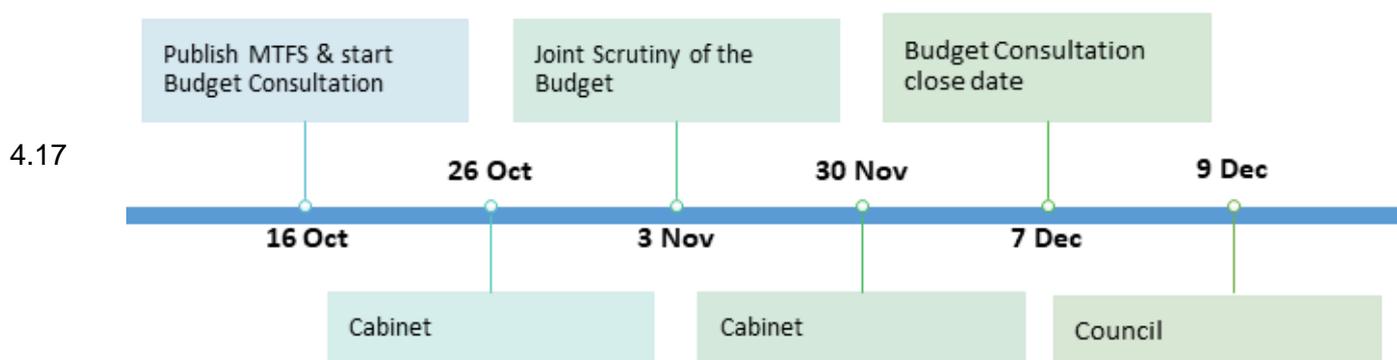
4.16

- Opening budget gap of £14.2m per the current year Medium Term Financial Strategy (MTFS)
- Difficulty delivering current and future years savings plans due to the Council’s local response to C-19;
- Additional costs and reduced income generation within the current year, and the longer-term impacts on the Councils base budget as a result of these pressures;
- Diminishing and low levels of reserves – further eroding the council’s limited financial resilience;
- Future funding uncertainty which creates an additional layer of challenges when developing future strategic plans. These causes included the unknown impact of an [economic](#)

[recession](#), future COVID-19 waves and response required at a local level, and funding allocations from central government;

- Autumn Budget followed by the Local Government Provisional Finance Settlement will take place in late Autumn;
- Postponement of Fairer Funding Review, Business Rates Retention Scheme and Business Rates Baseline Reset to 2022/23;
- Going Concern note within the 2019/20 Statement of Accounts - in advance of the when MHCLG propose to publish the Local Government Provisional Financial Settlement, means it is difficult to confirm future financial stability of the Council.

At the same Cabinet meeting on 13 July, and then at Council held on 29 July, the updated [Budget setting process](#) was approved. The following timeline outlines the key dates for Phase One of the Councils budget setting process:



Phase Two of the MTFs process will take place from December through to March.

### Renewal of Vehicle Fleet

There is the requirement for the vehicles that undertake, Refuse and Recycling, Passenger Transport, Parks and Open Space and Street Cleansing, which is run through Aragon Direct Services, to be renewed. The vehicles taken over from the previous contractor, Amey, are at the end of their useful life and maintenance costs for them are increasing. The Council, along with Aragon Direct Services, are considering options for the fleet renewal and this will form a Cabinet Member Decision Notice (CMDN). The 2020/21 MTFs assumed that this would be an “invest to save” initiative, however following the more detailed review it is now suggested that there will be an additional revenue cost for this investment. This will be finalised in the CMDN and reflected in 2020/21 monitoring if applicable and the future MTFs.

## 5. APPENDICES

5.1 Further information is provided in the following appendices:

- Appendix A – Budgetary Control Report Dashboard- July 2020
- Appendix B - Capital Programme Dashboard

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