

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>26 OCTOBER 2020</b>	<b>PUBLIC REPORT</b>

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 AUGUST 2020

RECOMMENDATIONS	
<b>FROM:</b> Corporate Director: 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 August 2020 is a forecast overspend of £11.3m against budget. This includes the current estimated impact of C-19 and the additional C-19 response funding.</li> <li>2. Included in this report is a forecast £38.9m of additional pressure due to C-19, as reported to the Ministry of Housing Communities and Local Government, within the September return, as outlined in section 4.</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 due to C-19, as outlined in section 4;</li> <li>5. The key variance analysis and explanations are contained in Appendix A;</li> <li>6. The Council's reserves position, as outlined within Appendix A.</li> </ol>	

### 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 August 2020 budgetary control position.

### 3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	No	If yes, date for Cabinet meeting	N/A
Date for relevant Council meeting	N/A	Date for submission to Government Dept.	N/A

### 4. AUGUST 2020 BUDGETARY CONTROL REPORT (BCR)- 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 £167.499m:

	£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
<b>Revised Budget 2020/21</b>	<b>167.499</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 £11.3m, a £1.7m change in comparison to July. This position includes the additional financial pressures and funding as a result of C-19 as at August.

Directorate	Budget £k	Forecast Spend £k	Variance £k	Previous Month Variance £k	Movement £k	Overall Status
Chief Executives	1,252	1,274	22	15	7	Overspend
Governance	4,254	4,073	(181)	(250)	69	Underspend
Place & Economy	21,371	24,589	3,217	2,961	256	Overspend
People & Communities	86,628	105,737	19,109	18,252	857	Overspend
Public Health	(372)	(315)	57	68	(11)	Overspend
Resources	19,928	22,032	2,104	1,578	526	Overspend
Customer & Digital Services	7,619	7,638	19	65	(46)	Overspend
Business Improvement	600	672	72	70	2	Overspend
Capital Financing	26,219	26,064	(155)	(155)	0	Underspend
<b>Total Expenditure</b>	<b>167,499</b>	<b>191,764</b>	<b>24,264</b>	<b>22,604</b>	<b>1,660</b>	<b>Overspend</b>
Additional C-19 funding	0	(12,995)	(12,995)	(12,995)	0	Underspend
Financing	(167,499)	(167,499)	0	0	0	
<b>Net</b>	<b>0</b>	<b>11,270</b>	<b>11,269</b>	<b>9,609</b>	<b>1,660</b>	<b>Overspend</b>

4.3. Most of the pressures impacting the Council's financial position are as the result of the C-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 C-19 pandemic.
- Pressure on property income in Resources, due to C-19 having an impact on the council's ability to rent out further space in Sand Martin House.
- The Resources directorate has been unable to deliver the proposed savings in the Peterborough Serco Strategic Partnership contract due to C-19. The Business Support 'Notice of Change' / new model hub implementation will not be carried out during the current financial year.
- The People and Communities directorate has incurred additional expenditure in adult services, for care homes and domiciliary care support and an additional 10% uplift to ensure providers have the resources needed to put appropriate infection control measures in place. Additional expenditure has been incurred 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 C-19 related requirements. There are pressures on the domestic abuse service too.
- There are further pressures such as the loss of income for Clare Lodge, arising from when children are being moved and accommodated on emergency basis during C-19, resulting in low placement demand. New procedures at Clare lodge require new admissions to self-isolate for 14 days which influences decision making by the placing authorities. Delays to the capital project to refurbish lounges means that two are currently unavailable for use.

4.4. Further details regarding these and other service pressures are outlined within Appendix A of this report.

#### **Financial Impact of C-19**

4.5. The following chart summarises the direct impact C-19 has had on the Council's financial position in 2020/21 as per the September return to MHCLG:

Estimated net Covid-19 pressures for 2020/21 v's available reserves

Additional pressures £38.9 m less additional funding £27.9 m resulting in C-19 funding gap of £11.0m



4.6. The analysis of the C-19 financial impact identifies a £11.0m gap, which is comparable to the £11.3m position reported within the BCR. However, the two positions vary due to the following factors:

- The C-19 financial impact is monitored and reported on a weekly basis, making it a live document which is updated and reviewed more frequently. The £11.0m position reported above is as at 30 September and which is a month in advance of the BCR reporting date.
- The BCR position is more historic in nature and reports on the Council’s actual financial performance at a certain point in time. For the purpose of this report the position it is as at 31 August;
- The BCR includes pressures and underspends which are not C-19 related;
- The C-19 operating environment is fast paced, reflecting the latest announcements from the government on funding and policy changes. This leads to timing variations when comparing the C-19 financial monitoring information to the BCR monthly position.
- There are some estimates within the C-19 tracker which reflect a high risk (worst case) position.

As Identified within the table in section 4.7 the C-19 financial impact at the end of August was identified at £11.8m. Due to a net favourable ‘business as usual’ (non-C-19 related) variance of £0.5m, the August BCR outlines a £11.3m forecast overspend. Further details in relation to the financial performance of Council services are outlined in Appendix A.

4.7. The Council reviews and reports the financial impact of C-19 internally on a weekly basis. The Council along with all other local authorities submit a monthly C-19 financial impact return to Ministry of Housing Communities and Local Government (MHCLG). The Council is forecasting additional pressures of £38.9m as a result of additional costs and lost income, this is reduced to £11.0m after applying £27.9m 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 six returns to MHCLG, with the most recent return being submitted on 5 October. The following table summarises the financial impact reported in each month:

Source of Pressure & Income	Apr Return £m	May Return £m	Jun Return £m	Jul Return £m	Aug Return £m	Sep Return £m
Direct C-19 Expenditure	7.0	10.1	19.2	23.4	22.6	<b>26.2</b>
Loss of Income	6.8	6.0	6.8	7.9	6.7	<b>7.2</b>
Non-Delivered 2020/21 Savings	4.5	4.8	4.7	6.6	5.5	<b>5.5</b>
<b>Total Pressures</b>	<b>18.3</b>	<b>20.9</b>	<b>30.8</b>	<b>37.9</b>	<b>34.8</b>	<b>38.9</b>
C-19 response fund & un-ringfenced grants	(11.0)	(11.0)	(11.0)	(13.2)	(13.2)	<b>(13.2)</b>
Additional Funding and ring-fenced grants	-	-	(5.7)	(9.9)	(9.9)	<b>(14.7)</b>
<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>	<b>11.0</b>

4.8. 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 £38.9 m of additional costs.

4.9. Since the previous BCR report to Cabinet the C-19 position reported in the table above and the MHCLG has been updated to reflect the following changes:

#### Funding

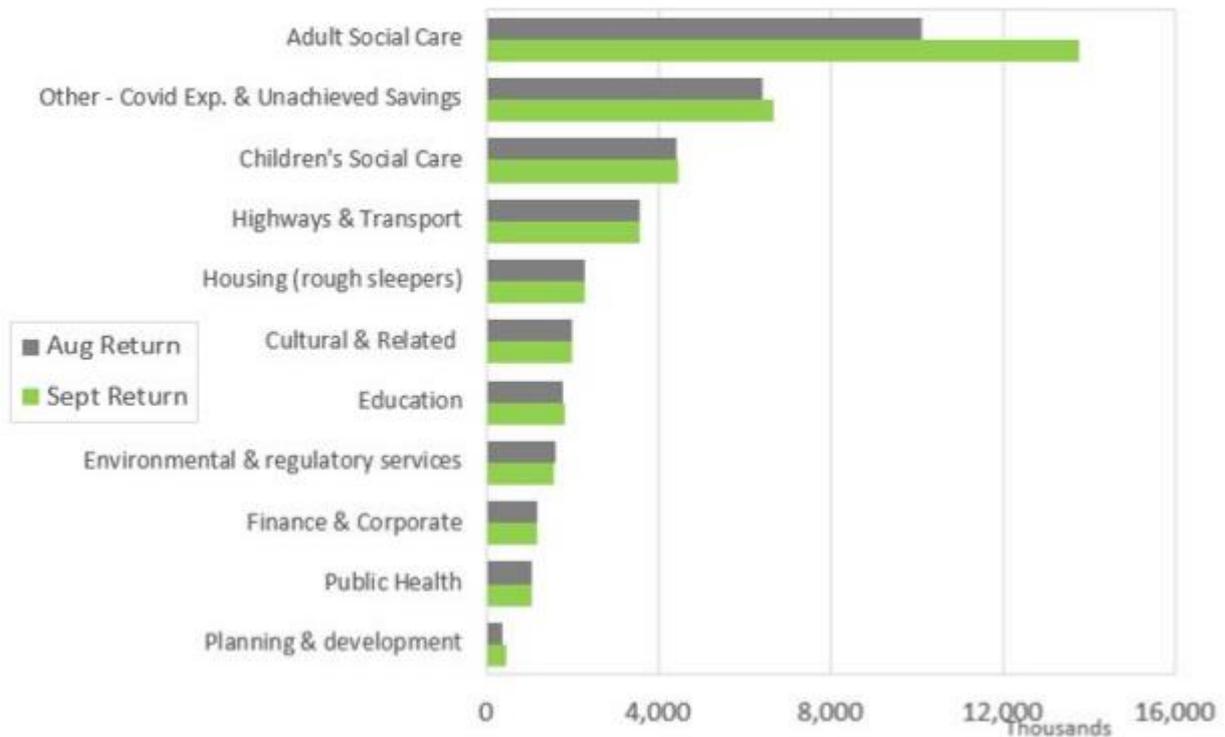
- Rough Sleeper - There has been an update for the grant claim estimate to reflect the confirmed lower value reducing from **£1.4m to £0.4m**. This is due to the bid being split over three elements:
  - Hotel and associated costs (short term support).
  - Capital investment - the plan to rehouse rough sleepers into long term permanent accommodation.
  - Revenue support costs for the capital investment.
- [Infection Control Tranche 2](#), announced on 17 September- **£1.7m**
- [Free school travel funding](#) (via the CPCA)- **£0.1m**
- Inclusion of the income compensation scheme for lost sales, fees and charges (estimate annual value) the first of three returns was submitted to MHCLG on 2 October- **£3.9m**

#### Additional Pressure

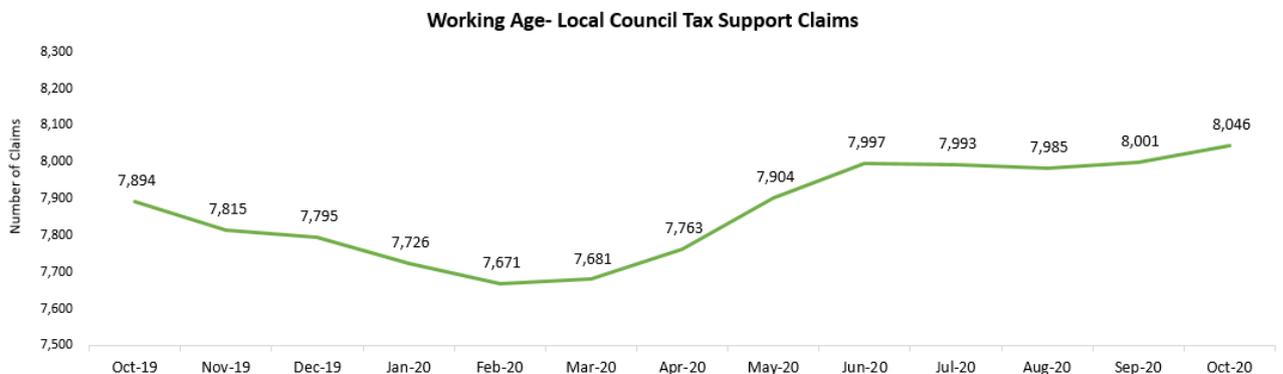
- Adult Social Care forecast costs have increased to include the additional market sustainability costs This pressure includes:
  - Funding of continued infection control- off-set partially by £1.7m of new infection control funding (noted above).
  - Provider inflation to support additional costs being incurred in providing care provision.
  - Securing provision by block booking beds - this ensures the Council has enough places to cope with additional demand and help ensure there is capacity in hospitals.

The following chart summarises the movement in the additional pressures reported, highlighting Adult Social care as the main C-19 cost driver.

Estimated Covid-19 full impact by Expenditure Type for 2020/21



4.10. Concern remains regarding tax collection across the Country as a result of C-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 1.9% lower, and Business Rates collection rates 20.6% lower than last year. Since the beginning of the pandemic these rates have improved. However, the levels of Local Council Tax Support recipients have increased, as unemployment rates risen, and it is expected this could increase further as the furlough scheme comes to an end. The following chart shows the increase in claims since the start of the pandemic, following on from the declining numbers prior to the pandemic.



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

- Business rates relief of £40.6m to 1,314 Retail, Hospitality and Leisure Providers;
- Business rates relief of £0.3m to 32 Nurseries;
- £32.2m of Small Business Grant Funding (SBGF) for Small, Rural, Retail, Leisure and Hospitality businesses. This has supported 2,654 businesses, this scheme is now complete;
- Hardship funding of £1.7m to allocate £150 to those on Local Council Tax Support (LCTS) - this has been processed with 9,035 working age LCTS recipients benefiting from this funding to date;
- Discretionary grant scheme for businesses of which £1.6m of grants have been made to 110 local businesses.

4.12. The impact from C-19 continues to put strain on the Council's finances with the Council requiring additional funding. The Council have made informal contact with the MHCLG to discuss potential avenues of support. The Council will require support covering the present £11.3m shortfall for this financial year and the projected £35.6m deficit in 2021/22. Further details of the Council's financial position and strategic approach are outlined within the Medium-Term Financial Strategy 2021/22-2023/24, being reported to the same Cabinet meeting (26 October).

## **5. APPENDICES**

5.1. Further information is provided in the following appendices:

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

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