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| CABINET | AGENDA ITEM No. 7 |
| 16 NOVEMBER 2020 | PUBLIC REPORT |

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| 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 2020

| RECOMMENDATIONS | |
|--|---------------------------------------|
| FROM: Acting Director of Corporate Resources | Deadline date: 6 November 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 30 September 2020 is a forecast overspend of £4.3m against budget. This includes the current estimated impact of C-19 and the additional C-19 response funding. 2. Included in this report is a forecast £38.1m of additional pressure due to C-19, as reported to the Ministry of Housing Communities and Local Government, within the October return, 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 C-19, as outlined in section 4; 5. The key variance analysis and explanations are contained in Appendix A; 6. The Council's reserves position, as outlined within Appendix A. | |

1. ORIGIN OF THE REPORT

- This report is submitted to Cabinet following discussion by the Corporate Management Team (CMT).

2. PURPOSE AND REASON FOR REPORT

- 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'.
- This report provides Cabinet with the forecast for 2020/21 as at September 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. SEPTEMBER 2020 BUDGETARY CONTROL REPORT (BCR)- REVENUE

- 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 £167.603m:

| | £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 | 1.012 |
| Capacity Reserve Contribution: ICT & Resources - committed transformation costs | 0.121 |
| Revised Budget 2020/21 | 167.603 |

- The following table outlines a summary of the budgetary control position, within each directorate. The Council is currently reporting a projected overspend of £4.3m, a £7m (62%) change in comparison to August. This position includes the additional financial pressures and funding as a result of C-19 as at September.

| Directorate | Budget £k | Forecast Spend £k | Variance £k | Previous Month Variance £k | Movement £k | Overall Status |
|--|----------------|-------------------------|----------------|-------------------------------------|----------------|----------------|
| Chief Executives | 1,291 | 1,290 | (1) | 22 | (23) | Underspend |
| Governance | 4,324 | 4,126 | (198) | (181) | (17) | Underspend |
| Place & Economy | 21,554 | 24,796 | 3,242 | 3,217 | 25 | Overspend |
| People & Communities | 87,554 | 108,643 | 21,089 | 19,109 | 1,980 | Overspend |
| Public Health | (372) | (315) | 58 | 58 | 0 | Overspend |
| Resources | 18,768 | 20,793 | 2,025 | 2,104 | (79) | Overspend |
| Customer & Digital Services | 7,646 | 7,709 | 63 | 19 | 44 | Overspend |
| Business Improvement | 619 | 686 | 67 | 72 | (5) | Overspend |
| Capital Financing | 26,219 | 27,238 | 1,019 | (155) | 1,174 | Overspend |
| Total Expenditure | 167,603 | 194,966 | 27,364 | 24,265 | 3,099 | Overspend |
| COVID-19 | 0 | (18,665) | (18,665) | (12,995) | (5,670) | Underspend |
| COVID-19 - SFC Income compensation* | 0 | (3,937) | (3,937) | 0 | (3,937) | Underspend |
| Financing | (167,603) | (168,093) | (490) | 0 | (490) | Underspend |
| Net | (0) | 4,271 | 4,272 | 11,270 | (6,998) | Overspend |

*COVID-19 Sales Fees and Charges (SFC) Compensation value is based on the Council's assumptions. This is based on the values included in the completion of the first claim submitted to MHCLG and the Council's forecast for the remaining part of the year. This value has not been confirmed and is subject to approval of the claim and the actual impact to the Council's income levels.

- The key changes from last month are:
 - In Adult Social Care, there is an increased pressure from inflation and the continuation of care home support post from the first C-19 wave. The C-19 care home support pressure is increased in comparison to the previously reported position as CCG funding ceases and care requirements continue.
 - In Housing, a national initiative called Next Steps Accommodation Programme (NSAP) was instigated with a fund for capital schemes of £105m, to help rough sleepers be housed permanently by March 2021. Peterborough has been successful in its revenue BID application, with the capital element of the bid being considered.
 - In Capital Financing, a £1m forecast overspend is reported as a result of a combination of the factors. The forecast reflects the risk in the delivery of achieving asset sales in the current economic climate for the remainder of the year. This risk has been partially offset by the cost of borrowing for new debt being lower and later in the year than anticipated in the MTFs and the expected ESPO dividend receivable being greater than budgeted.
 - The Council is currently in a Business Rates Pool along with other Cambridgeshire Authorities. The current estimates of the pool gain exceed the original estimate, with the Council forecasting to receive a further £0.5m.
 - Additional C-19 funding in the form of a fourth tranche of the C-19 Response Fund grant, amounting to £5.7m and the SFC Income Compensation estimated at around £3.9m
 - Impact of C-19 on Aragon Direct Services due to loss of income and additional costs of £0.8m
- The pressures impacting the Council's financial position and are a result of the C-19 pandemic 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 continued to experience high pressure on its budgets due to non-achievement of savings plans due to increase in demand. Loss or reduced income across the Parking service, Enforcement team and Clare Lodge as well additional spend in service areas such as children's placements and Vivacity.
- Further details regarding these and other service pressures are outlined within Appendix A of this report.

Financial Impact of C-19

- The following chart summarises the direct impact C-19 has had on the Council's financial position in 2020/21 as per the October return 7 to MHCLG:

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

Additional pressures £38.1 m less additional funding £33.7 m resulting in C-19 funding gap of £4.4 m



- The analysis of the C-19 financial impact identifies a £4.4m gap, which is comparable to the £4.3m 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 £4.3m position reported above is as at 30 September, 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 30 September.
 - 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. Though for this month there have been two amendments to the September BCR from information known in October due to the value. This relates to the funding announcement made on 22 October awarding the Council a further £5.7m to fund C-19 additional pressures, and an estimate of £3.9m for the C-19 SFC income compensation scheme which still needs to be confirmed.
 - There are some estimates within the C-19 tracker which reflect a high risk (worst case) position.

As Identified within the table in section 4.8 the C-19 financial impact at the end of October was identified at £4.4m. Due to a net favourable ‘business as usual’ (non-C-19 related) variance of £0.1m, the September BCR outlines a £4.3m forecast overspend. Further details in relation to the financial performance of Council services are outlined in Appendix A.

- 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 £38.1m as a result of additional costs and lost income, this is reduced to £4.4m after applying £33.7m 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 seven returns to MHCLG, with the most recent return being submitted on 6 November. 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 | Oct Return £m |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Direct C-19 Expenditure | 7.0 | 10.1 | 19.2 | 23.4 | 22.6 | 26.2 | 25.2 |
| Loss of Income | 6.8 | 6.0 | 6.8 | 7.9 | 6.7 | 7.2 | 7.4 |
| Non-Delivered 2020/21 Savings | 4.5 | 4.8 | 4.7 | 6.6 | 5.5 | 5.5 | 5.5 |
| Total Pressures | 18.3 | 20.9 | 30.8 | 37.9 | 34.8 | 38.9 | 38.1 |
| C-19 response fund & un-ringfenced grants | (11.0) | (11.0) | (11.0) | (13.2) | (13.2) | (13.2) | (18.8) |
| Additional Funding and ring-fenced grants* | - | - | (5.7) | (9.9) | (9.9) | (14.7) | (14.9) |
| Revised Net Position | 7.3 | 9.9 | 14.1 | 14.8 | 11.8 | 11.0 | 4.4 |

*includes SFC Income Compensation Scheme

- 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 £38.1 m of additional costs.
- Since the previous BCR reported to Cabinet the C-19 position, reported in the table above and in the MHCLG C-19 return, have been updated to reflect the following changes:

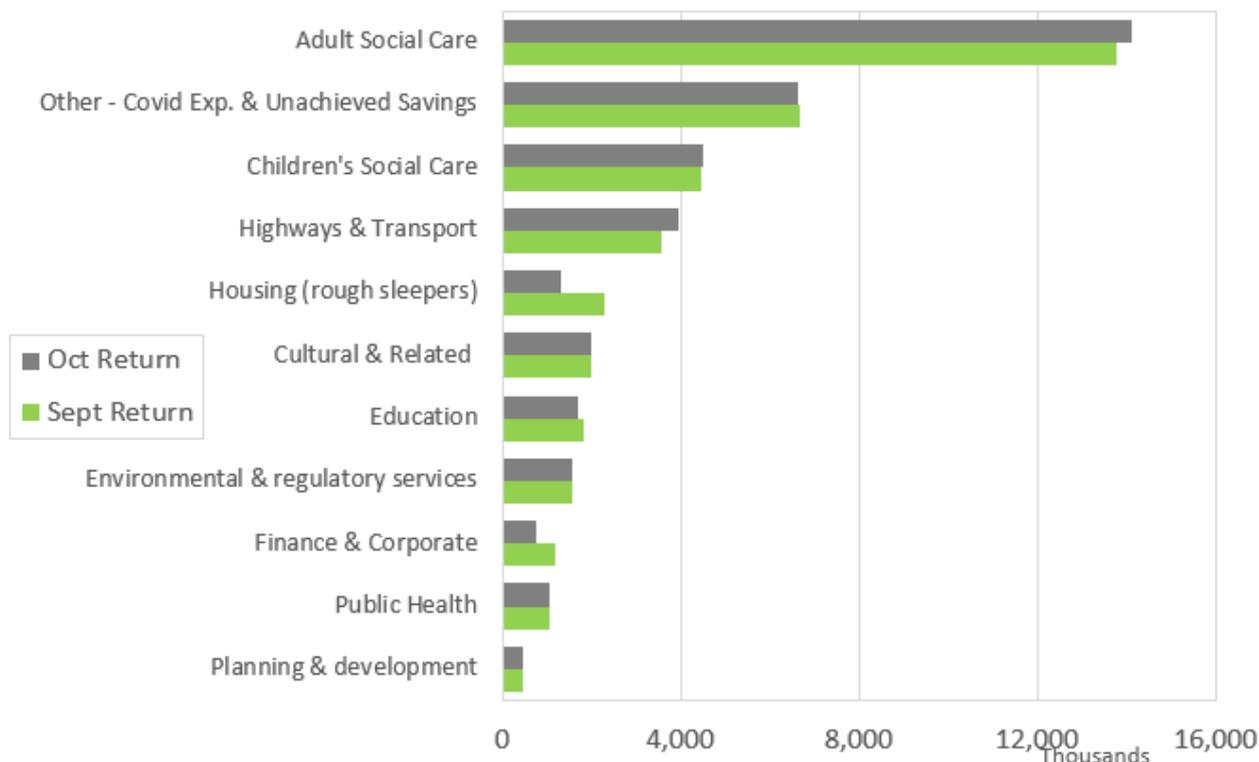
Funding 

- In October the Government announced £1bn of additional support for Local Authorities. On 22 October the Local Government Secretary Robert Jenrick announced the [allocations for £900m](#) of which the Council should receive a further £5.7m of C-19 Response Funding. The remaining £100m will be used to introduce a new fund which will support Council leisure centres. Further details on that scheme are to be released.
- The [Local Authority Compliance and Enforcement Grant](#) was announced on 22 September, to enable local authorities and the police to support additional compliance and enforcement activities. From the £60m of funding made available, it has been confirmed the Council will receive £0.126m.

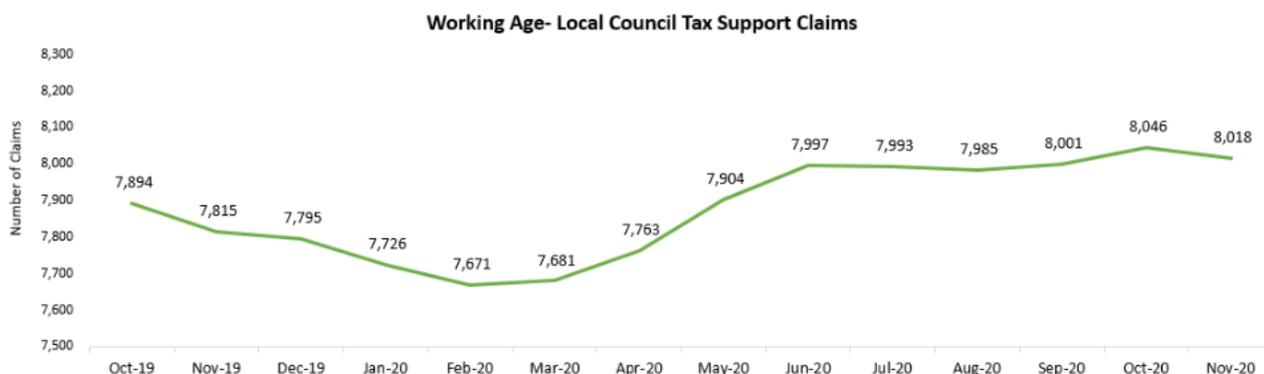
Movement in Pressure 

This The following chart summarises the movement in the additional pressures reported:

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



- 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 1.6% lower, and Business Rates collection rates 17.7% lower than last year. Since the beginning of the pandemic these rates have continued to improve month on month.
- The levels of Local Council Tax Support recipients have increased overall, but in the last month the Council saw a reduction in the total level of working age claimants. This increase is the result of unemployment rates rising, it is expected this could increase further with the government confirming a 4 week national lockdown, starting from 5 November. The following chart shows the trend in claims since the start of the pandemic, following on from the declining numbers prior to the pandemic:



- 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 £40.9m to 1,299 Retail, Hospitality and Leisure providers;
 - Business rates relief of £0.35m to 33 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 9,201 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.

On 31 October the Prime Minister announced a four-week national lockdown commencing on 5 November, with the aim of slowing down as far as possible the increasing number of positive C-19 cases. Included within this announcement was a further package of support for businesses, individuals and local authorities, including the furlough and self-employed scheme and the following schemes which impact on the Councils financial position and operations:

- **Contain Outbreak Management Fund (COMF).** Upper tier authorities will receive £8 per head of population, the maximum amount available under the tiered grant payments (costing £465m in total).
- **£1.1bn of Business Support (Additional Restrictions Grant).** Billing authorities will receive £20 per head to enable councils to support businesses over the coming months. Funding is intended to be used to provide discretionary support to local businesses. The Council is expecting to receive £4.0m.
- **Local Restrictions Support Grants.** Billing authorities will administer the mandatory grants payable to closed businesses. The amounts payable to businesses are effectively unchanged from those that were already in place. Importantly, there will be no funding for the 5% discretionary element through this grant. Funding for the discretionary element will come through the Additional Restrictions Grant (the Council will be expected to use the £20 per head to fund any discretionary support to local businesses). The Council is expecting to receive £2.9m to cover support the four-week period.
- **Funding for Clinically Extremely Vulnerable.** Upper tier authorities will receive a share of a £32m grant to enable them to provide support to clinically extremely vulnerable people who need it. The Council is expecting to receive £0.085m

The Council is still awaiting the confirmation of grant allocations, and legislative guidance, however this is expected imminently. A full financial and operational update on these new schemes, will be included within the October BCR report.

The impact from C-19 continues to put strain on the Council's finances with the Council publishing the Phase One of the 2021/22-2023/24 MTFS on 16 October. This document outlines an estimated budget gap of £35.7m in 2021/22. In order to close this gap additional funding will be required and the Council continues to meet with the Ministry of Housing Communities and Local Government (MHCLG) to discuss potential support available. Further details of the Council's financial position and strategic approach are outlined within the [Medium-Term Financial Strategy 2021/22-2023/24](#), reported to Cabinet on 26 October 2020.

5. APPENDICES

Further information is provided in the following appendices:

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

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