

CABINET	AGENDA ITEM No. 8
30 NOVEMBER 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 OCTOBER 2020

RECOMMENDATIONS	
FROM: Acting Director of Corporate Resources	Deadline date: 20 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 31 October 2020 is a forecast overspend of £5.6m 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 to the Council and businesses as a result of the national lockdown, 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

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 October 2020 budgetary control position.

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	NO	If yes, date for Cabinet meeting	N/A
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4. OCTOBER 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 £167.770m:

	£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	1.180
Capacity Reserve Contribution: ICT & Resources - committed transformation costs	0.120
Revised Budget 2020/21	167.770

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 £5.6m, a £1.3m (30%) increase compared with the September forecast outturn. This position includes the additional financial pressures and funding as a result of C-19 activities as of October.

Directorate	Budget £k	Forecast Spend £k	Variance £k	Previous Month Variance £k	Movement £k	Overall Status
Chief Executives	1,291	1,284	(7)	(1)	(6)	Underspend
Governance	4,324	4,097	(227)	(198)	(29)	Underspend
Place & Economy	22,030	24,901	2,871	3,242	(371)	Overspend
People & Communities	87,245	109,874	22,629	21,089	1,540	Overspend
Public Health	(372)	(306)	66	58	8	Overspend
Resources	18,637	20,709	2,072	2,024	48	Overspend
Customer & Digital Services	7,777	7,802	25	63	(38)	Overspend
Business Improvement	619	717	98	68	30	Overspend
Capital Financing	26,219	27,393	1,174	1,019	155	Overspend
Total Expenditure	167,770	196,471	28,701	27,364	1,337	Overspend
COVID-19	0	(18,666)	(18,666)	(18,665)	(1)	Underspend
COVID-19 - SFC income compensation*	0	(3,937)	(3,937)	(3,937)	0	Underspend
Financing	(167,770)	(168,260)	(490)	(490)	0	Underspend
Net	(0)	5,608	5,608	4,272	1,336	Overspend

*based on an estimated value of SFC Income compensation to be received from MHCLG

4.3. The key changes from last month are:

- People & Communities:** There is £1m increase pressure previously reported within Adult Social Care, which has resulted from an increased requirement for residential placements, in order free hospital capacity. The Council has received additional funding from the CCG to support with the cost of providing these additional placements, however, when this cease to be funded by the CCG, there is an increased social care client base, which has increased the cost for the Council.

- **Place & Economy:** The inclusion of £0.426m of confirmed funding to support costs associated with homelessness and rough sleepers. This funding includes a £0.028m grant to fund initial short-term costs and £0.426m grant to fund ongoing short-term costs until March 2021, as part of the Next Steps Accommodation Programme.

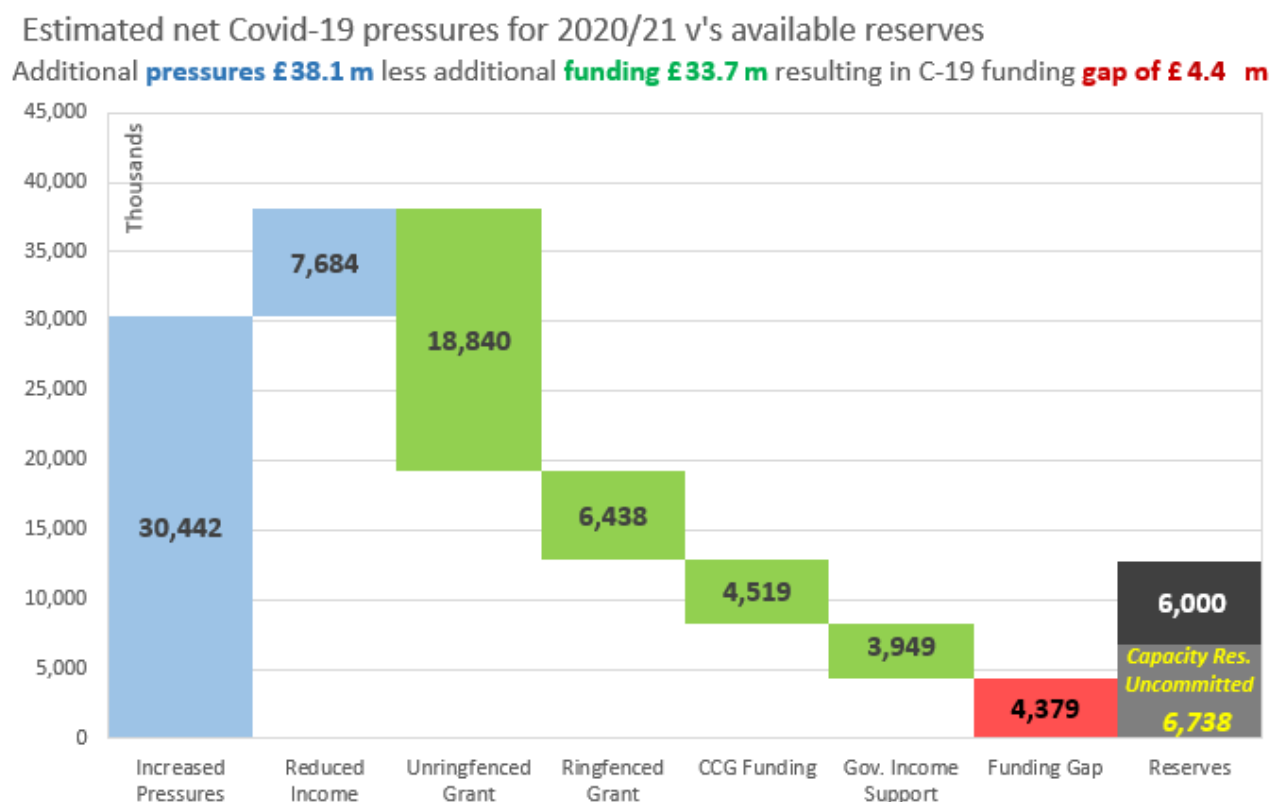
4.4. The pressures impacting the Councils financial position, and are a result of the C-19 pandemic, include:

- Within People and Communities, the directorate has continued to experience budget pressures such as inflation as well as increased additional funding from the Clinical Commissioning Group. The directorate has continued to underachieve anticipated savings, along with experiencing a loss of income across Parking Services, Enforcement Services and Clare Lodge due the wider impacts of the C-19 pandemic. There has also been an increased in cost relating to childcare placements and from supporting the transition of former Vivacity provided services to alternative management.
- The Resources directorate has been unable to deliver the proposed savings in the Peterborough Serco Strategic Partnership contract due to the impact of the Council response to C-19. The Business Support 'Notice of Change' / new model hub implementation will not be carried out during the current financial year.
- In the Place and Economy directorate 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 during to C-19 pandemic.

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

Financial Impact of C-19

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



4.7. Analysis of the C-19 financial impact identifies a forecast funding gap of £4.4m, which is comparable to the £5.6m 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 £5.6m position reported above is as at 31 October.
- 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 October.
- 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 4.8 the C-19 financial impact at the end of October was identified at £4.4m. Due to a net adverse 'business as usual' (non-C-19 related) variance of £1.2m, the October BCR reports a £5.6m forecast overspend. Further details in relation to the financial performance of Council services are outlined in Appendix A.

4.8. 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

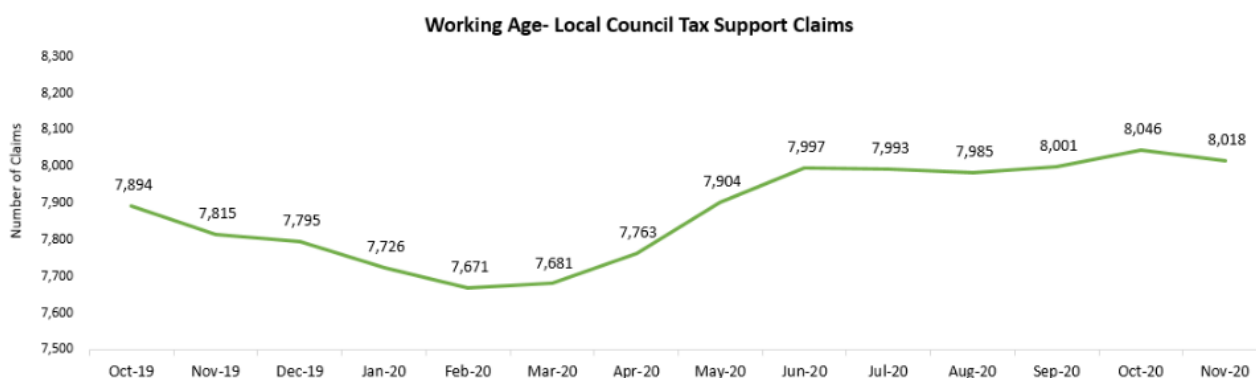
*includes SFC Income Compensation Scheme

4.9. 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 £38.1m of additional costs.

4.10. Since the previous (September) BCR reported to Cabinet on 16 November, the C-19 position has been unchanged, as no further submissions have been reported to MHCLG.

4.11. Concern remains regarding tax collection across the Country as a result of C-19 pandemic. 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.

4.12. 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 and 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:



4.13. 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.

National Lockdown

4.14. 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 a furlough and self-employed scheme and the following schemes which impact on the Council's 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. This grant is to enable the Council to carry out proactive containment and intervention to minimise the spread of the virus. This includes targeted testing for hard-to-reach groups, enhanced communications and marketing, targeted support for schools and education settings, and additional resource to ensure compliance with restrictions. The Council's grant allocation has been confirmed at **£1.618m**.
- **£1.1bn of Business Support (Additional Restrictions Grant):** The Council's grant allocation has been confirmed at £4.045m (based on £20 per head). This grant is to enable Councils to support businesses over the coming months more broadly. This will be provided by a discretionary scheme, the details of this scheme are being developed in line with government guidance and the application process will be published by the Council when finalised and approved.
- **Local Restrictions Support Grant:** The Council's grant allocation has been confirmed at **£2.872m** to support the four-week period. The Council will administer the scheme to provide grants to those businesses occupying properties appearing on the rating list that have been required by law to close by the Government. The grants are payable dependent on the rateable value (RV) of the property, the thresholds are as shown below:
 - Properties with a RV of £15,000 or less will receive £1,334
 - Properties with a RV over £15,000 but less than £51,000 will receive £2,000
 - Properties with a RV of £51,000 or over will receive £3,000

On 13 November the Council launched an application process for businesses to apply for the support. This can be found along with further details on the businesses which fall within the scheme and FAQ's on the Council's website [here](#).
- **Funding for Clinical 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 over the four-week national lockdown period. The Council's grant allocation has been confirmed at **£0.085m**

4.15. In addition to the package of support outlined within section 4.14, on 10 November the Government announced a £170m funding package to support families and the most vulnerable over winter. The Council has received confirmation that it will receive a grant of £0.743m, which will enable the provision of support to families with children, and other vulnerable households and individuals. The funding covers the period December 2020 - March 2021 and will include providing free meals to disadvantaged children during the Christmas holidays. At present officers and the Corporate Management Team are developing a scheme of support which delivers the grant objectives.

4.16. The impact from C-19 continues to put stress on the Council's finances. The Council published the Phase One of the 2021/22-2023/24 MTFS on 16 October. This document outlines an estimated budget gap of £35.7m for 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

5.1. Further information is provided in the following appendices:

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

