

CABINET	AGENDA ITEM No. 7
23 FEBRUARY 2021	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Finance	
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BUDGET CONTROL REPORT DECEMBER 2020

RECOMMENDATIONS	
FROM: Director of Corporate Resources	Deadline date: 12 February 2021
<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 December 2020 is a forecast overspend of £3.6m 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 £42.3m of additional pressure due to C-19, as reported to the Ministry of Housing Communities and Local Government, within the December 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. 7. The Council's capital performance dashboard as outlined in Appendix B. <p>It is recommended Cabinet approves:</p> <ol style="list-style-type: none"> 8. A capital budget virement of £0.5m for the net book value of the assets that have transferred from Vivacity, as outlined in the capital section of 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 outturn for 2020/21 as at December 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. DECEMBER 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 £168.525m:

	£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	1.621
Capacity Reserve Contribution: ICT & Resources - committed transformation costs	0.434
Revised Budget 2020/21	168.525

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 £3.6m, a £1.2m (25%) improvement compared to November. This position includes the additional financial pressures and funding as a result of C-19 as at December.

Directorate	Budget £k	Forecast Spend £k	Variance £k	Previous Month Variance £k	Movement £k	Overall Status
Chief Executives	1,304	1,284	(20)	(19)	(1)	Underspend
Governance	4,324	4,020	(304)	(287)	(17)	Underspend
Place & Economy	22,140	24,887	2,747	2,805	(58)	Overspend
People & Communities	87,563	109,733	22,170	21,888	282	Overspend
Public Health	(372)	(140)	232	233	(1)	Overspend
Resources	18,952	21,687	2,735	2,126	609	Overspend
Customer & Digital Services	7,777	7,629	(148)	(94)	(54)	Underspend
Business Improvement	619	685	66	98	(32)	Overspend
Capital Financing	26,219	27,393	1,174	1,174	0	Overspend
Total Expenditure	168,525	197,176	28,651	27,923	728	Overspend
COVID-19	0	(18,665)	(18,665)	(18,665)	0	Underspend
COVID-19 - SFC and Tax Loss Income compensation*	0	(6,273)	(6,273)	(3,937)	(2,336)	Underspend
Financing	(168,525)	(168,615)	(90)	(490)	400	Underspend
Net	0	3,623	3,623	4,831	(1,208)	Overspend

*COVID-19 Sales Fees and Charges (SFC) Compensation and tax loss income value is based on the Council's assumptions. This value has not been confirmed and is subject to approval of the claim and the actual impact to the Council's income levels.

4.3. On 10 February MHCLG have announced within the Local Government Final Settlement that the Council had received approval from MHCLG for a Capitalisation Direction of up to £4.8m in 2020/21. The Capitalisation Direction enables the Council to borrow to fund revenue expenditure for that year. The Council is therefore assuming that the current forecast overspend of £3.6m will be covered by use of this capitalisation direction, this will protect the Council low reserves levels to help maintain some financial resilience.

4.4. The key changes, in comparison to the position reported at the end of November 2020, are outlined in the following points:

- A £0.7m pressure in relation to an increase in the amount required in the sundry bad debt provision. This is a result of the economic impacts of C-19, which has meant the level of debt outstanding to the Council is now higher. An increase in the bad debt provision mitigates the risk of the Council being unable to recover this debt in full in the future
- £2.1m favourable movement as a result of including the Local Tax Loss guarantee scheme estimate, following the publication of the scheme guidance within the Local Government Provisional Finance Settlement
- £0.2m favourable movement from an increase in the estimated Sales Fees and Charges income compensation receivable
- £0.4m reduction in the benefit expected from the Cambridgeshire and Peterborough Business Rates pool due to a review and revised estimate being received

4.5. Pressures impacting the Council's financial position are a result of the C-19 pandemic and include the following pressures:

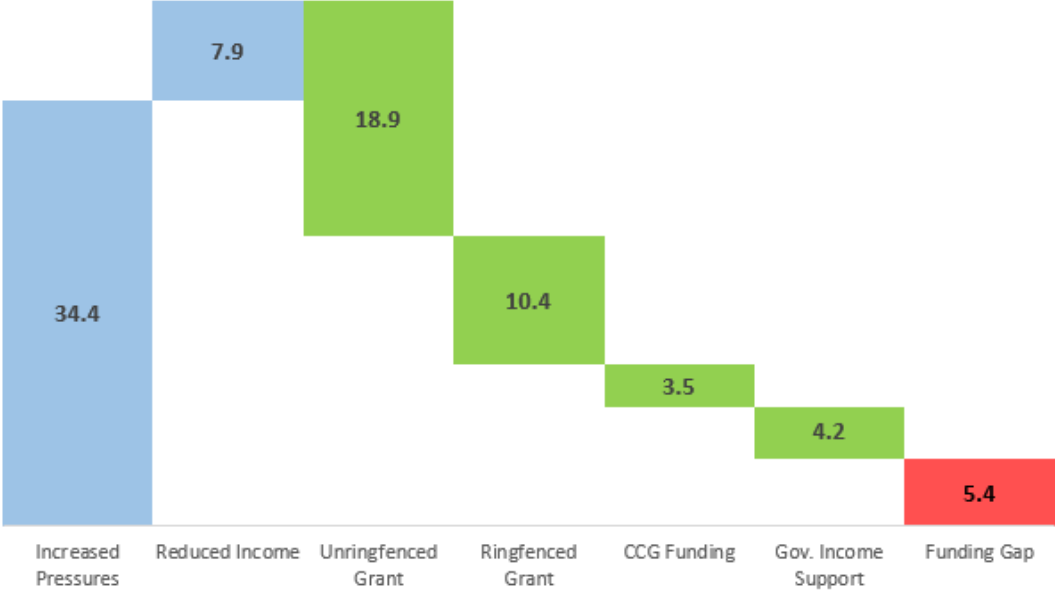
- a forecast loss of £2.8m on parking income as a result of reduced footfall in the City centre
- an estimated Council Tax deficit of £1.2m as a result of people being unable to pay at this time, and an increase in households receiving council tax support
- an estimated Business Rates deficit of £2.7m as a result of businesses being unable to pay the rates at this time because of the impact of the pandemic on the business operations
- an additional £15.7m of costs as a result of providing Adult Social Care services differently during the pandemic
- an additional cost of £1.2m to provide accommodation for all rough sleepers, in order to isolate safely as directed within government national policy
- due to resource deployment and curtailment of management capacity to deliver, £5.6m of existing MTFS savings plans that the Council expected to achieve this current financial year have been impaired. This creates additional budget pressures in the current and future financial years.

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

Financial Impact of C-19

4.7. The following chart summarises the direct impact C-19 has had on the Council’s financial position in 2020/21 as per the December C-19 monitoring from submitted to MHCLG:

Additional pressures £42.3 m less additional funding £ 36.9 m resulting in C-19 funding gap of £ 5.4 m



4.8. The analysis of the C-19 financial impact identifies a £5.4 m gap, which is comparable to the £3.6m position reported within the December BCR. However, the two positions vary due to the following factors:

- The C-19 financial impact is updated and reviewed on a weekly basis and is now reported to CMT and Members on a monthly basis (it was reported weekly through the first 6 months of the pandemic).
- 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 30 December 2020.
- The BCR includes pressures and underspends which are not C-19 related and classed as ‘business as usual’.
- 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 financial position which reflect a high risk (worse case) position.
- Within the December BCR the Council has included an estimate for the 75% of irrecoverable tax income loss guarantee scheme. The final details of the scheme are to be confirmed, but MHCLG published the scheme within the Local Government Provisional Finance Settlement, allowing the Council to estimate that it is likely to receive £2.1m.

4.9. 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 £42.3m as a result of additional costs and lost income, this is reduced to £5.4m after applying £36.9m 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 9 returns (no returns requested for December) to MHCLG, with the most recent return being submitted on 29 January 2021. 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 £42.3m of additional costs.

4.10. The following table summarises the financial impact reported in each month.

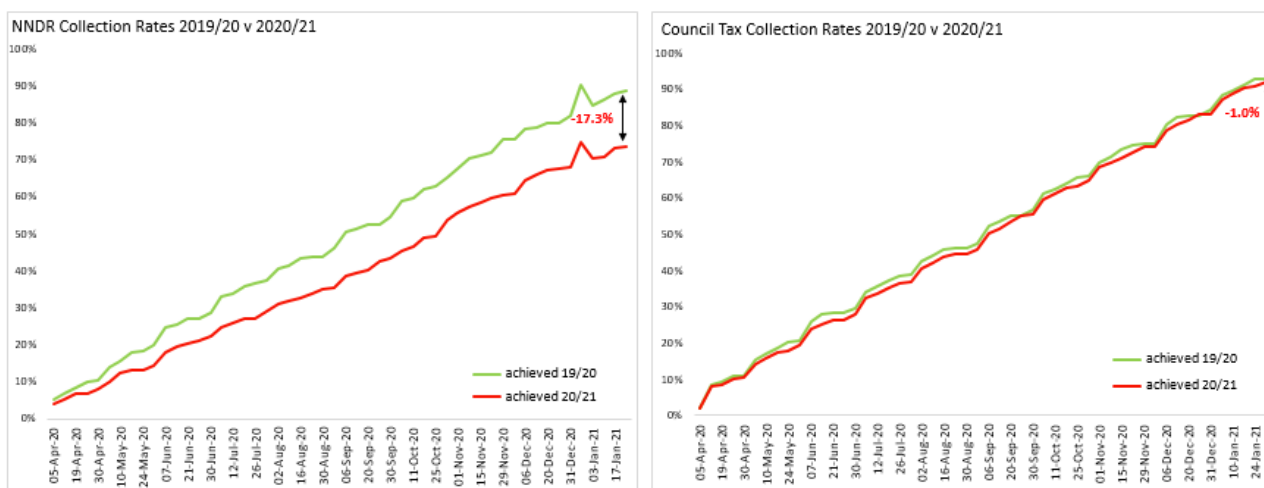
Source of Pressure & Income	Apr £m	May £m	Jun £m	Jul £m	Aug £m	Sep £m	Oct £m	Nov £m	Dec/Jan £m
Direct C-19 Expenditure	7.0	10.1	19.3	23.4	22.6	26.2	25.2	26.6	29.2
Loss of Income	6.8	6.0	6.8	7.9	6.7	7.2	7.4	7.2	7.5
Non-Delivered 2020/21 Savings	4.5	4.8	4.7	6.6	5.5	5.5	5.5	5.5	5.6
Total Pressures	18.3	20.9	30.8	37.9	34.8	38.9	38.1	39.3	42.3
C-19 response fund & un-ringfenced grants	(11.0)	(11.0)	(11.0)	(13.2)	(13.1)	(13.2)	(18.8)	(18.8)	(18.9)
Additional Funding and ring-fenced grants*	-	-	(5.7)	(9.9)	(9.9)	(14.7)	(14.9)	(17.4)	(18.0)
Revised Net Position	7.3	9.9	14.1	14.8	11.8	11.0	4.4	3.1	5.4

*includes SFC and Tax loss income Compensation Scheme

4.11. 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:

- Additional residential and nursing care capacity to enable the discharge of people from hospital to free up capacity, this includes people who are C-19 positive. These will be placed in a "Designated Setting" as per Government policy.
- Expenditure linked to the Rapid Testing grant to support the rollout of Lateral Flow Device (LFD) testing in care homes. This will be fully funded by the Adult Social Care Rapid Testing Fund, of which the Council is receiving £0.4m.
- The Council expects to receive a Work Force Capacity grant of £0.4m, of which it is forecasting to spend in full, supporting residential care homes with a boost to staffing and testing capacity.
- Expenditure linked to the additional instalment of COMF funding for contact tracing, local action plans, etc - across all departments.
- Further pressure in respect of car parking income has been reported as a result of Tier 4 and Lockdown 3.0 restrictions.

4.12. The Council has been monitoring collection rates against previous collection performance for both Council Tax and Business Rates. This work shows Council Tax collection rates are 1% lower and Business Rates collection rates 17.3% lower than last year. However, since the beginning of the pandemic these rates have continued to improve month on month.



4.13. The levels of Local Council Tax Support recipients have increased, with a marked reduction in January and February. This initial increase is the result of unemployment rates rising, although there has been a short-term reduction it is anticipated that this will increase again as a result of Lockdown 3.0 restrictions. The following chart shows the trend in claims since the start of the pandemic, following on from the declining numbers prior to the pandemic:

Local Council Tax Support Claimant Levels



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

- Business rates relief of £40.8m to 1,290 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 and the scheme is now complete;
- Discretionary grant scheme for businesses of which £1.6m of grants have been made to 110 local businesses.
- 828 Test and Trace payments have been made, each award is for £500
- Hardship funding of £1.7m to allocate £150 to those on Local Council Tax Support (LCTS) - £1.5 has been processed with 9,667 working age LCTS recipients benefiting from this funding to date;
- The administration of the winter grant scheme where the following support has been provided so far:
 - 12,184 received a school meal voucher over the 2 weeks of Christmas
 - 1,622 families applied for additional support
 - Just under 300 have received an emergency fuel voucher
 - All were referred to Citizen's Advice for additional support (no data for further awards from Citizen's Advice or Care Zone)

- 130 were referred to Peterborough hub for emergency food support

5. APPENDICES

5.1. Further information is provided in the following appendices:

- Appendix A – Budgetary Control Report Dashboard- December 2020
- Appendix B- Capital performance Dashboard

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