

CABINET	AGENDA ITEM No. 9
12 July 2021	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Corporate Director of Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

BUDGET CONTROL REPORT MAY 2021

RECOMMENDATIONS	
FROM: Director of Corporate Resources	Deadline date: N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The budgetary control position for 2021/22 at 31 May 2021 is a forecast overspend of £3.701m against budget. 2. The additional funding, costs, and activity associated with the Covid-19 (C-19) pandemic, as outlined in section 4. 3. The key variance analysis and explanations are contained in 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 2021/22 as at May 2021 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. MAY 2021 BUDGETARY CONTROL REPORT (BCR)- REVENUE

4.1. The revenue budget for 2021/22, agreed at Full Council on 3rd March 2021, was approved at £187.255m.

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 £3.701m, which equates to 3% of the net the budget.

Directorate	Budget £k	Forecast Spend £k	Variance £k	Overall Status
Chief Executive	1,219	1,219	0	On Budget
Governance	4,167	4,102	(65)	Underspend
Place & Economy	23,912	24,741	829	Overspend
People & Communities	99,537	106,450	6,913	Overspend
Public Health	(188)	(186)	2	Overspend
Resources	22,535	20,858	(1,677)	Underspend
Customer & Digital Services	7,356	7,104	(252)	Underspend
Business Improvement	722	704	(18)	Underspend
Capital Financing	27,994	27,994	0	On Budget
Total Expenditure	187,255	192,986	5,731	Overspend
Financing	(187,255)	(189,285)	(2,030)	Underspend
Net	0	3,701	3,701	Overspend

4.3. The key variances impacting the Council's financial position are summarised in the following points:

Favourable Variances

- Financing - Based on the NNDR1 return submitted in January to government, Council is expected to receive £2.030m share of the benefit gained via Cambridgeshire and Peterborough Business Pool Rates for 2021/22. This was not included within budget due to the timing of the receipt of information.
- Resources – The Pension actuary completed the cessation assessment for Peterborough Culture and Leisure Trust (Vivacity) with resulted in favourable variance of £1.3m by receiving a single year reduction to their secondary contributions for the year 2021/22. This variance is the result of the Funding and Management Agreement with Vivacity and the risk agreement for pension contributions.
- Customer & Digital Services - £0.197m of additional income generation because of the East of England Broadband Network Service Level Agreement's (SLA) with partner organisations.

Adverse Variances

- People & Communities – Parking services is reporting a loss of £1.6m due to loss of income in relation to Parking Charges continuing to be affected by reduced footfall in the city and Environment Enforcement Services. See 4.9 below on Sale Fees and Charges income for mitigating funding.
- People & Communities- £1.490m adverse variance on Adults Social Care because of rising service demand, support for the care market and additional staffing costs to ensure the backlog created over the pandemic is reviewed.
- People & Communities – An additional £2.369m of forecast expenditure from an expected rise in the need for Looked after Children's placements and the need for other services associated with children's social care such as Children with disabilities, early help, family safeguarding and short

break commissioning. Officers are developing scenarios for possible demand trajectories for both Childrens and Adult services to enable analysis of drivers and possible management action to mitigate some of the increased cost pressures.

- Place & Economy - An additional £1.2m of expenditure within Housing Services due to the cost of using Hotels and B&B's, and associated security and maintenance costs.

4.4. Further details regarding the service variances are outlined within Appendix A of this report.

Financial Impact of C-19

Financial Position

- 4.5. The C-19 pandemic has had a significant impact on the Council's financial position, with the pandemic adding an additional layer of financial complexity and uncertainty. The Council has, through all the services it provides, experienced both societal and financial impacts of the pandemic. During 2020/21 the Council reported additional C-19 related expenditure of £30.2m, offset through receipt of £32.3m additional government funding. Although the funding was greater than the additional costs incurred in year, the significant needs of our communities, resulting in significant financial pressures as a result of C-19 will be long-lasting and the Council contributed to the reserves in 2020/21 to ensure these additional needs would be covered in 2021/22 (outlined in full in the [Final Outturn 2020/21 Cabinet Report](#)).
- 4.6. The 2021/22 budget incorporated £8.1m of additional Adults and Children's Social Care costs because of rising needs and demand caused by C-19. The Council has experienced a delay in the anticipated service demand for reasons such
- as families caring for loved ones at home as an alternative to using residential care,
 - delays in the anticipated levels of children's referrals due to school closures during Lockdown 3, and
 - the continuation of financial support schemes such as furlough,
- The Council is now experiencing a sharp rise in demand. This is evidenced within this May budgetary control position with a combined further £4.6m pressure being reported across these areas.
- 4.7. The full extent of the rise in demand for services is uncertain. Officers are reviewing referral caseloads, service user numbers and working closely with the business intelligence team to better understand the emerging patterns and associated financial impact. This review will inform the development of future budgets and to ensure estimates are robust and meet the rising demand for support from the community.
- 4.8. Other notable areas of financial pressure, resulting from C-19 include the additional cost of providing accommodation for rough sleepers and the reduction in parking income. Other known financial challenges such as the non-delivery of savings plans totalling £5.7m and the £8.1m of additional Children's and Adults Social Care have already been rebased within the 2021/22 budget, approved at Council in March (outlined further in the [MTFS 2021/22-2023/24](#)).
- 4.9. In addition to the unringfenced grants for C-19 Response Fund (£6.336m) and the Local Council Tax Support Funding (£1.590m) that are built in to the 2021/22 budget, the government has continued to financially support local authorities with the following C-19 related activities such as:
- **Infection Control 3 and Rapid Testing Fund, £1.166m** - announced in March 2021 by the government to ensure care providers continue to receive financial support to enable them to reduce virus transmission and re-enable close contact visiting. The fund is ring fenced

exclusively for action which support care homes, and the Council will ensure the funds are passported to eligible providers.

- **Containment Outbreak Fund £6.692m** - (includes grant carried forward from 2020/21). This included 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.
- **Welcome Back Fund £0.182m** - announced in April 2021, this fund is to build on the reopening of the High Streets Safely Fund (May 2020), and will be used to support businesses and communities to reopen safely.
- **Winter Grant Scheme £0.259m** - has supported families with the cost of food, fuel and other additional support.
- **Emergency Active Travel £0.567m** - funding for the Council to provide improved walking and cycling facilities over the pandemic. Initially the scheme was temporary but was extended by the government with a longer-term vision. The Council's longer term plan is expected to be finalised shortly, with recommendations from a cross party working group to be considered by Cabinet.
- **Sales Fees and Charges £TBC** - The government Sales Fees and Charges (SFC) compensation scheme was extended to cover April -June. The Council is still experiencing income losses, particularly on parking services, with forecast grant for the SFC scheme expected to be reported within June BCR once a detailed calculation has been completed. To be clear the pressures expected as a result of loss of income are included within May position, however the expected SFC grant compensation is not at this stage.

Business Rates, Council Tax and Business

4.10. The Council is continuing to promptly administer the Business Support Grants on behalf of Department for Business, Energy & Industrial Strategy (BEIS). This includes Business Restart Grant which was announced in March to support the economy to reopen and recover. The Council has received £8.3m in Restart Grant and £5.8m Additional Restrictions Grant (ARG) which has also been extended in to 2021/22.

4.11. During 2020/21 a number of Material Change in Circumstance (MCC) appeals have been raised by businesses, with the effective date of 23/3/20, due to C-19. In response to this significant national rise in appeals, and with the potential risk of destabilising the business rates system, the government announced that it will legislate "to rule-out C-19 related MCC appeals". Instead, Local Authorities will be allocated a share of a new £1.5bn grant that can be used to provide business rates relief to support those local businesses most affected by the pandemic. The grant will be an "extra, targeted support package" for those businesses who did not benefit from the extended retail discount.

4.12. The legislation is still to be passed and Local Authorities await the release of the £1.5bn grant allocations and further details for the Business Rates Relief scheme. It is expected this will be a discretionary scheme and once confirmed the Council will design a scheme and promptly issue reliefs to support eligible businesses within Peterborough.

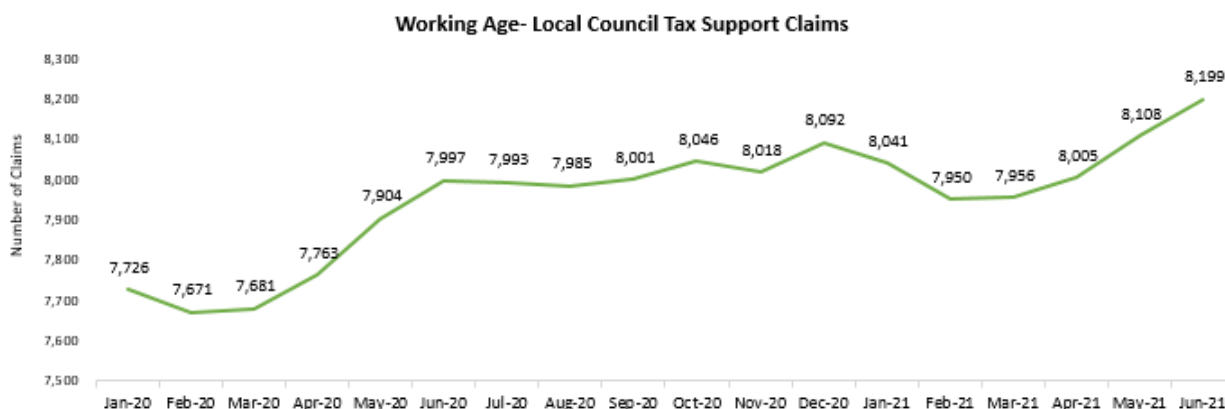
Business Rates (NNDR)

4.13. The Council’s Collection rate for Business Rates income is 2.03% behind target for 2021/22, Which is an improved position against the reduced collection rates the Council experienced in 2021/22.

4.14. The Council reported within the 2020/21 Outturn Report that it had £11.5m of uncollected Business Rates income at the end of the financial year which equated to an annual collection rate of 81.83%, much lower than the average collection rate of 97.86%. The Council had put recovery action for these debts on hold in 2020/21 as a result of government guidance and to support businesses. However, active recovery commenced in February 2021, with an action plan being put in place to collect the outstanding balances. This action plan for recovery of incomes due includes the use of additional temporary resource, regular monitoring and more frequent reminder/recovery letters which is in addition to standard recovery procedures. Since the 1 April 2021 these actions have reduced the outstanding balance by 17% to £9.6m.

Council Tax

4.15. Local Council Tax Support (LCTS) working age caseloads are continuing to rise with an additional 528 households receiving support since the start of the pandemic, a 6.9% rise. Prior to the C-19 pandemic the working age caseloads were steadily reducing however the pandemic has created significant economic uncertainty, with the impact of three periods of Lockdown meaning many people have lost their source of income, jobs and many have been furloughed at a reduced rate. The following chart illustrates the monthly trend:



4.16. Despite the increase in LCTS caseloads the collection rate for Council Tax income is performing 0.13% better than the target for 2021/22. This performance will remain under close observation throughout 2021/22 especially as the economy recovers and government road map progresses.

5. APPENDICES

5.1. Further information is provided in the following appendices:

- Appendix A – Budgetary Control Report Dashboard- December 2020

This page is intentionally left blank