

MONITORING REPORT	
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BUDGET CONTROL REPORT JUNE 2021

FROM: Director of Corporate Resources	Deadline date: 10 September 2021
<ol style="list-style-type: none"> 1. The budgetary control position for 2021/22 at 31 July 2021 is a forecast breakeven position. 2. The key variance analysis and explanations are contained in Appendix A. 3. The Council's reserves position, as outlined within Appendix B. 4. The Council's capital performance as outlined in Appendix C, which includes the slippage carried forward from 2020/21. 5. The position in respect of Council Tax and NNDR (Business Rates) Collection rates within section 7. 6. The update on the Council's Medium Term Financial Strategy and associated timetable as outlined in section 5. 	

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 provides Cabinet with the forecast outturn for 2021/22 as at July 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. JULY 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 summarises the budgetary control position by directorate, outlining the forecast breakeven position:

Directorate	Budget £k	Forecast Spend £k	Variance £k	Previous Month Variance £k	Movement £k	Overall Status
Chief Executives	1,219	1,223	3	4	(0)	Overspend
Governance	4,169	4,068	(101)	(111)	9	Underspend
Place & Economy	23,912	23,182	(730)	(533)	(197)	Underspend
People & Communities	99,537	105,088	5,552	6,173	(621)	Overspend
Public Health	(188)	(239)	(51)	(51)	-	Underspend
Resources	22,533	20,849	(1,684)	(1,694)	10	Underspend
Customer & Digital Services	7,356	7,105	(251)	(256)	5	Underspend
Business Improvement	722	701	(21)	(17)	(4)	Underspend
Capital Financing	27,994	25,328	(2,666)	-	(2,666)	Underspend
Total Expenditure	187,255	187,305	50	3,514	(3,464)	Overspend
Financing	(173,521)	(177,211)	(3,690)	(3,230)	(460)	Underspend
Exceptional Financial Support (Capitalisation Direction)	(13,734)	(10,094)	3,640	-	3,640	Less borrowing forecast
Net	-	-	-	284	(284)	Breakeven

4.3. At the end of July the Council's forecast outturn position for service delivery and financing income was an underspend of £3.6m. This favourable position has mainly been driven by the continuation of the Business Rates Pool, additional grant in respect of lost Sales Fees and Charges (offsetting loss on income reported within the directorates) and a reduction in the cost of borrowing. As a result, the Council has reduced the forecast draw down on the amount of Capitalisation Direction (borrowing to fund revenue costs) intended to be used, which brings the overall position to breakeven. This is covered in more detail in section 5.

4.4. Other key variances within the Council's financial position include:

Favourable Variances

- Capital Financing – Reduced borrowing contributing to a reduction in interest payments and additional savings forecasted on new borrowing resulting in a saving of £2.7m.
- Financing - Based on the NNDR1 return submitted in January to government, Council is expected to receive £2.5m 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) which has 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.
- Financing – The Government Sales Fees and Charges compensation scheme has been extended to cover April – June and at this stage a grant award of £1.2m has been forecast based on loss of income reported, in line with the government guidance.

- Place & Economy – There has been a significant increase in wholesale export price of electricity produced by the Energy Recovery Facility which is resulting in a favourable variance of £1.1m. This is due to the market showing faster signs than expected of recovery.
- Place & Economy – Aragon Direct Services (ADS) are reporting an improvement in their Financial Position resulting in a favourable variance of £0.5m due to anticipated reduced costs to the Council.

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 6.1 below on Sale Fees and Charges income for mitigating funding.
- People & Communities- £1m adverse variance on Children’s Commissioning due to increased child protection and family support referrals and additional short breaks and Homecare for periods out of school for Children with Disabilities
- People & Communities- £0.8m loss of income within the Culture and Leisure Services, as a result of the social distancing and lockdown restrictions in place throughout April- June.
- Place & Economy - An additional £0.6m of expenditure within Housing Services due to the cost of using Hotels and B&B’s, and associated security and maintenance costs.

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

5. Medium Term Financial Strategy (MTFS)

5.1. The Council has been in ongoing discussions with the Department of Levelling Up, Housing & Communities (DLUHC, formerly known as MHCLG) in respect of its financial challenges since October 2020. In February 2021, the Council received conditional approval for Exceptional Financial Support (EFS) in the form of a £20m Capitalisation Direction for 2022/23. The EFS, was contingent on the results of a financial assurance and governance review, together with a plan to deliver financial sustainability in the future. Over the summer period, CIPFA have conducted the assurance review on behalf of the DLUHC. The report in respect of the assurance review is expected to be published in mid-October. Following this, the Council expects to receive ministerial approval in respect of the EFS.

5.2. Alongside this the review the Council has been developing the first phase of a sustainable Budget Strategy which will be reported, alongside a full update on the assurance review to Cabinet and Council as part of the Council’s Medium Term Financial Strategy (MTFS). This will follow the usual budget setting process, as outlined within the Budget Policy Framework of the Constitution. The following table outlines the key dates for Phase One and Two of the MTFS.

Meeting	Phase One	Phase Two
Consultation Start Date	15/10/2021	21/01/2022
Cabinet	25/10/2021	31/01/2022
Joint Scrutiny	17/11/2021	09/02/2022
Cabinet	29/11/2021	21/02/2022
Consultation End Date	06/12/2021	01/03/2022
Council	08/12/2021	02/03/2022

- 5.3. As part of the MTF5 the Council will also be considering the requirement to use the full Capitalisation Direction currently approved in principle by the government. At the end of 2020/21 the Council contributed £12.8m to a Covid-19 Funding Reserve, to ensure that additional costs resulting from anticipated additional demand, and long-lasting impact of C-19 would be covered in 2021/22.
- 5.4. The £12.8m Covid-19 Funding Reserve, was established based on the data available at the time. The complexity and uncertainty of the pandemic has made forecasting future income levels and demand in some areas challenging. Officers have been continuously reviewing caseloads, service user numbers and working closely with the Business Intelligence Team to better understand the emerging patterns and associated financial impact.
- 5.5. Although July's BCR position does identify some areas of financial pressure resulting from the pandemic, these are being mitigated by other service areas performing favourably against budget, resulting in an overall forecast underspend of £3.6m. The scale of the additional demand and budgetary pressures, has so far, been lower than the Council originally anticipated. This has meant that the Council is able to reduce the amount of capitalisation direction it is expecting to use in 2021/22 by £3.6m (initial underspend), from the original budget value of £13.7m. This results in the breakeven position, as outlined within 4.2 and will mean the Council will see a corresponding reduction in its borrowing costs in future years as a result.
- 5.6. As part of the MTF5 the Council will also be considering whether the Covid-19 Reserve should also be used during 2021/22, instead of utilising the Capitalisation Direction. This as noted in 5.5 would reduce the Council's future borrowing costs, especially with the Capitalisation Direction attracting an additional 1% premium on the prevailing PWLB interest rate. (outlined in [letter](#)).

6. C-19 Related Funding – 2021/22

- 6.1. 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**
 - **Containment Outbreak Fund £6.692m**
 - **Welcome Back Fund £0.182m**
 - **Winter Grant Scheme £0.259m**
 - **Emergency Active Travel £0.567m**

Further detail around these schemes is outlined within the May BCR Report, ([link here](#)). Since the last position was reported the following announcements and estimates have been made:

- **Sales Fees and Charges £1.2m-** The government Sales Fees and Charges (SFC) compensation scheme was extended to cover April - June. The Council is experiencing income losses, particularly on parking, leisure, and culture services, these losses have been factored into the government issued proforma, which indicates the Council should expect to receive compensation of £1.2m via grant payment.
- **Infection Control Fund 4 £0.854m-** On 2 July, the government announced an extension to the Infection Control Fund to support Adult Social Care providers up until September 2021, due to the recognised success of the scheme. Further details are available on the [gov.uk website](#)

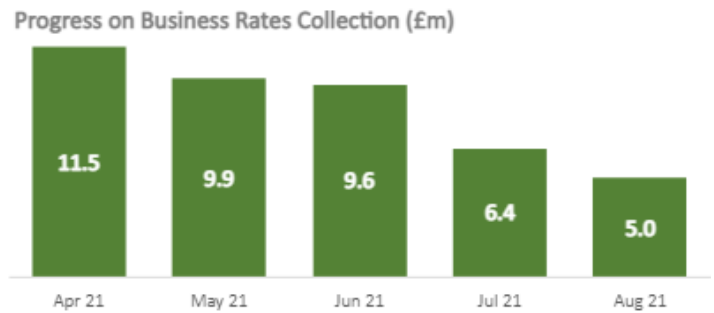
7. Business Rates, Council Tax and Business Grants

- 7.1. The Restart Grant scheme was open for applications during the period April to June 2021 and the Council has approved payments to 926 businesses totalling £7.2m. The Additional Restrictions Grant (Discretionary) scheme provided an initial £5.8m, with a further top-up of £1.4m if this was spent by the end of July. This funding has now been allocated to businesses (including grants to taxi drivers) and the additional £1.4m funding is due by the end of July. This brings to total grant funding provided to businesses from March 2020 to date to £61m.
- 7.2. During 2020/21 a number of Material Change in Circumstance (MCC) appeals have been raised by businesses, with the effective date of 23/03/20, 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.
- 7.3. 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 (NDR)

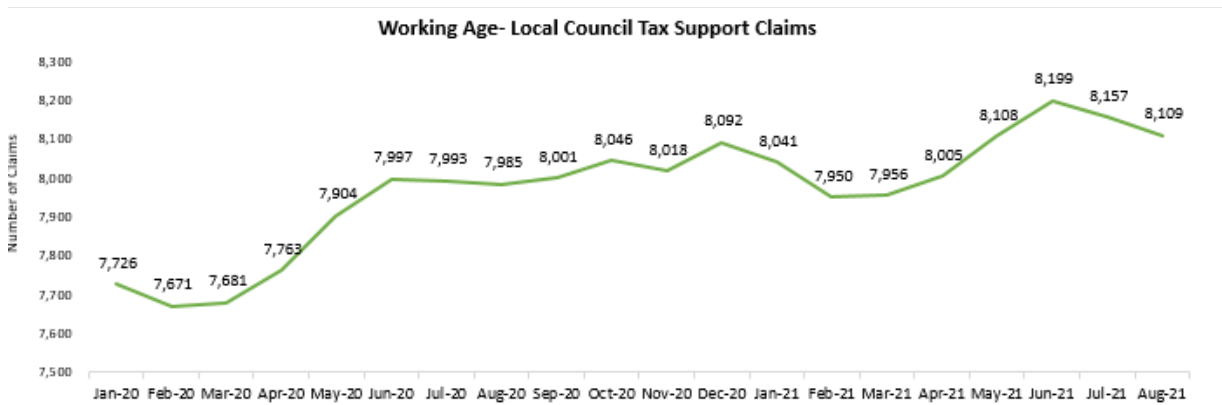
- 7.4. The Council’s collection rate for Business Rates income is now 13.03% behind target for 2021/22. The collection rate has notably declined in July as a result of billing the changing rates of Extended Retail Relief.
- 7.5. The government required Councils to provide the initial Extended Retail, Hospitality and Leisure at 100% for the first three months of 2021/22, which meant the Council had to apply this to the whole year in the first instance, creating a net collectable debit (NCD) of c£72m. As per the government policy the Extended Retail Relief was then altered to 66%, from 1 July, for the remaining 9 months with the introduction of a cash cap. Applying these changes to the Business Rates system then increased the NCD to c£86m.
- 7.6. This meant that even though the amount of business rates collected had continued to increase throughout, it presented as a lower percentage against the total amount now due, resulting in a sharp reduction in the collection rate. The affected ratepayers were required by law to be given until 1 September before paying their first instalment and as such, there will be a change in business rates collection, resulting in a change of profile. It is expected over the course of the year the collection rate will gradually improve.

7.7. 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 57% to £5m, as shown in the following chart.

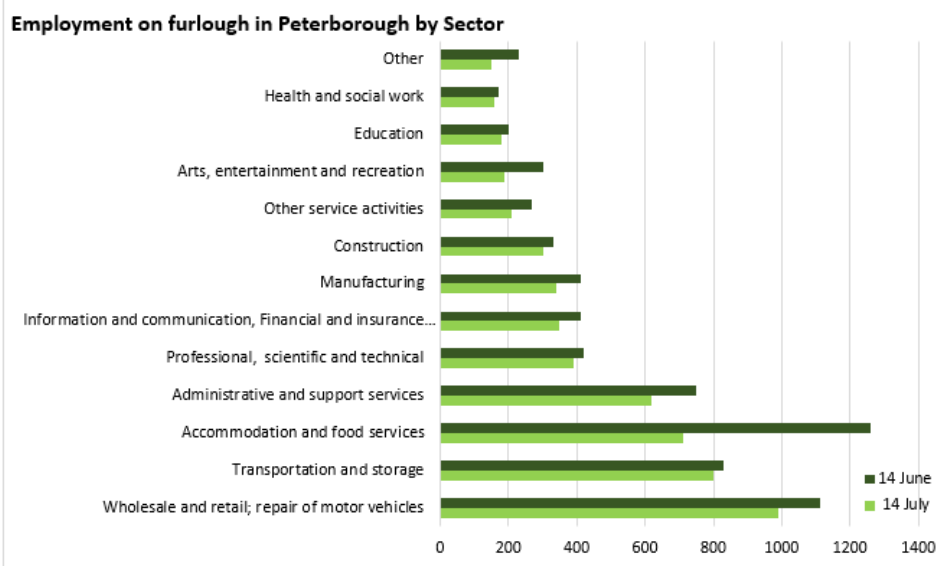


Council Tax

7.8. Local Council Tax Support (LCTS) working age caseloads have continued to rise throughout the pandemic, with the most recent monthly position reducing, showing signs of improvement. Since the start of the pandemic an additional 438 households are receiving support, a 5.7% 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:



The following chart demonstrates the number people receiving furlough within Peterborough, and the type of industry their employment is categorised in:



*Source <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-29-july-2021>

7.9. Despite the increase in LCTS caseloads the collection rate for **Council Tax income collection is only 1.15% behind the target for 2021/22**. This performance will be closely monitored throughout 2021/22 especially as the economy recovers and government road map progresses.

8. APPENDICES

- 8.1. Further information is provided in the following appendices:
- Appendix A – Budgetary Control Report Dashboard- July 2021
 - Appendix B – Reserves Position
 - Appendix C– Capital Programme – July 2021