

<b>CABINET</b>	<b>AGENDA ITEM No. 6</b>
<b>25 OCTOBER 2021</b>	<b>PUBLIC REPORT</b>

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 AUGUST 2021**

RECOMMENDATIONS	
<b>FROM:</b> Director of Corporate Resources	<b>Deadline date: 15 October 2021</b>
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The budgetary control position for 2021/22 at 31 August 2021 is a forecast breakeven position.</li> <li>2. The key variance analysis and explanations are contained in Appendix A.</li> <li>3. The Council's performance with respect to Business Rates (NDR) and Council Tax Collection, as outlined within section 6.</li> <li>4. The Council's reserves position, as outlined within Appendix B.</li> <li>5. The Council's Capital performance as outlined in Appendix C.</li> </ol> <p>It is recommended that Cabinet approves:</p> <ol style="list-style-type: none"> <li>6. Capital Budget virements as outlined in Appendix C, these include:               <ol style="list-style-type: none"> <li>a. £0.034m - Westcombe Engineering Machinery Investment (Funded by Invest to Save)</li> <li>b. £0.178m - Capital Funding to build Mausoleum at Fletton and Eastfield Cemeteries (Funded by Invest to Save)</li> </ol> </li> </ol> <p>It is recommended that Cabinet recommends to Council for approval:</p> <ol style="list-style-type: none"> <li>7. Capital Budget Virements as outlined in Appendix C, these include:               <ol style="list-style-type: none"> <li>a. £1.577m - Clare Lodge Refurbishment and Safety works (Third Party Funding)</li> <li>b. £1.500m - Contribution to the Highways Agency for the A14 improvement scheme, the payment to take place as equal payments of £60k a year for 25 years from 2020/21 (Funded from Community Infrastructure Levy)</li> </ol> </li> <li>8. Revenue budget virement, in respect of the revised use of the Capitalisation Direction as outlined in section 5.5.</li> </ol>	

## 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 August 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. AUGUST 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 £187.3m. The following table outlines the changes which have been made to the budget to arrive at the revised budget of £187.6m.

Reconciliation of agreed MTFS budget to current budget	£m
Approved Budget 2020/21	187.255
Earmarked Reserves: Place & Economy	0.104
Capacity Reserve Contribution: Resources and Place & Economy	0.234
<b>Revised Budget 2020/21</b>	<b>187.593</b>

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	1,282	63	3	59	Overspend
Governance	4,169	4,049	(120)	(101)	(18)	Underspend
Place & Economy	24,021	23,307	(715)	(730)	15	Underspend
People & Communities	99,537	104,963	5,426	5,552	(125)	Overspend
Public Health	(188)	(239)	(51)	(51)	-	Underspend
Resources	22,763	20,955	(1,807)	(1,684)	(123)	Underspend
Customer & Digital Services	7,356	7,100	(256)	(251)	(5)	Underspend
Business Improvement	722	702	(20)	(21)	1	Underspend
Capital Financing	27,994	25,328	(2,666)	(2,666)	0	Underspend

<b>Total Expenditure</b>	<b>187,593</b>	<b>187,447</b>	<b>(146)</b>	<b>50</b>	<b>(196)</b>	<b>Underspend</b>
Financing	(173,859)	(177,549)	(3,690)	(3,690)	0	Underspend
Exceptional Financial Support (Capitalisation Direction)	(13,734)	(9,898)	3,836	3,640	196	Less borrowing forecast
<b>Net</b>	-	-	-	-	-	Breakeven

4.3. At the end of August, the Councils forecast outturn position initially outlined underspend of £3.8m. This favourable position was largely driven by the continuation of the additional income from the Business Rates Pool, additional grant in respect of lost Sales Fees and Charges, and a reduction in the cost of borrowing for the Council. As a result of this the Council has incorporated a reduction in the amount of Capitalisation Direction (borrowing to fund revenue costs) that would be required.

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

#### **Favourable Variances**

- Capital Financing – Reduced borrowing from 2020/21 financial year contributing to a reduction in interest payments, and additional savings forecasted on the timing of new borrowing taken during the current financial year resulting in a forecast saving of £2.666m.
- Financing - Based on the NNDR1 return submitted in January to government, the Council is expected to receive £2.490m share of the benefit gained via the Cambridgeshire and Peterborough Business Pool Rates for 2021/22. This was not included within budget due to the timing of the receipt of information to inform the budget estimate.
- Resources – The Pension actuary completed the cessation assessment for Peterborough Culture and Leisure Trust (Vivacity) which resulted in favourable variance of £1.3m, by receiving a single year reduction to the 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 extended to cover April – June resulting in a forecasted grant receipt of £1.2m.
- Place & Economy – There has been a significant increase in wholesale export price of electricity produced by the Energy Recovery Facility. This is resulting in a favourable variance of £1.1m due to the market showing faster signs than expected of recovery.
- Place & Economy – the Council's 100% owned company, Aragon Direct Services (ADS), are reporting an improvement in its financial position, resulting in a favourable variance of £0.5m due to anticipated reduction in costs to the Council.

#### **Adverse Variances**

- People & Communities – Parking services are reporting a loss of £1.3m 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 5.1 below on Sale Fees and Charges income for mitigating funding.
- People & Communities - Think Communities are reporting a £1.1m loss of income within the Culture and Leisure Services, as a result of the social distancing and lockdown restrictions in place throughout April- June which impacted on incomes streams.

- People & Communities - Children's Commissioning is reporting an adverse variance of £0.9m due to increased child protection and family support referrals. Additional adverse variances due to short breaks and Homecare periods for out of school for Children with Disabilities
- People & Communities – Children's Operation are forecasting an additional spend of £0.9m, this is due to an increase in high demand for family safeguarding and Early Help Services
- Place & Economy - An additional £0.5m of expenditure within Housing Services due to the cost of using Hotels and B&B's, and associated security and maintenance costs. This additional expenditure is offset with the Rough Sleeper initiative grant and the Rapid Rehousing Pathway grant held in the departmental reserve.

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

## **5. Medium Term financial Strategy**

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 challenging financial environment since October 2020. In February 2021, the Council received approval in principle for Exceptional Financial Support (EFS) in the form of a £20m Capitalisation Direction for 2022/23. The EFS, was contingent on the results of the financial assurance and governance reviews, together with a plan to deliver financial sustainability in the future. Over the summer period, CIPFA and Andrew Flockhart have been conducting the reviews on behalf of the DLUHC. The report in respect of the assurance review is expected to be published in 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 a sustainable Budget Strategy which will be reported to Cabinet, at this meeting (25 October) as part of the Councils Medium Term Financial Strategy (MTFS) Phase One. As part of the MTFS the Council has considered the requirement to use the full Capitalisation Direction built into the 2021/22 budget and approved in principle by the government.

5.3. At the end of 2020/21 the Council created a £12.8m Covid-19 Funding Reserve. This reserve was set up to ensure that additional costs from the anticipated additional demand, and longer lasting impact of C-19, could be funded in 2021/22. The balance in the reserve was based on the data available at the time, noting the complexity and uncertainty of the pandemic had on forecasting future income and demand in some service delivery areas. 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 impact on the financial position.

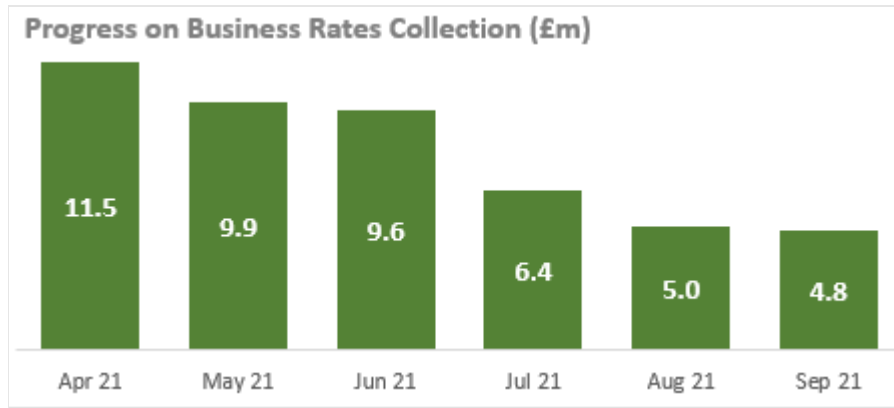
5.4. Although the August financial performance identifies some areas of financial pressure resulting from the pandemic, these are being mitigated by other service delivery budgets performing favourably and resulting in an overall forecast underspend of £3.8m. The scale of the additional demand and budgetary pressures, have so far, been lower than the Council originally anticipated. This enables the Council to reduce the amount of Capitalisation Direction it anticipates to apply to fund the revenue budget in 2021/22 from the original budget value of £13.7m. This results in a forecast breakeven position, as outlined within 4.2 and will mean the Council will see a corresponding reduction in its future borrowing costs as a result.

5.5. Additionally as incorporated within the Phase One MTFs 2022/23-2024/25 report and as a recommendation from this report, it is proposed that a budget virement take place to reduce the funding from Capitalisation Direction budget by at least £10.5m to be replaced with the application of funding from the Covid-19 Funding Reserve. As noted in 5.4, this revised funding approach would reduce the Council's future borrowing costs, especially with the Capitalisation Direction attracting an additional 1% premium on interest rate. This revised funding strategy for 2021/22 is outlined in further detail within the Phase One Medium Term Financial Strategy report, also reported to this Cabinet meeting. Once the budget virement is approved by Council the budget will be updated to reflect this recommended change in funding strategy for 2021/22.

## 6. Business Rates and Council Tax

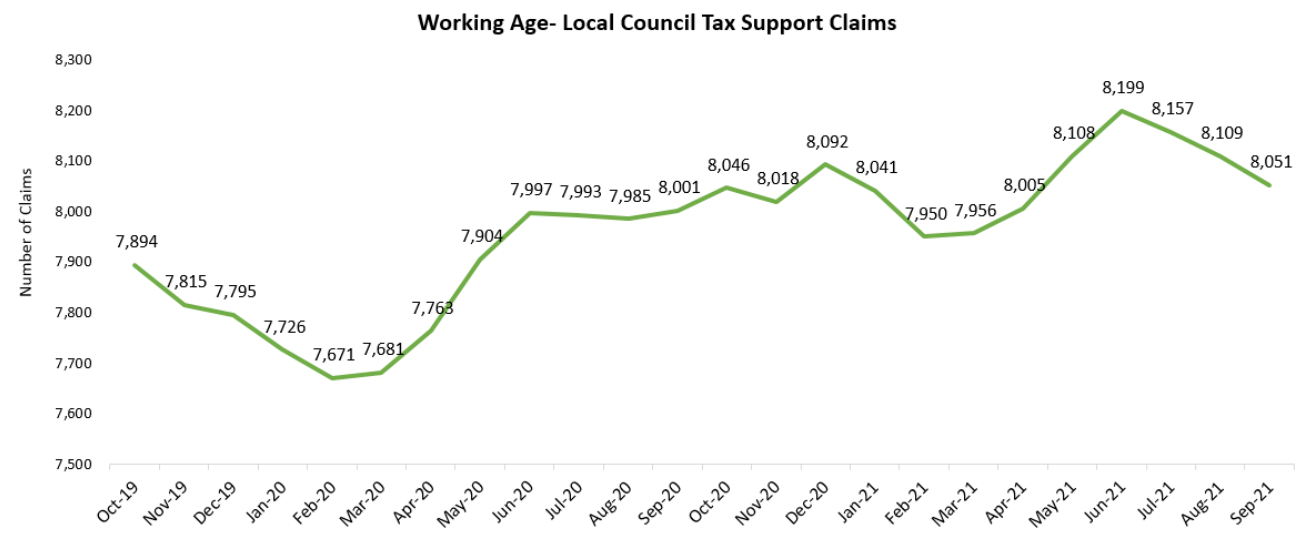
### Business Rates (NDR)

- 6.1. During 2020/21 a large number of Material Change in Circumstance (MCC) appeals have been raised by businesses due to the impact C-19 restrictions. The government announced that it would legislate "to rule-out C-19 related MCC appeals". Instead, Local Authorities would 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. Changes to legislation for both of these proposals is still due to go through parliament and it is expected this will now take place in Winter.
- 6.2. The government required Councils to provide the initial Extended Retail, Hospitality and Leisure relief 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 the 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.
- 6.3. The Council's collection rate for Business Rates income is now 11.8% behind target for 2021/22. The collection rate declined in July as a result of billing the changing rates of the extended retail relief as previously explained. This meant that even though the amount of business rates collected had continued to increase throughout, it presents as a lower percentage against the total amount now due, resulting in a sharp drop 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 in delay in business rates collection, resulting in a change of collection profile. It is expected over the course of the year the collection rate will gradually improve.
- 6.4. 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 local businesses. However, active recovery commenced in February 2021, with an action plan put in place to collect the outstanding balances. This includes the use of additional temporary resource, regular monitoring and more frequent reminder/recovery letters which is in addition to the standard recovery procedures. Since the 1 April 2021 these actions have reduced the outstanding balance by 58% to £4.8m, as shown in the following chart:



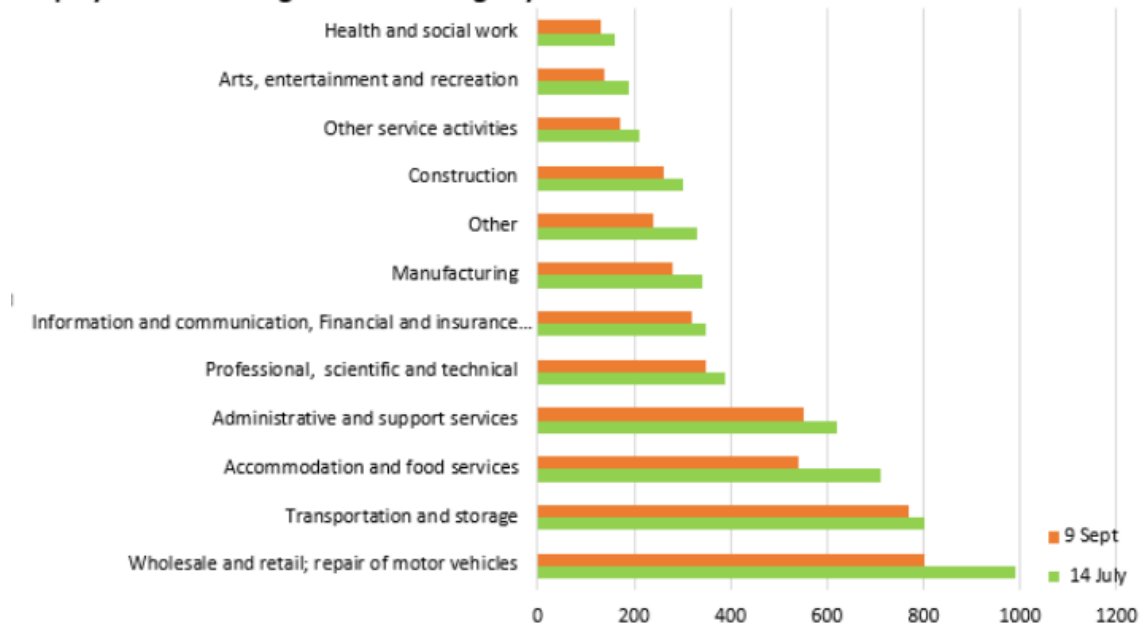
### Council Tax

6.5. Local Council Tax Support (LCTS) working age caseloads have continued to rise throughout the pandemic, with the most recent monthly position reducing and showing signs of improvement. Since the start of the pandemic an additional 380 households are receiving support, a 5% rise. Prior to the C-19 pandemic the working age caseloads were steadily reducing however the pandemic has created significant economic uncertainty. The impact of three periods of Lockdown has seen residents lose sources of income, jobs and placed on furlough. 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:

### Employment on furlough in Peterborough by Sector



\*Source <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-9-september-2021>

6.6. Despite the increase in LCTS caseloads the collection rate for **Council Tax income collection is 0.12% ahead of 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.

## 7. APPENDICES

7.1. Further information is provided in the following appendices:

- Appendix A – Budgetary Control Report Dashboard- August 2021
- Appendix B – Reserves Position
- Appendix C– Capital Programme – August 2021

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