

<b>CABINET</b>	<b>AGENDA ITEM No. 8</b>
<b>15 November 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, Acting Service Director: Financial Services	Tel. 452520 Tel. 384590

## BUDGET CONTROL REPORT SEPTEMBER 2021

RECOMMENDATIONS	
<b>FROM:</b> Director of Corporate Resources	<b>Deadline date:</b> N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The budgetary control position for 2021/22 at 30 September 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 (NNDR) 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 financial 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. £0.018m - Capital funding for re-landscaping works at the Dell (funded from Section 106 contribution)</li> <li>b. £0.014m - Capital funding for re-landscaping works at Hampton Court (funded from Section 106 contribution)</li> </ol> </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 September 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. SEPTEMBER 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 £187.7m.

Reconciliation of agreed MTFS budget to current budget	£m
Approved Budget 2021/22	187.255
Earmarked Reserves: Place & Economy and People and Community	1.242
Capacity Reserve Contribution: Resources and Place & Economy	0.234
<b>Revised Budget 2021/22</b>	<b>188.731</b>

4.2. The following table summarises the budgetary control position by directorate:

Directorate	Budget £k	Forecast Spend £k	Variance £k	Previous Month Variance £k	Movemen t £k	Overall Status
Chief Executives	1,219	1,272	52	63	(10)	Overspend
Governance	4,169	3,987	(182)	(120)	(62)	Underspend
Place & Economy	24,021	23,080	(941)	(715)	(227)	Underspend
People & Communities	100,675	105,666	4,992	5,426	(435)	Overspend
Public Health	(188)	(239)	(51)	(51)	-	Underspend
Resources	22,763	20,362	(2,400)	(1,807)	(593)	Underspend
Customer & Digital Services	7,356	7,144	(212)	(256)	44	Underspend
Business Improvement	722	699	(23)	(20)	2	Underspend
Capital Financing	27,994	25,328	(2,666)	(2,666)	0	Underspend
<b>Total Expenditure</b>	<b>188,731</b>	<b>187,299</b>	<b>(1,432)</b>	<b>(146)</b>	<b>(1,286)</b>	Underspend
Financing	(185,497)	(187,299)	(1,802)	(3,690)	1,888	Underspend
Exceptional Financial Support (Capitalisation Direction)	(3,234)	-	3,234	3,836	(602)	Less borrowing forecast
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	Breakeven

4.3. As at the end of September, the Council is forecasting a break-even outturn position. This position assumes the Council will not use any of the conditional Capitalisation Direction (borrowing to fund revenue costs) during 2021/22. It is also forecast to reduce the revenue funding required from reserves by £1.5m, from the budgeted £10.5m. This is due to the updated forecast outturns as outlined in the following points.

#### 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 forecast on the timing of new borrowing taken during the current financial year resulting in a forecast saving of £2.7m.
- **Financing overall Position:**
  - The Council is expected to receive £2.2m share of the benefit gained via the Cambridgeshire and Peterborough Business Pool Rates for 2021/22. This forecast has reduced from the £2.5m previously reported as it reflects latest Quarter 2 Pool position. This was not included within budget due to the timing of the receipt of information to inform the budget estimate.
  - The Government Sales Fees and Charges compensation scheme extended to cover April – June resulting in a forecasted grant receipt of £1.1m.
  - These two favourable variances are offset by reducing the use of reserves by £1.5m, as the favourable position means this is not required to fund revenue expenditure.
- **Resources** – The Pension actuary completed the cessation assessment for Peterborough Culture and Leisure Trust (Vivacity) which resulted in favourable variance of £1.3m. This has enabled a single year reduction to the secondary contributions to the Pension Fund for the year 2021/22 to be made. This variance is the result of the Funding and Management Agreement with Vivacity and the risk agreement for pension contributions.
- **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 £1.5m 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 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.
- **People & Communities** - Children's Commissioning is reporting an adverse variance of £0.8m due to increased child protection and family support referrals. Additional adverse forecast variances are due to short breaks and homecare periods for out of school for Children with Disabilities.
- **Place & Economy** - An additional £0.5m of expenditure within Housing Services is forecast 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 forecast variances are outlined within Appendix A of this report.

## 5. External Financial and Governance Assurance Review

5.1. On 2 November the Department of Levelling Up, Housing & Communities (DLUHC, formerly known as MHCLG) published the [Financial Assurance Review](#), completed by CIPFA, the [Governance Assurance Review](#), completed by Andrew Flockhart and the [ministerial statement](#). The reports outline the seriousness of the Councils financial position and made recommendations for action the Council should take in order to improve this position and achieve financial sustainability.

5.2. The Council has been actively working on many areas the recommendations cover, and has already started to take steps towards tackling the financial and governance issues raised in these reviews. These actions include:

- a cross-party member working group (Financial Sustainability Working Group) has been established and with recommendations going to Cabinet and onto Full Council which amount to circa £10m of savings in the first phase of the budget;
- increased staff resource for developing phase two of the budget has been put in place, to work up transformation and budget options to deliver savings.
- a programme of ongoing challenge and support from CIPFA has started which will examine all major areas of spend across the Council;
- preparation for establishing an Improvement Board, meaning the Board can be commissioned immediately on publication of these reviews;
- a review of the Audit function of the council which is likely to see the appointment of an external independent chair.
- appointment of a new Chief Executive to give the council dedicated and additional management capacity is in progress;
- the Council is working to a single improvement plan, covering all revenue and capital budgets; emerging pressures and risks. This will detail and review all the council's assets, capital programme, and contracts.

A detailed Improvement Plan is in development and will be published in due course outlining all steps being taken to address the issues highlighted within these reports.

## 6. Business Rates and Council Tax

### Business Rates (NDR)

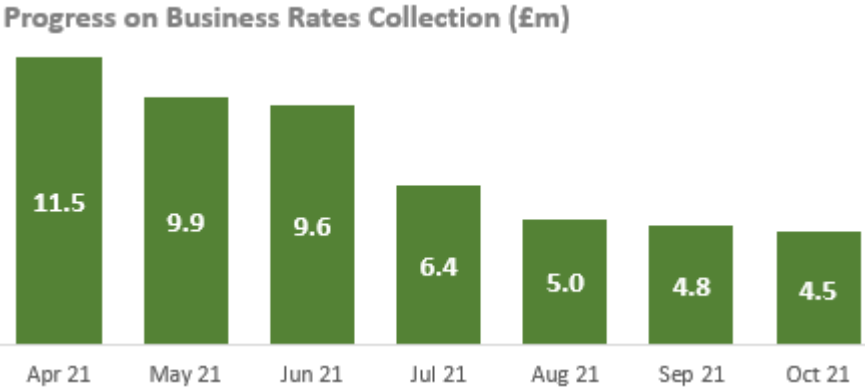
6.1. During 2020/21 many 'Material Change in Circumstance' (MCC) appeals have been raised by businesses due to the impact C-19 restrictions. The government announced that it would legislate "to rule-out C-19 related MCC appeals". Instead, Local Authorities would be allocated a share of a new £1.5bn grant that can be used to provide business rates relief to support those local businesses most affected by the pandemic. Changes to legislation, for both 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.

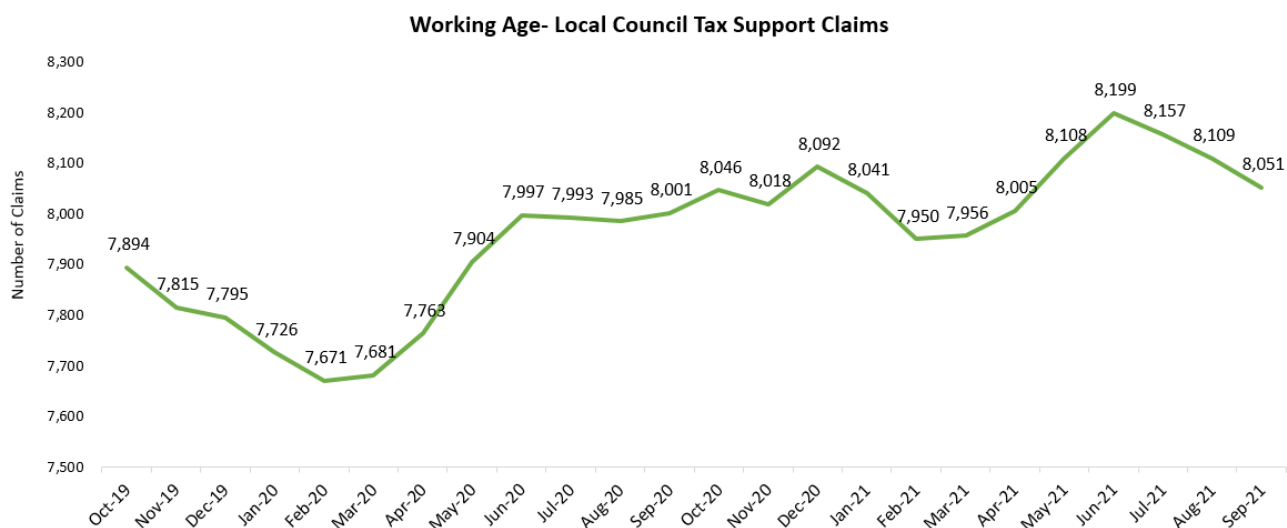
6.3. The Council’s collection rate for Business Rates income is now **11.3%** (*11.8% August*) behind target for 2021/22. The collection rate declined in July as a result of billing the changing rates of the extended retail relief as previously explained. This meant that even though the amount of business 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 **61% to £4.5m**, 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 month on month improvement. Since the start of the pandemic there has been a net increase of **380 households 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:



6.6. Despite the increase in LCTS caseloads the collection rate for **Council Tax income collection is roughly on track, only 0.08% behind target (0.12% ahead of the target in August) 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- September 2021
- Appendix B – Reserves Position
- Appendix C– Capital Programme – September 2021