

| | |
|------------------------|---------------------------|
| CABINET | AGENDA ITEM No. 10 |
| 10 JANUARY 2022 | PUBLIC REPORT |

| | | |
|--------------------------------|--|----------------------------|
| Cabinet Member(s) responsible: | Cllr Andy Coles, Cabinet Member for Finance | |
| Contact Officer(s): | Kirsty Nutton, Acting Service Director: Financial Services Emma Riding, Financial Services Manager – Financial Planning & Budgetary Control | Tel. 384590 Tel. 453556 |

BUDGET CONTROL REPORT NOVEMBER 2021

| RECOMMENDATIONS | |
|--|--|
| FROM: Acting Service Director: Financial Services | Deadline date: 24 December 2021 |
| <p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The budgetary control position for 2021/22 at 30 November 2021 is a forecast breakeven, however the use of reserves underpins the corporate financing position of the Council. 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 financial performance as outlined in Appendix C. <p>It is recommended that Cabinet approves:</p> <ol style="list-style-type: none"> 5. Capital Budget virements as outlined in Appendix C(i), these include: <ol style="list-style-type: none"> a. Treescape Grant b. Traffic Signals Maintenance Fund <p>It is recommended that Cabinet recommends to Council for approval</p> <ol style="list-style-type: none"> 6. Capital Budget virements as outlined in Appendix C(i), these include: <ol style="list-style-type: none"> a. Update on Clare Lodge Bid b. A1260 Nene Parkway Junction 15 Improvements 7. The Council's performance with respect to Business Rates (NNDR) and Council Tax Collection, as outlined within Appendix D. | |

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 November 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 |

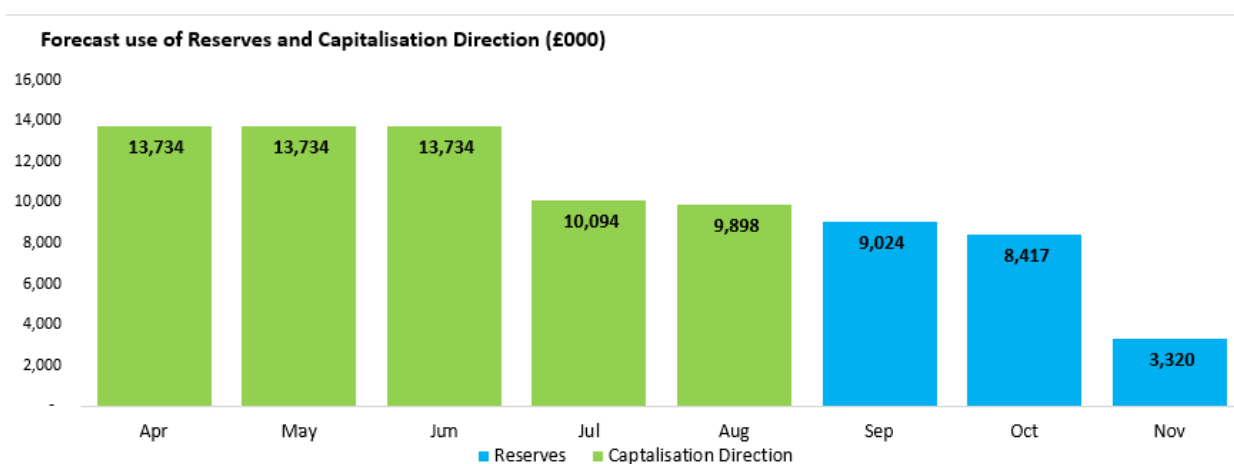
4. NOVEMBER 2021 BUDGETARY CONTROL REPORT (BCR)- REVENUE

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 £189.2m.

| Reconciliation of agreed MTFS budget to current budget | £m |
|--|----------------|
| Approved Budget 2021/22 | 187.255 |
| Earmarked Reserves: Place & Economy and People and Community | 1.755 |
| Capacity Reserve Contribution: Resources and Place & Economy | 0.237 |
| Revised Budget 2021/22 | 189.247 |

4.2. As at the end of November, the Council is forecasting a breakeven outturn position however it includes the use of reserves to underpin the financing of expenditure. In year savings continue to be sought in order to reduce the reliance on corporate reserves to fund Council wide expenditure.

4.3. The Council assumes that it will not use any of the conditional Capitalisation Direction (borrowing to fund revenue costs) during 2021/22. A reduction in the funding required from reserves by £7.2m is also forecast this month, from the original budget of £10.5m, due to the forecast improvement in performance in the current year with further savings and reductions in pressures being forecast. This change in the forecast use of Capitalisation Direction and reserves to underpin the budget is illustrated in the following chart:



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

| Directorate | Budget £k | Forecast Spend £k | Variance £k | Previous Month Variance £k | Movement £k | Overall Status |
|--|----------------|-------------------------|----------------|-------------------------------------|----------------|---------------------------|
| Chief Executives | 1,219 | 1,185 | (34) | 55 | (90) | Underspend |
| Governance | 4,169 | 3,979 | (190) | (178) | (12) | Underspend |
| Place & Economy* | 23,993 | 22,888 | (1,105) | (598) | (507) | Underspend |
| People & Communities* | 101,216 | 101,302 | 86 | 4,311 | (4,225) | Overspend |
| Public Health | (188) | (260) | (73) | (51) | (21) | Underspend |
| Resources | 22,766 | 20,209 | (2,557) | (2,571) | 13 | Underspend |
| Customer & Digital Services | 7,356 | 6,809 | (547) | (294) | (252) | Underspend |
| Business Improvement | 722 | 693 | (29) | (27) | (2) | Underspend |
| Capital Financing | 27,994 | 25,307 | (2,687) | (2,687) | 0 | Underspend |
| Total Expenditure | 189,247 | 182,111 | (7,136) | (2,039) | (5,097) | Underspend |
| Financing (inc. Reserves) | (186,013) | (182,111) | 3,902 | (1,195) | 5,097 | Overspend |
| Exceptional Financial Support (Capitalisation Direction) | (3,234) | - | 3,234 | 3,234 | 0 | Reduction in Borrowing |
| Net | - | - | - | - | - | Breakeven |

4.5. 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 £7.2m, as the favourable forecast position means this is not required to fund revenue expenditure.
- **People & Communities** - Adults Commissioning is showing an overall underspend of £1.5m, this is due to Early Help and Transitions investments delayed due to team restructures and additional funding from the annual uplift of the Better Care fund and the Discharge to Assess (DTA), which are being used to support additional Adult Social Care pressures in this area.
- **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 £1.5m 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** – Commissioning Team and Commercial Operations is reporting a pressure of £0.5m in relation to Clare Lodge shortfall in income and staffing expenditure.
- **Place & Economy** – Housing Enforcement is reporting a pressure of £0.5m due the Selective Licensing scheme ending in October 2021 and currently there is a delay in setting up the new scheme.
- **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.

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

5. Spending Controls 'moratorium'

5.1. At the end of November the Council put a stop on all non-essential expenditure (anything other than essential statutory services with immediate impact) across the organisation. The Council has also paused a number of

capital schemes and has introduced a moratorium on capital expenditure. This was approved by full Council on 16 December [\(item 3\)](#).

- 5.2. The moratorium on spend has been put in place in order to protect the Council's reserve position in the current year so that reserve balances can be used to fund transformation, increase the Council's financial resilience and / or strategically support the following financial year budget planning for 2022/23. The Council's reserve balances, as identified within the [CIPFA Financial Assurance Review](#) report, are limited. The Council can only use reserves the once and therefore it makes good business sense to only do so if there is no alternative.
- 5.3. Since the additional moratorium spending controls were put in place the Council has reduced its revenue forecast by £5.1m as outlined within this November BCR position. The majority of these savings are a result of budget holders re-evaluating likely spend between now and the end of the year and reducing that estimate. In addition, there have been savings:
- On training, car allowances and travel and subsistence.
 - From vacant posts remaining vacant.
 - On supplies and services - furniture and equipment, hospitality, publications, subscriptions, stationery, conferences, hire of premises, printing.
- 5.4 The revised forecast outturn and associated reduction in reserve application to fund the position is encouraging in order to protect reserve balances. However, the Council recognises the need to carefully manage the risks associated with the reduced expenditure forecasts, especially in light of rising cases of Covid-19 Omicron strain.

The Council will continue with moratorium, and close monitoring of expenditure for the remaining months of the year. These in year actions have been embedded within the Council's Improvement Plan, as agreed at Council 16 December 2021.

6. APPENDICES

- 6.1. Further information is provided in the following appendices:
- Appendix A – BCR Variance analysis- November 2021
 - Appendix B – Reserves Position
 - Appendix C– Capital Programme – November 2021
 - Appendix C(i)- Capital Virements for approval
 - Appendix D – Council Tax and Business Rates – November 2021

This page is intentionally left blank