

CABINET	AGENDA ITEM No. 9
20 SEPTEMBER 2022	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth, Interim Corporate Director of Resources Kirsty Nutton, Acting Service Director: Financial Services	Tel. 452520 Tel. 384590

BUDGET CONTROL REPORT JUNE 2022

RECOMMENDATIONS	
FROM: Director of Corporate Resources	Deadline date: 9 September 2022
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The budgetary control position for 2022/23 at 30 June is a forecast overspend of £0.2m position. 2. The key variance analysis and explanations are contained in section 5 and Appendix A. 3. The Council's performance with respect to Business Rates (NDR) and Council Tax Collection, 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, these include: <ol style="list-style-type: none"> a. £0.105m – The Market b. £0.750m- Green Wheel Project 	

1. ORIGIN OF THE REPORT

1.1. This report is submitted to Cabinet following discussion by the Corporate Leadership Team (CLT).

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 2022/23 as at June 2022 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. REVENUE SUMMARY

This Budgetary Control Report (BCR) outlines the financial position at the end of Quarter 1 2022/23, and outlines a forecast overspend of £0.2m.

a. The following table below sets out the Council's Forecasted Position by expenditure type:

Table 1: 2022/23 Forecast Position- Subjective Analysis

	Budget YTD 2022/23 £k	Actual 2022/23 £k	Variance YTD £k	Revised Budget 2022/23 £k	Forecast 2022/23 £k	Projected Variance 2022/23 £k
Employees*	17,141	14,896	(2,245)	64,918	63,626	(1,292)
Premises	4,263	5,491	1,229	17,040	17,203	163
Transport	1,461	1,161	(300)	5,810	5,881	71
Supplies and Services	33,446	33,991	545	100,919	101,747	828
Third Party Payments	9,101	3,667	(5,434)	36,345	39,129	2,783
Transfer Payments	18,664	18,477	(187)	67,614	68,708	1,094
Support Service	0	18	18	0	35	35
Income**	(47,080)	(75,492)	(28,412)	(144,671)	(148,077)	(3,406)
Financing Capital Expenditure	8,470	3,564	(4,906)	33,881	33,852	(30)
Total	45,466	5,773	(39,693)	181,856	182,103	247

* Employee actual expenditure is lower the year-to-date budget as there are corporate elements of this such as pay award (c£1m), which is still to be agreed nationally and pensions lump sum contribution (c£2m) which has not yet been invoiced.

** Income actuals are higher than the budget year to date due to the advanced receipt of some of the Councils grants.

- Employee costs are forecast to be lower than budgeted for due to 200 vacancies held across the organisation, Some of these are out to recruitment, but others are being held or recruitment delayed in order to manage the overall forecast position.
- The variances outlined on Income, third party and transfer payments largely off-set one another, and they do so within the service areas these relate to. This new presentation of the forecast has been introduced as part of the financial improvement programme, and further work will be undertaken to review the subjective budget allocation to enhance the quality of future reports.

5. DIRECTORATE SUMMARY

a. The following table summarises the forecast outturn position by directorate:

Table 2: 2022/23 Forecast Position- Directorate Analysis

Directorate	Budget £k	Actual YTD £k	Forecast £k	Variance £k	Overall Status
Chief Executives	2,231	515	2,203	(28)	Underspend
Governance	4,132	1,608	4,252	119	Overspend
Place & Economy	24,299	2,917	24,158	(141)	Underspend
People & Communities	97,168	(2,937)	97,525	357	Overspend
Public Health	(178)	(9,995)	(210)	(32)	Underspend
Resources	18,796	12,335	18,807	11	Overspend
Customer & Digital Services	6,928	2,865	6,889	(39)	Underspend
Capital Financing	28,479	(1,536)	28,479	0	On Budget
Total Expenditure	181,856	5,773	182,103	247	Overspend
Financing (inc. Reserves)	(181,856)	0	(181,856)	0	On Budget
Net	0	5,773	247	247	Overspend

b. The following section summarises the key variances (see Appendix A for a further breakdown):

People & Communities

- Pressures:
 - Education: A £0.2m pressure due to a challenging saving target regarding the use of surplus balances from City College Peterborough.
 - Children's: £0.6m Pressure from non-achievement of Health Income saving and rising costs due to demand and complexity of Domiciliary Care Packages for Children with Disabilities.
 - Children's: £0.1m pressure in relation to Domiciliary Care packages for Children with Disabilities. Demand and complexity have increased.
 - £0.1m pressure from revenue expenditure required on the Adult Social Care (ASC) Provider Portal. This has been funded from slippage in ASC Operations and will enhance the linkage with our care providers
- Favourable:
 - Adults: £0.6m mainly due to a favourable forecast on staffing costs due to difficulties in recruiting, lack of appropriately qualified staff resulting in appointments being made on lower spinal column points and reduced hours.
 - Adults: £0.1m favourable forecast on Mental Capacity Act/Deprivation of Liberty Standards services for Best Interest Assessors and section 12 Doctors. Forecasting includes reduced requests and backlog of Court of Protection cases still impacting.

Governance

- Legal Services: A reduction in income from Land Charges Searches which are now conducted by the Land Registry, coupled with reduced income from Legal work performed for Rutland County Council has been mitigated by other income, and savings in salaries and supplies and services, but a net pressure of £0.1m remains. This also includes additional costs associated with running the Council elections.

Place & Economy

- Pressures:
 - Westcombe Engineering: £0.2m Pressures due to Raw Material Prices remaining high and further increases expected in September 2022. The sales prices are being increased at a similar time, but there is a lag in impact. It is likely the inflation reserve will be required to mitigate the current year impact, and future years impact will be incorporated within the Medium Term Financial Strategy (MTFS) assumptions.
 - Community Safety: £0.3m Pressures due to underachievement of income on Environmental Enforcement income. This is being mitigated by vacant posts and service savings along with plans to redeploy staff to other enforcement activities.
- Favourable:
 - Waste Cleansing and Open Spaces: £0.3m favourable due to additional income as a result of a favourable change in the price obtained by the sale of materials over the past 12 months.
 - Housing: £0.2m saving being reported due a change in budget plans for the new housing service delivery unit.
 - Parking: £0.1m favourable position due to additional forecast income as a result of redeploying Environmental Enforcement staff to other activities to mitigate directorate pressures (as noted above).

6. SAVINGS PLAN POSITION

The Council's savings board meets on a monthly basis, to review, challenge, and provide support to each directorate to ensure the Council's £17m savings plan is being delivered. The following chart summarises the current RAG status of the 2022/23 Savings Plans, outlining:

- 58% are categorised as blue (realised) and green (low risk to achievability),
- 12% as amber (moderate risk to achievability)
- 30% as red (high risk to achievability) or identified as a shortfall.

This forecast position outlined within this BCR report assumes at this stage that all savings, will be delivered in full, either inline with the savings plans or via managemens mitigating actions.

Forecast Savings Delivery by Risk Rating (£000)



7. KEY RISKS

The following table outlines the Council's current known budgetary risks. These have not been incorporated within the forecast outturn position at this stage as mitigations for these are being investigated and implemented and the pressure has not yet materialised.

Table 3: Budgetary Risks

Directorate	Budget Group	£000	Comments
P&C	Adults & Children's Commissioning	Under review	Like other Councils and the private sector the Council is exposed to the changes in the rate of inflation and the potential pressure of this on the care market. The Council is actively working alongside suppliers to manage these additional cost pressures. The Council recognised the potential impact of inflation at the end of the last financial year and created an Inflation Reserve to bridge the timing impact of such cost increases whilst mitigating plans are developed in accordance with the MTFs and development of balanced budget.
	Education	Under review	Home to School Transport is also exposed to rising inflation, in particular rising fuel cost. As per the previous risk, the Council is actively working alongside suppliers to manage these additional cost pressures. If additional costs are experienced in year and unable to be mitigated in full the

Directorate	Budget Group	£000	Comments
			Council will access the funds in the Inflation Reserve with future year pressures incorporated within the MTFS.
	Children's Operations & Commissioning Team and Commercial Operations	Under review	There are a number of agency workers covering vacant roles which exposes the Council to possible increases in rates and reduced availability. Whilst there have been difficulty recruiting and retaining qualified staff specialist agencies are used which in turn increases staff costs. This is being closely monitored and action plans developed to mitigate future costs.
RES	Corporate Property	525	The Vine, New Library and Culture Hub - constructions works are due to commence next financial year, and because the building is currently vacant, the Council is liable for business rates (£0.25m). The Council are looking to remove The Vine from the NNDR ratings list while work is in progress. In addition, there is a risk to the level of rental income generated from Sand Martin House accommodation (£0.275m at risk in 22/23). The Council negotiating with the landlord to reduce the rent and seeking to secure new tenants.
	Peterborough Serco Strategic Partnership (PSSP)	600	Current year savings on the Serco contract are currently being monitored within the savings tracker. A challenging part of these savings relate to business support reductions. Discussions within the council's services are due to take place, with the saving expecting to be based on widescale transformation of business support delivery model for implementation from the start of January 2023.
P&E	Housing	500	A New Selective Licensing Scheme may not be approved in line with anticipated timeframes incorporated within the budgeted. This is due to the length of time it takes to obtain approval from central government. As a result of the delay this could result in a £0.5m shortfall of income.
All	Electricity & Gas inflation	1,100	Electricity Inflation of 80% is expected from October 2022, for example this could lead to £0.3-0.4m pressure on the Street Lighting budget alone. The Councils procurement team are looking at options to obtain the best deal but If spend is in excess of the current budget the Council will mitigate the in-year pressure by drawing down from the Inflation Reserve, and any future year pressures will be incorporated within the MTFS. Work is being undertaken to determine the full extent of the financial impact.

8. RESERVES

The following section and table summarises the current reserves position:

- At present there are no new reserves requests to report to Cabinet, other than those already outlined within the MTFs, approved by Council on 2 March 2022.
- An inflation reserve totalling £4.7m was established at the end of 2021/22. During Quarter one of 2022/23 the Council is starting to see some emerging inflationary risks as a result of rising fuel and electricity costs, index linked contracts, supplies and services and care costs. The Local Government pay award also presents an added risk as the current budget assumes a 2% pay award, but if this is agreed in line with other areas of the public sector (4.5% NHS and 5% Teachers) the Council will look to use this reserve to mitigate the budgetary impact. These risks are being closely monitored and will be quantified within the Quarter 2 report.
- The Innovation Fund is used to fund the cost of the transformation and the Council's improvement plan. Investment is still forecast to be within the requirement as set out in the MTFs, with further investment requests anticipated as the Council develops its Corporate Strategy and MTFs.

Table 4: Reserves Position

	Bal at 31 st March 22	Forecast Cont from Reserve	Est bal at 31 March 23	Est bal 31 at March 24	Est bal 31 at March 25
	£000	£000	£000	£000	£000
General Fund	7,300	-	7,300	7,300	7,300
Usable Reserves (Innovation and Departmental)	30,004	(7,409)	22,595	22,055	22,055
Budget and Inflation Risk Reserves	6,693	-	6,693	6,693	6,693
Local Tax Income Risk Reserve	12,307	(4,672)	7,636	7,636	7,636
Ring-Fenced Reserves	4,183	(445)	3,899	3,388	3,151
Total Earmarked and General Fund Balance	60,488	(12,526)	48,124	47,072	46,836

9. APPENDICIES

Further information is provided in the following appendices:

- Appendix A – BCR Departmental Variance Analysis
- Appendix B – Council Tax and Business Rates
- Appendix C - Capital Programme

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