Rushcliffe Borough Council

Corporate Overview Group

Tuesday, 3 May 2022

Finance and Performance Management Quarter 3

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. This report presents the budget position for revenue and capital as at 31 December 2021. This report provides an update to the report to Cabinet on 8 March 2022 and includes the in-year variances along with variances resulting from Covid-19.

1.2. Given the current financial climate, and the recovery from Covid-19 lock down measures, it is imperative that the Council maintains due diligence with regards to its finances and ensures necessary action is taken to ensure a balanced budget is maintained.

1.3. The current budget was set anticipating an adverse impact of Covid on the Council's finances. However, a combination of service budget efficiencies, Business Rates and Government funding have helped mitigate against the financial impact of Covid income losses. The position, although currently remaining positive, is subject to risks. The reduction in the Business Rates as a result of the power station appeal, additional charity reliefs and subsequent reduction in the Business Rates Pool surplus demonstrates how volatile the the position is.

1.4. An outturn surplus of £0.054m (net of reserve commitments) is anticipated as at December 2021, although this position could change if further efficiencies or pressures are identified during the final quarter of 2021-22. The reduction from Quarter 2 is mainly due to the changes in Business Rates as referred to above and commitments from the overall efficiency position (see paragraph 4.2).

1.5. Going forward there are significant budget risks such as potential changes to the Business Rates system and Fairer Funding (both likely to be from 2023/24), and government policy in relation to waste collection. In addition, there is the potential impact of the power station closure (2024) and the Council's commitment to the opportunities expected to arise from the Freeport and Development Corporation. Maintaining sufficient reserves to address significant risks remains a key objective of the Council's Medium Term Financial Strategy (MTFS) and is good financial practice.

1.6. The Capital Programme currently shows a planned underspend of £5.1m, largely due to the rephasing of payments expected for two major schemes (Bingham Hub and Crematorium) arising from revised cash flows; an extended deadline for the release of green energy grants from the LAD2 scheme; £0.228 unallocated contingency; and a saving of £100k in relation to the Skype/Teams Business Migration.

2. Recommendation

It is RECOMMENDED that the Corporate Overview Group notes:

a) the expected revenue budget efficiency for the year of £0.054m inclusive of committed reserves;
b) the planned use of reserves totalling £4.140m (detailed in Appendix A);
c) the capital underspend of £5.1m;
d) the expected outturn position for Special Expenses of £15.7k deficit;
e) the progress to date of Strategic Tasks– **Appendix F;** and
f) the comments for performance exceptions and considers whether additional scrutiny is required – **Appendix G.**

3. Reasons for Recommendation

3.1 To demonstrate good governance in terms of scrutinising the Council's on-going performance and financial position and compliance with Council Financial Regulations.

4. Supporting Information

Financial Monitoring – Revenue Monitoring

4.1 The Revenue Monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 31 December 2021, attached at **Appendix B**. For this financial year, the overall budget variance including Covid related pressures, in-year efficiencies and other areas of growth, is expected to result in a budget efficiency of £0.054m. Loss of income and additional costs as a result of Covid (£0.118m) are more than offset by grant income and net efficiencies (£1.187m). In the current year we are anticipating a surplus of £2.958m on Business Rates (including a Nottinghamshire pool surplus of £0.231m) but a significant proportion of this will need to be put into reserves (£2.4m) to cover future year's Business Rates deficit. Note the Nottinghamshire Pool Surplus has reduced (from Quarter 2 projections) largely as a result of the power station Business Rates appeal, with rates paid reducing from £2.9m to £1.6m (backdated to April 2017).

4.2 Table 1 below summarises the main pressures and efficiencies as well as highlighting Covid related pressures. The reserves commitment total of £4.140m is detailed within **Appendix A.**

Table 1: Main items impacting on the Current Revenue budget

	Budget Growth/ (Saving) 2021/22 (£m)
Covid costs/(savings):	
Waste Collection (Agency)	0.129
Taxi Licence Income	0.037
COMF Grant income	(0.183)
COMF Enforcement Expenditure	0.088
Homelessness - B&B Accommodation	0.047
Total Covid related budget pressure (A)	**0.118**
Projected in year costs/(savings):-	
Waste Collection Vehicle Hire & HGV Supplement	0.052
Fleet – Vehicle Repairs & Diesel	0.100
Agency Staff – Planning	0.151
Interest Payments & Investment Receipts	(0.185)
Planning Fees	(0.420)
Grant Income (Homelessness & Domestic Violence)	(0.122)
Edwalton Golf Course	(0.070)
General Contingency	(0.135)
Edwalton Golf Course Feasibility Study	(0.250)
Car Parking Income	(0.031)
Glass Recycling income	(0.050)
Other minor variances	(0.227)
Total projected in year savings (B)	**(1.187)**
Net Revenue Efficiencies (A) + (B)	**(1.069)**
Grant Income	(0.167)
Business Rates	(2.958)
Reserve Commitments	4.140
Total Net Projected Budget Variance	**(0.054)**

4.3 **Appendix A** shows Grant Income of £2.599m, Collection Fund of £4.045m and also includes a Minimum Revenue Provision (MRP) of £1.074m. **Appendix B** gives further explanations of both positive and adverse variances, in addition to those detailed at Table 1.

4.4 Table 1 highlights significant budget efficiencies, which are committed to meet either future risks or growth pressures as ‘reserve commitments’ (£4.09m). Some commitments have been mentioned in previous budget reports or specific reports either to Cabinet (eg Streetwise report to Cabinet for the potential use of £0.3m) or Full Council (Bingham Improvement Board expenditure £5k). Additional commitments not previously mentioned are the likely costs of involvement in the Tour of Britain expected to be £75k in 2022/23; rising employees costs in relation to the national living wage and national insurance contributions has resulted in a further budget pressure for Streetwise (£20k); and £80k to update the Council’s website.

4.5 **Appendix E** shows the Quarter 3 position on the Special Expenses budget which has been impacted by Covid restrictions. The main variances being overspends on playground repairs in respect of safety issues and loss of venue hire income, mainly Gamston which being used as a vaccination centre for six months and closed for a further three months for a capital refurbishment. The expected budget deficit for the year is £15.7k, which is net of a proportion of SFC grant reimbursement for the re-purposing of Gamston. Recovery of the deficit including the projected £15.7k will be considered by the West Bridgford CIL and Special Expenses Group during budget setting for 2023/24.

Capital Monitoring

4.6 The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 31 December 2021. **Appendix D** provides further details about the progress of schemes and highlights efficiencies..

4.7 The original Capital Programme of £27.222m with a projected outturn of £22.151m resulting in a net expenditure efficiency position of £5.1m. This is primarily due to the following:

a) Bingham Leisure Hub £16.2m – £1.2m due to revised cash flow;
b) Crematorium £4m – £2.8m due to revised cash flow;
c) LAD2 Green Energy Grants £0.6m - £0.335m extended time frame;
d) £0.228m unallocated Capital Contingency;
e) £0.114m underspend on IT Strategy primarily saving from Skype/Teams Business migration.

4.8 The Council was due to receive capital receipts of £15.2m in the year, primarily from the disposal of surplus operational and investment property: Abbey Road Depot; land at Hollygate Lane; and also from an overage agreement in place for Sharphill Wood site. Covid-19 impacted on the progress of these schemes with receipts projected to be £8m in 2021/22 (Hollygate Lane and a portion of the Depot receipt now expected in 2022/23). The current projected overall variance is likely to mean that any borrowing requirement can be met from internal resources with no recourse to borrowing in the medium term.

Covid-19 Update

4.9 The Council's financial position remains relatively healthy despite the reduction in Business Rates mostly as a result of additional government funding and services out-performing the anticipated negative impact of Covid in some areas (for example Planning and Car Parking).

4.10 Whilst there is an element of uncertainty that still remains, the economy has made good progress towards recovery. Budget projections are closely monitored and may change with time and risk.

4.11 Table 2 below shows the Covid-related grants for 2021/22. It is not anticipated that there will be any further funding this year. As reported at Quarter 2, part of the claim for sales fees and charges reimbursement has been allocated to the Special Expense fund to support the lost income from closure of facilities in the West Bridgford area (see paragraph 4.6).

Table 2 : Covid Related Grants

£'000	Grant
370	Covid Grant funding Tranche 5
300	Lower Tier Services Grant
102	Local Council Tax Support grant
70	Homelessness Funding
183	COMF (Contain)
81	SFC reimbursement Q1 2021/22*
156	Reopening Highstreets safely*
1,181	**Total**

*Grants estimated but not yet received in full

Conclusion

4.12 The revenue budget financial position is positive, projecting a net budget efficiency of £0.104m. Covid risks appear to be reducing but there is an element of unknown risk that remains. Increasing utility prices are putting a strain on the economy with increased cost of living with the knock-on effect of costs of goods and services increasing as a result. The Council must ensure it can support any adverse budgetary impact these risks may pose, whilst embracing development opportunities to support the Council's priority for growth in the Borough.

4.13 The position on capital is currently positive and, although some provisions have been re-phased, no major delays are anticipated on the completion of larger schemes. It is also anticipated that there will be no need to externally borrow in the medium term. Challenges can arise during the year, such as sourcing materials and inflated costs, which may still impact on the projected year-end position and this will continue to be reported throughout the year. Given the growth in the Borough, rising costs, the desire to be carbon neutral and reducing capital resources, there are particular risks with regards to the replacement of the Council's vehicle fleet. The creation of a Vehicle Replacement Reserve (reported to Cabinet in Quarter 2 and included as part of the MTFS to Council on 3 March) will mitigate some of this risk.

4.14 There remain external financial pressures from existing issues such as the uncertainty surrounding Business Rates retention, the Fair Funding and Fair Funding reviews, which although have now been delayed further still present a significant risk. The longer-term impact of BREXIT is yet to be seen as the negative effects of Covid has made assessing the impact of BREXIT difficult.

Furthermore, there are the Council's own challenges such as meeting its own environmental objectives and upside risks as opportunities present themselves such as the Freeport and Development Corporation. Against such a background, it is imperative that the Council continues to keep a tight control over its expenditure, identifies any impact from changing income streams, maintains progress against its Transformation Strategy and retains a healthy reserves position.

Performance Monitoring – Strategic Scorecard

4.15 The impact of Covid measures on performance evident during quarter 2 has now shown an upturn as performance has improved for a number of indicators. The variable effects of lockdown, both negative and in some cases positive, had an impact, however this was never expected to be a long-term trend. Despite this difficult period, services have been provided and performance has held up in most cases. Some temporary staff have been required to cover absences due periods of isolation although this is likely to reduce as absence has returned to normal levels.

4.16 There were eight performance indicators in total reported as exceptions in quarter 1, fourteen in quarter 2, and for quarter 3 there are eleven. Some of these indicators will remain below target for the remainder of the year and a comment has been added to each indicator that was an exception at quarter 2 to show where the explanation has changed or remains the same. This enable the focus to be directed to new exceptions in quarter 3 of which, there is only one.

- LINS32 Average waiting time of applicants rehoused by Choice Based Lettings.

4.17 The Strategic Scorecard summary table below shows that there were no exceptions to report for strategic tasks and five performance indicators falling below target, the same as quarter 2.

EFFICIENT SERVICES					ENVIRONMENT				
Strategic Tasks					Strategic Tasks				
2	2	0	0		2	2	0	0	
There are no task exceptions this quarter.					There are no task exceptions this quarter.				
Performance Indicators					Performance Indicators				
2	1	2	0	1	1	1	1	0	0

EFFICIENT SERVICES	ENVIRONMENT
Performance exceptions: LIFCS16 Percentage of residents believing the council provides value for money LIFCS63 Percentage of residents satisfied with the variety of ways they can contact the Council Explanations are provided in **Appendix G**.	Performance Exception LINS18 Percentage of household waste sent for reuse, recycling, and composting Explanations are provided in **Appendix G**.

QUALITY OF LIFE	SUSTAINABLE GROWTH
Strategic Tasks	**Strategic Tasks**
1 | 5 | 0 | 0	1 | 7 | 0 | 0
There are no task exceptions this quarter.	There are no task exceptions this quarter.
Performance Indicators	**Performance Indicators**
2 | 0 | 1 | 2 | 0	5 | 0 | 1 | 5 | 4
Performance Exceptions LINS32 Average waiting time of applicants rehoused by Choice Based Lettings LINS72b Percentage usage of community facilities Explanations are provided in **Appendix G**.	Performance Exceptions LIDEG03 Percentage of non-major applications dealt with in 8 weeks or agreed period Explanations are provided in **Appendix G.**

Further details and a key of symbols are shown in **Appendices F and G**.

Performance Monitoring – Operational Scorecard

4.18 The Council's operational business is also monitored, and 38 measures make up the Operational Scorecard. Six performance exceptions are reported in this quarter, this is an improvement compared to nine in quarter 2.

Operational Scorecard – Performance Indicators				
22	2	6	5	3

There are nine performance exceptions to report.

Performance Exceptions

LIDEG01 Percentage of householder planning applications processed within target times

LIFCS61 Percentage of calls answered in 40 seconds

LINS05 Percentage of residents satisfied with the cleanliness and appearance of parks and open spaces

LINS19a Number of household waste collection (residual, dry and garden) missed twice or more in a 3-month period

LINS26a Number of homeless applications made

LINS31a Percentage of applicants within Bands 1 and 2 rehoused within 26 weeks

These indicators have been identified as exceptions. Explanations are provided in **Appendix G**.

5. Risks and Uncertainties

5.1 Failure to comply with Financial Regulations in terms of reporting on both revenue and capital budgets could result in criticism from stakeholders, including both Councillors and the Council's external auditors.

5.2 Areas such as income can be volatile and are particularly influenced by public confidence and the general economic climate and Government legislation. This has been clearly evidenced by the impact of Covid and highlighted in Table 1.

5.3 Whilst the Council has made provision in future budgets for increase in utilities costs, these need closely monitoring, as does the indirect impact these increases have on other goods and services that the Council procures. Given the length of time capital projects can take, these are subject to inflation risk, with contingency in place to mitigate such risks.

5.4 Business rates is subject to specific risks given the volatile nature of the taxbase with a small number of properties accounting for a disproportionate amount of tax revenue. Most notably in Rushcliffe, Ratcliffe-on-Soar power station, which is evidenced by a recent successful appeal resulting in reduced Business Rates due to the Council. Furthermore, changes in central

government policy influences business rates received and their timing, for example policy changes on Small Business Rates Relief.
Whilst the impact of Covid does seem to have stabilised, it is still unknown what the long term impact will be on businesses and the effect upon receipts going forward. Whilst the Council is prudent when setting the budget there is still a risk of unforeseen events. The appropriation of a proportion of the surplus to the Collection Fund Reserve will help to smooth the effect on the budget.

5.5 It was agreed at Cabinet on 8 February 2022, that the Council's trading subsidiary, Streetwise Environmental Ltd, would be brought back in-house. Whilst this presents opportunities for streamlining and efficiencies it will also provide challenges of reintegrating staff and services back into the Council's structures and ways of working. It is proposed to utilise £0.3m from in year efficiencies towards potential costs associated with the transfer. This is included in **Appendix A**

5.6 The Council is committed to improving the environment and reducing its carbon footprint. Addressing such risks will require funding from the Climate Change Reserve. As part of the MTFS it is proposed to replenish the Climate Change Reserve by £0.2m bringing the balance back up to £1m. Schemes in the Capital Programme will be assessed for carbon reduction elements and requests will be made from the Climate Change Reserve to fund these.

5.7 The Council needs to be properly insulated against such risks, hence the need to ensure it has a sufficient level of reserves, as well as having the ability to use such reserves to support projects where there is 'upside risk' or there is a change in strategic direction.

6. Implications

6.1 Financial Implications

Financial implications are covered in the body of this report.

6.2 Legal Implications

The Council is required to have adequate procedures in place for financial and performance management and this report fulfils that requirement.

6.3 Equalities Implications

There are no equalities implications connected to this report.

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications connected to this report.

7 Link to Corporate Priorities

Quality of Life	Successful management of the Council's resources can help the Council deliver on its goals as stated in the Corporate Strategy and monitored through this quarterly report
Efficient Services	
Sustainable Growth	
The Environment	

8 Recommendations

It is RECOMMENDED that the Corporate Overview Group notes:

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Background papers available for Inspection:	Council 4 March 2021 – 2021-22 Budget and Financial Strategy Cabinet 7July 2021 – Financial Outturn Report
List of appendices:	Appendix A – Revenue Outturn Position - 2021/22 – December 2021 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2021/22 – December 2021 position Appendix D – Capital Variance Explanations Appendix E – Special Expenses Monitoring 2021/22 Appendix F – Corporate Scorecard Tasks Appendix G – Performance Indicators