



Corporate Overview Group

Tuesday, 6 September 2022

Finance and Performance Management Quarter 1 2022/23

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. This report outlines the quarter 1 position in terms of financial and performance monitoring for 2022/23.
- 1.2. Given the current financial climate, particularly the inflationary increases and impact on residents' cost of living, 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. There is a predicted net revenue budget efficiency of £1.038m for 2022/23 mostly as a result of Business Rates Pool and additional new burdens grants. This is proposed to be earmarked for additional cost pressures discussed below. The position is likely to change as further variances are identified during the year.
- 1.4. There is a capital budget efficiency expected of £6.17m due to some rephasing of leisure schemes in relation to Keyworth and Cotgrave leisure centres and West Park (£1.465m), budget efficiency on Bingham Leisure hub (£1m) and support for registered housing providers (£1.894m) where options are being assessed.
- 1.5. Following two years where performance was impacted by the Coronavirus Pandemic, the start of 2022/23 has seen a more positive position in terms of performance results.

2. Recommendation

It is RECOMMENDED that the Group notes:

- a) the expected revenue budget efficiency for the year of £1.038m and proposals to earmark this for cost pressures (para 4.1);
- b) the capital budget efficiencies of £6.170m including the re-profiling of provisions totalling £1.465m to 2023/24 for Cotgrave Leisure Centre, Keyworth Leisure Centre, and West Park (para 4.7);
- c) the transfer of £0.15m from the Streetwise Loan Provision to Capital Contingency (para 4.7);

- d) the expected outturn position for Special Expenses to be in line with the budget (para 4.5);
- e) the Council positively engaging in securing external funding with regards to the UK Shared Prosperity Fund, Levelling-up and Safer Streets (paras 4.14 to 4.16); and
- f) considers whether scrutiny is required for identified performance exceptions.

3. Reasons for Recommendation

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

4. Supporting Information

Financial Monitoring – Revenue

- 4.1. The Revenue Monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 June 2022, attached at **Appendix B**. For this financial year, the overall budget variance is expected to be an efficiency of £1.038m with proposals to utilise this for in-year pressures. Whilst the budget was set anticipating a rise in inflation, the predicted inflation and pay costs at this stage far exceed expectations. In terms of pay a £1,925 per person pay rise (offered by the national employers) equates to as much as 10% for lower paid staff and as little as 2% for higher paid staff. On average it equates to 6.5% (further information at paragraph 4.9). The Government are committed to employers paying the national living wage and the employers offer is to help meet this objective. Cabinet 12 July 2022 approved additional allocations from 2021/22 underspends to mitigate the impact of the additional pressure.
- 4.2. Table 1 below summarises the main variations from revenue efficiencies and pressures. The grant income budget efficiency position of £127k is due to additional new burdens funding and final balance of test and trace admin grant.

Table 1: Main Items Impacting on Current Revenue Budget

	Pressure/ (efficiency) 2022/23 (£m)	Reason
Projected in year costs/(efficiencies):-		
Agency costs	360	Additional agency in Planning, Refuse and IT
Income Crematorium	176	Income lost from delayed opening of the Crematorium
Income Bingham	58	Income lost from delayed opening of Bingham

Arena		
Investment Income	(267)	Increase in investment receipts linked to increased interest rates and higher balances
Planning Fees	(176)	Increase in planning applications
Vehicle Maintenance	30	Cost of repairs linked to older vehicles
IT contracts	38	Replacement contract for IDOX
Home Alarms	27	Replacement/upgrade of home alarm equipment not covered by BCF
Rental Income	64	Rental income at Bingham Enterprise Centre and the Point
Court Costs	(33)	Council Tax court costs
Other	(32)	Minor variances eg training and recruitment costs
Contingency	(167)	Underspend offsets lost income from Crematorium and Bingham
Net Revenue Cost/ (Efficiencies)	78	
Grant Income	(127)	New Burdens and Test and Trace additional grants
Business Rates	(989)	Increase in Net Rates payable
Financial Pressures	1,038	Pay, inflation and pooled funds
Total Net Projected Budget Variance	0	

- 4.3. Whilst the allocation from 2021/22 underspends for additional inflationary pressures £120k and pay costs £250k have been included in the revised budget, there remains a risk that further cost pressures over and above this will arise later in the year. It is therefore proposed to earmark £0.638m of the projected underspend for these risks. A further £0.4m is proposed to be earmarked for reductions in the value of the pooled investments (see paragraph 4.12). Unavoidable delays in the projects for Bingham Leisure Hub and the Crematorium means there are delays in projected income streams (see paragraph 4.12)
- 4.4. **Appendix A** details the revenue position and also includes grant income, Minimum Revenue Provision (MRP) (funded by the New Homes Bonus) and income from Business Rates and Council Tax. **Appendix B** gives further explanations of both positive and adverse variances, in addition to those detailed at Table 1.
- 4.5. **Appendix E**; shows the Quarter 1 position on the Special Expenses budget. The expenditure is currently expected to be on budget however this position may change later in the year as variances are identified.

Capital Monitoring

- 4.6. The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 30 June 2022. **Appendix D** provides further details about the progress of the schemes, any necessary re-phasing, and highlights efficiencies.
- 4.7. The original Capital Programme for 2022/23 was £14.611m, with £10.646m carry forwards and other adjustments of £0.146 giving a current budget of £25.403m. The projected outturn is around £19.2m – resulting in an estimated underspend of £6.170m. Primarily, this arises from:
- the provision for Support for Registered Housing Providers not wholly committed at this stage (£1.894m) whilst options continue to be assessed;
 - an anticipated saving of £1m on Bingham Leisure Hub;
 - schemes for Cotgrave Leisure Centre, Keyworth Leisure Centre, and West Park totalling £1.465m are recommended to be re-phased to the 2023/24 Capital Programme.

Capital Contingency currently sits at £506k and this will be increased to £656k by transfer of the Streetwise Loan provision (£150k). This level of contingency will smooth out any capital implications of Streetwise in-sourcing.

- 4.8. The Council is due to receive capital receipts of £11.4m in the year, primarily from the disposal of surplus operational and investment property: land at Hollygate Lane; the deferred receipt from the disposal of the Depot Land; and from an overage agreement in place for Sharpill Wood site. The current projected overall variance is likely to mean that any borrowing requirement can be met from internal resources with no recourse to borrow externally this financial year. There is, however, a risk if the anticipated receipts are delayed which will mean a higher level of short-term, internal borrowing.

Pressures update

- 4.9. Staff pay negotiations are currently underway between National Employers and the Unions along with any other in-year operational staffing changes. The anticipated costs to the Council, if agreed, would be in the region of £0.8m. The budget for 2022/23 includes £0.33m for pay increases and a further £0.25m was allocated from 2021/22 underspends in anticipation of an increase in excess of the budget. The remaining shortfall of approximately £0.252m will be met from projected underspends in 2022/23 and will need to be included in the budget moving forward. However, this represents a significant annual cost pressure to the Council which will need to be funded. The pay negotiations will also have an adverse impact on areas where staff are lower paid, for example in areas such as leisure, manual work and lower-level clerical work. This is likely to have an impact on a range of contracts going forward and we are currently monitoring these areas.
- 4.10. Furthermore, inflation is predicted to reach 15% later this year with significant risk that the cost to the Council and again an impact on both contracts that are index linked and those due for renewal, and on fuel and utilities. An uplift for inflation was included in the original budget and this was further increased

from underspends in 2021/22. The impact of the continued increase will be monitored closely and considered during budget setting for 2023/24.

- 4.11. There is also the potential knock-on effect that this may have on collection rates for Council Tax and Business Rates and on fees and charges as households struggle with the increase in the cost of living. Sundry Debtors are being monitored for reductions in collection and is currently at 98% (in line with target). The potential financial impact is that it could lead to an increase in Collection Fund deficit, ultimately a pressure on the budget. Based on quarter 1 performance (reported to Corporate Overview Group) 29.93% of Council Tax has been collected, compared to 29.46% last year (an increase of 0.47%). For business rates currently 43.19% has been collected compared to 38.45% last year. There is some distortion where £150 Energy Grants have been credited to council tax accounts; and similarly for business rates, awarding Covid Additional Restrictions relief in 2021/22, has led to a large carry forward of credit onto the current year meaning effectively that charges have been prepaid. The position on collection rates will continue to be monitored. Given the challenges on residents and businesses this represents a relatively positive position.
- 4.12. The two most significant items in the Council's Transformation Programme for 2022/23 are the Crematorium (£0.2m) and Leisure Strategy (£0.232m) mostly linked to Bingham Arena. The realisation of these targets is linked to the successful opening of the facilities in line with the project plan. It has already been reported to Cabinet that due to external factors with the contractors (notably shortage in labour resources and materials) these projects have been delayed, which will therefore impact upon achieving the Transformation Plan targets. The projection is currently a shortfall of £0.176m and £58k for the Crematorium and Bingham respectively. £0.167m was allocated from 2021/22 underspends to mitigate some of this loss.
- 4.13. The value of the Council's Multi Asset investments or pooled funds had recovered at the end of March 2022. However there continues to be fluctuations on these funds relating to the current economic climate and at Q1 were reporting a net reduction of £0.846m. However, in the last month this has recovered by £0.283m demonstrating how sensitive the values are to market forces. An allocation of £0.2m was made from 2021/22 underspends to smooth the impact of the movements in value. A further £0.4m is proposed to be utilised from 2022/23 projected underspends. It should be noted that whilst the value of the assets does fluctuate, the returns from these investments are stable and represent a significant proportion of the Council's overall return on investments. When the capital appreciates in value the Council's revenue position will benefit. They are long term investments and form part of the Council's Treasury Management Strategy approved by Full Council as part of the MTFs. It should also be noted that the statutory override currently in place could be extended in which case the need to fund any adverse financial position from April 2023 may not be required. In doing so we are being prudent.

- 4.14. A report was taken to Cabinet 12 July 2022 covering the endorsement of the Investment Plan for the UK Shared Prosperity Fund. Rushcliffe's allocation from the £2.6bn fund is £2.5m allocated across 3 years: £0.312m 2022/23; £0.624m 2023/24; and £1.635m 2024/25. Rushcliffe have submitted an Investment Plan which has yet to be approved and, once in place, budget adjustments (capital and revenue) will be made and fully funded by application of this grant. These will be reported with the MTFs to both Cabinet and Full Council in February and March 2023, respectively.
- 4.15. The Cabinet report also endorsed the submission of a Levelling Up funding (LUF) bid which has three investment themes: Transport, Regeneration and Town Centre, and Cultural. The Council has submitted a LUF bid to deliver new infrastructure and improvements to existing walking and cycling routes on the south of the river. The Capital Programme will be updated in line with any approval.
- 4.16. The South Notts bid for Safer Street Funding (SSF) was approved by the Government in July 2022 (this project covers Gedling, Broxtowe and Rushcliffe). For Rushcliffe the fund will, over a 3-year period, provide £250k for crime prevention work in the Trent Bridge area. The SSF prevention work will focus on ASB, burglary and vehicle crime and will target specific areas with a high level of reported crime. A proportion of the bid involves the appointment of a project manager to support all three districts. The Council will be the host for the project manager post and funding of £52k will be transferred from the SSF to the Council to cover the costs.

Conclusion

- 4.17. The financial position in the revenue budget is stable, and due to the Business Rates Pool allocation, there is a projected overall budget efficiency of £1.038m. Pay and utilities inflation and the consequential rising costs of living present significant risks to the Council's budget. The financial impact cannot be contained within existing budgets if the trend of cost increases continues. In addition, as mentioned above, the value of the Council's pooled funds has reduced significantly and, if the statutory override ceases as planned April 2023, could result in additional pressure on the General Fund. The Council must ensure it can support any adverse budgetary impact and proposes to utilise the £1.038m projected underspend to mitigate these risks.
- 4.18. The position on capital is currently positive with no major delays anticipated on larger schemes and no need to externally borrow this financial year. 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.
- 4.19. Currently there is political uncertainty regarding who the Prime Minister will be (at the time of writing) and also the fiscal and monetary direction of the Government and thereafter the impact on local government. There maybe an emergency budget and we will await the Autumn Statement with interest. It would appear business rates retention and Fairer Funding changes seem

further away than ever although levelling-up remains a priority. A 2-year settlement was referenced by Michael Gove MP although he is no longer a minister which emphasises the uncertainty.

- 4.20. The Council still has its own challenges such as meeting its own environmental objectives and positively upside risks to provide more employment opportunities, economic and environmental development in the Borough by actively championing the Freeport and Development Corporation. Against a very volatile economic 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 to help manage risks.



















Performance Monitoring – Strategic Scorecard









- 4.21. A summary of the progress of tasks and measures falling within each theme of the Corporate Strategy is shown below. Commentary for any identified exceptions details why targets have been missed and what is being done to improve performance to meet these targets is shown in the appendices.
- 4.22. As a result of performance during the COVID-19 pandemic and an evaluation of measures used to monitor and manage performance, managers revised indicators sets within the service plans for 2022/23. A number of performance indicators that have been reported previously have been dropped or revised. Managers will look once more at their set of performance indicators to align monitoring to a refresh of the Corporate Strategy which is due for renewal in 2023. The indicators removed from this report are listed below:
- LIDEG99 Percentage of new homes at the Land North of Bingham
 - LIFCS50 Combined number of Social Media followers
 - LINS15 Percentage of food establishments achieving a hygiene rating of 4 or 5
 - LINS19a Number of household waste collection (residual, dry and garden) missed twice or more in a 3-month period
 - LINS50 Percentage of users satisfied with sports and leisure centres
 - LINS72 Number of pavilion, community hall and playing field users
- 4.23. Performance in quarter 1 is very good, the positive trends seen towards the end of 2021/22 have carried through to this year. Good performance is particularly evident in the following performance indicators:
- LIDEG40 Percentage of RBC owned industrial units occupied – occupation levels have recovered following a number of units becoming vacant during 2021/22.
 - LIFCS21 Percentage of Non-domestic Rates collected in year – collection rates are 10% ahead of target.
 - LIFCS62 Percentage increase in self-serve transactions – there are a number of factors, in particular impact of the energy rebate scheme, increased bids for Choice Based Lettings and use of the bin calendar as a result of bank holiday changes.











- LINS51 Number of leisure centre users – public – although not reaching pre-pandemic levels at present, usage is increasing and above target levels.

4.24. There are only two corporate and two operational indicators missing their targets. Explanations can be found in Appendix B.

4.25. The Corporate Strategy is a living strategy that is adapting to changing priorities. This means the Council will take advantage of emerging opportunities and removes tasks that have been completed to ensure it is reflective of the current position. One strategic task was completed last year, **ST1923_21** Support the recovery of local businesses and communities from the impacts of COVID and have now been removed from monitoring. One new strategic task has been added to the Corporate Scorecard this year, **ST1923_21** Delivery of the Equality, Diversity and Inclusion scheme action plan.

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	 0	 0	 3	 0	 1	 1	 0	 1	 0
No Performance Exceptions					No Performance Exceptions				






QUALITY OF LIFE					SUSTAINABLE GROWTH				
Strategic Tasks					Strategic Tasks				
 2	 4	 0	 1	 1	 6	 0	 1		
Task Exception: ST1923_01 Develop the Chapel Lane site in Bingham, including a new leisure centre, community hall and office space, by 2022					Task Exception: ST1923_18 Review Local Plan Part 1 – Core Strategy in partnership with Greater Nottingham Housing Market Area				
Performance Indicators					Performance Indicators				

QUALITY OF LIFE					SUSTAINABLE GROWTH				
 2	 0	 1	 0	 0	 5	 0	 1	 4	 4
Performance Exceptions: LINS72b Percentage usage of community facilities Explanations are provided in the Appendix G.					Performance Exceptions: LIDEG02 Percentage of Major applications dealt with in 13 weeks or agreed period Explanations are provided in the appendix G.				

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

Performance Monitoring – Operational Scorecard

The Council's operational business is also monitored, and 36 measures make up the Operational Scorecard.

Operational Scorecard – Performance Indicators				
 23	 1	 2	 7	 3
There are two performance exceptions to report. LIDEG01 Percentage of householder planning applications processed within target times LINS61a Percentage of calls answered in 60 seconds (cumulative) 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. The impact of this remains to be seen at this stage but is being closely monitored. The impact on income and expenditure likely to be affected by the inflationary increases will be taken into account during budget setting for 2023/24.

- 5.3 Any delay in anticipated capital receipts will mean that a higher level of temporary internal borrowing will be required. This can, however, be accommodated due to the level of cash reserves. There will be an opportunity cost by way of lost interest on sums invested.
- 5.4 There are significant budget risks going forward: most immediately relating to inflation increases and pay costs and the resulting impact on income receipts and in the medium term linked to potential changes to the business rates system and Fairer Funding by Central Government (although this is now unlikely to materialise until 2024/25 and heightened by political uncertainty); government policy in relation to waste collection which is still under review; the potential impact of the power station closure (now 2024), and the Council's commitment to the Freeport and Development Corporation.
- 5.5 Business Rates is subject to specific risks given the volatile nature of the tax base with a small number of properties accounting for a disproportionate amount of tax revenue. Ratcliffe-on-Soar power station is due to close in 2024 however due to the successful appeal earlier this year the impact of the closure on the Council has been reduced. Furthermore, changes in Central Government policy influences Business Rates received and their timing, for example policy changes on small Business Rates relief.
- 5.6 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 reserves to support projects where there is 'upside risk' or there is a change in strategic direction. Sufficient reserve levels are critical in ensuring the Council can withstand the financial shocks and maintaining reserves to address significant risks remains a key objective of the Council's Medium Term Financial Strategy and is good financial practice.

6 Implications

6.1 Financial Implications

Financial implications are covered in the body of this report.

6.2 Legal Implications

There are no direct legal implications arising from this report.

6.3 Equalities Implications

None

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

None

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 Group notes;

- a) the expected revenue budget efficiency for the year of £1.038m and proposals to earmark this for cost pressures (para 4.1);
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- f) considers whether scrutiny is required for identified performance exceptions.

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 Email: plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council 3 March 2022 – 2022-23 Budget and Financial Strategy
List of appendices:	Appendix A – Revenue Outturn Position 2022/23 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2022/23 – June 2022 position Appendix D – Capital Variance Explanations Appendix E – Special Expenses Monitoring Appendix F – Corporate Scorecard Appendix G – Operational Scorecard