



**Corporate Overview Group**

**Tuesday, 15 November 2022**

**Finance and Performance Management Quarter 2 2022/23**

## **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 30 September 2022.
- 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 £0.831m for 2022/23 mostly as a result of Business Rates Pool, additional investment income and additional new burdens grants (5.8% of Net Service Expenditure). This is proposed to be earmarked for additional cost pressures mainly in relation to pooled investments and a temporary decline in their value (see paragraph 4.13). The position is likely to change as further variances are identified during the year.
- 1.4. There is a capital budget efficiency expected of £4.98m, primarily due to support for registered housing providers (£1.958m) and Disabled Facilities Grants (£0.643m), a recommendation to rephase these funds is discussed below. In addition, contingencies on Bingham Leisure hub (£1m), and an underspend on Cotgrave Phase 2 (£0.350m).

### **2. Recommendation**

It is RECOMMENDED that the Group notes:

- a) the expected revenue budget efficiency for the year of £0.831m and proposals to earmark this for cost pressures (para 4.1)
- b) the capital budget efficiencies of £4.98m including the re-profiling of provisions totalling £1.965m of which £0.465m to 2023/24 and £1.5m to 2024/25 (para 4.7)
- c) the expected outturn position for Special Expenses to be in £61k above budget (para 4.5)

- d) 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. For this financial year, the overall budget variance is expected to be an efficiency of £0.831m with proposals to utilise this for in-year pressures given in **Appendix A**. Most notably it is proposed to earmark £0.67m for reductions in the value of the pooled investments which are sensitive to market forces (see paragraph 4.13). The remaining efficiency is earmarked as follows:
- Funding to prune and fell Council trees identified as urgent in the Tree Survey £0.09m over 2 years
  - Costs for Local Area Energy Planning project £0.075m from each district or borough authority in Nottinghamshire
- 4.2. Table 1 below summarises the main variations from revenue efficiencies and pressures.

**Table 1: Main Items Impacting on the Current Revenue Budget**

	Pressure/ (efficiency) 2022/23 (£000)	Reason
<b>Projected in year costs/(efficiencies):</b>		
<b>Contingency</b>	410	Increase due to utilities and pay award
<b>Agency costs</b>	342	Additional agency in Planning, Refuse
<b>Bingham Leisure Centre &amp; offices</b>	169	Lost income from delayed opening
<b>Vehicle Maintenance</b>	74	Cost of repairs linked to older vehicles
<b>Income Crematorium</b>	65	Income lost from delayed opening of the Crematorium
<b>Rental Income</b>	60	Rental income the Point
<b>IT contracts</b>	59	Replacement contract for IDOX
<b>Home Alarms</b>	57	Replacement/upgrade of home alarm equipment not covered by BCF
<b>Investment Income</b>	(519)	Increase in investment receipts linked to increased interest rates and higher balances
<b>Software &amp; Professional costs</b>	(111)	Software implementation (£11k), website development (£80k) and consultancy (£20k)

<b>Edwalton Golf Course</b>	(96)	Increased usage and income
<b>Planning Fees</b>	(91)	Increase in planning applications
<b>Other</b>	(87)	Minor variances eg training and recruitment costs
<b>Homes for Ukraine</b>	(60)	
<b>Car Parks</b>	(50)	Increase income
<b>Court Costs</b>	(35)	Council Tax court costs
<b>Net Revenue Cost/ (Efficiencies)</b>	<b>187</b>	
<b>Grant Income</b>	(158)	New Burdens, domestic abuse and Test and Trace additional grants
<b>Business Rates</b>	(860)	Increase in Net Rates payable
<b>Total Net Projected Budget Variance</b>	<b>(831)</b>	

- 4.3. The main adverse variances arise from: pay award and utilities which have now been included in contingency, agency due to vacancies in planning and refuse and unavoidable delays in the projects for Bingham Leisure Hub and the Crematorium resulting in a reduction of income streams (see paragraph 4.12). Increased income attributable to Business Rates pool surplus, rising interest rates on investments and additional grant income are among the biggest favourable variances.
- 4.4. The Revenue Monitoring statement by service area is attached at **Appendix A** and includes grant income, Minimum Revenue Provision (MRP) (funded by the New Homes Bonus) and income from Business Rates and Council Tax. Detailed variance analysis as at 30 September 2022, is attached at **Appendix B**.
- 4.5. **Appendix E** shows the Quarter 1 position on the Special Expenses budget. The expenditure is currently expected to be £61k above budget mostly due increasing utilities and some footpath maintenance, 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 September 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 (£1,079m) giving a current budget of £24.178m. The projected outturn is around £19.2m – resulting in an estimated underspend of £4.98m. Primarily, this arises from:
- the provision for Support for Registered Housing Providers not wholly committed at this stage;

- £1m on Bingham Leisure Hub of contingencies which are not wholly committed at this stage. Both delays in the project and work after the facility is handed over to the Council is likely to lead to an erosion of the contingency position;
- £0.350m for unused contingencies on Cotgrave Phase 2; and
- schemes for Water Course Improvements, Disabled Facilities Grants, Hound Lodge and Edwalton Golf Course totalling £0.465m are recommended to be re-phased to the 2023/24 Capital Programme.

Capital Contingency currently sits at £386k. 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, this is now revised to £4.104m due to the potential deferral of income from Hollygate lane to 2023/24. Receipts are primarily from the disposal of surplus operational and investment properties: the deferred receipt from the disposal of the Depot land, and from an overage agreement in place for Sharphill Wood site. The current projected overall variance still means that any borrowing requirement can be met from internal resources with no recourse to borrow externally this financial year. However, due to the potential delay of Hollygate Lane receipt, a higher level of short-term, internal borrowing will be required.

#### Pressures update

- 4.9. Staff pay negotiations are now complete with a pay award of £1,925 per employee agreed. The anticipated costs to the Council, are 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 is included within the Finance and Corporate projection and in the budget moving forward. However, this represents a significant annual cost pressure to the Council which will need to be funded. In addition, the potential associated impact on service provision contracts such as leisure are being monitored.
- 4.10. Furthermore, inflation is predicted to reach 14% 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 and contingency set aside within the Finance and Corporate line. The impact of the continued increase will be monitored closely and has been reflected in the 2023/24 budget setting.
- 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 95.22% (below target but has improved at the start of Qtr3). 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 2 performance 57.64% of Council Tax has been collected, compared to 57.57% last year (an increase of 0.07%). For Business

Rates, currently 66.84% has been collected compared to 66.01% last year (an increase of 0.83%). 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. In Qtr1 it was reported that the realisation of these targets is linked to the successful opening of the facilities in line with the project plan. Previously reported delays due to external factors with the contractors (notably shortage in labour resources and materials) have continued and impact upon achieving the Transformation Plan targets. The projection is currently a shortfall of £0.65m and £0.169m for the Crematorium and Bingham respectively. This is in addition to the £0.135m and £0.32m 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 Quarter 2 were reporting a net reduction of £1m, this has since worsened by £0.429m at the time of writing following a slight recovery in the previous quarter, 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 £0.67m 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 Medium-Term Financial Strategy (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. Ongoing work in relation to the £250k crime prevention funding from The South Notts bid for Safer Street Funding (SSF) will be reflected in projections throughout the year.

#### Conclusion

- 4.15. 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 £0.831m. 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 £0.831m projected underspend to mitigate these risks.

- 4.16. The position on capital is currently positive, although with some delays on completion and handover of Bingham Hub and the Crematorium. There will still be no need to 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.
- 4.17. Currently there is political uncertainty due to changes in Prime Minister and a delay in the spending review and thereafter the impact on local government. Consequently, Business Rates retention and Fairer Funding changes seem unlikely in the near future, although levelling-up remains a priority. The settlement is expected on 17 November 2022 and any key outcomes will be reported following the announcement.
- 4.18. The Council still has its own challenges such as meeting its own environmental objectives and positively upside risks to provide more employment opportunities, and 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**

- 4.19. 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.
- 4.20. Two tasks due to complete in 2021-22 missed their target dates. These tasks have been slowed due to operational delays but are progressing and the current situation will be detailed in quarterly updates:
  - **ST1923\_02** Develop the Chapel Lane site in Bingham, including a new Leisure Centre, Community Hall and Office space – due to supply chain delays and connection of utilities.
  - **ST1923\_18** Review Local Plan Part 1 – Core Strategy in partnership with Greater Nottingham Housing Market Area. A revised timetable has been published and the completion date amended to 2024.
- 4.21. Performance in quarter 2 continues to show improvement, 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:


















- **LIDEG02** Processing of planning applications: Major applications dealt with in 13 weeks or agreed period – current performance is 76.2%, well above the 70% target.
- **LIDEG40** Percentage of RBC owned industrial units occupied – occupation levels have increased and currently 2.74% above target.
- **LIFCS24** Percentage of housing and council tax benefit claims processed right first time – processing accuracy has increased to 98%.
- **LINS24** Number of affordable homes delivered – 149 homes have been completed up to the end of September. This is over the annual target of 200 homes and includes two sites with 100% affordable homes (East Leake and Radcliffe on Trent).
- **LINS35** Average number of weeks for all Home Search applicants to be rehoused through Choice Based Lettings – applicants have waited 35 weeks on average, well under the 52 weeks target.

4.22. There are only one corporate and four operational indicators missing their targets. Explanations can be found in Appendix G.

4.23. 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.

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	 0	 1	 2	 0
No Performance Exceptions					Performance Exceptions: LICO66 Percentage usage of community facilities  Explanations are provided in appendix G.				






QUALITY OF LIFE	SUSTAINABLE GROWTH
Strategic Tasks	Strategic Tasks

QUALITY OF LIFE				SUSTAINABLE GROWTH				
 2	 4	 0	 1	 1	 7	 0	 1	
<p>Task Exception:</p> <p>ST1923_01 Develop the Chapel Lane site in Bingham, including a new Leisure Centre, Community Hall and Office space</p> <p>An explanation is provided in appendix G.</p>				<p>There are no task exceptions this quarter.</p>				
Performance Indicators				Performance Indicators				
 1	 0	 1	 1	 5	 1	 0	 4	 4
<p>Performance Exceptions:</p> <p>LICO66 Percentage usage of community facilities</p> <p>Explanations are provided in appendix G.</p>				<p>No Performance Exceptions.</p>				

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

Performance Monitoring – Operational Scorecard

4.24. The Council’s operational business is also monitored, and 35 measures make up the Operational Scorecard.

Operational Scorecard – Performance Indicators				
 20	 3	 4	 8	 1
<p>There are four performance exceptions to report.</p> <p>LIDEG01 Percentage of householder planning applications processed within target times</p> <p>LIFCS61a Percentage of calls answered in 60 seconds</p> <p>LINS73a Income generated from community buildings</p>				



LINS73b Income generated from parks, pitches and open spaces

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. There remains a risk in the event of the need to borrow externally that the cost to the council would be significant due to the level of interest rates.
- 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 sufficient 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. It supports the delivery of a balanced budget.

### **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 £0.831m and proposals to earmark this for cost pressures (para 4.1)
- b) the capital budget efficiencies of £4.98m including the re-profiling of provisions totalling £1.965m of which £0.465m to 2023/24 and £1.5m to 2023/24 (para 4.7)
- c) the expected outturn position for Special Expenses to be £61k above budget (para 4.5)
- d) considers whether scrutiny is required for identified performance exceptions.

<b>For more information contact:</b>	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 Email: <a href="mailto:plinfield@rushcliffe.gov.uk">plinfield@rushcliffe.gov.uk</a>
<b>Background papers available for Inspection:</b>	Council 3 March 2022 – 2022-23 Budget and Financial Strategy Cabinet 12 July 2022 – Financial Outturn Report
<b>List of appendices:</b>	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