



Corporate Overview Group

Tuesday, 21 February 2023

Finance and Performance Management Quarter 3 2022/23

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. This report outlines the quarter 3 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 £1.723m for 2022/23 mostly as a result of Business Rates Pool, additional investment income and additional new burdens grants (in total 12.1% 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 in the final quarter.
- 1.4. There is a capital budget efficiency expected of £3.758m, primarily due to £1m for Traveller Site Acquisition which is to be removed from the 2022/23 programme leaving £1m remaining in the 2023/24 programme; £1m variance on Bingham Hub (of which £0.730m committed to post opening enhancements); support for registered housing providers (£0.504m) not wholly committed; anticipated savings on Cotgrave Ph II (£0.350m) and Manvers Business Park Enhancements (£0.3m). A recommendation to rephase some of these funds is discussed below.

2. Recommendation

It is RECOMMENDED that the Group notes:

- a) the expected revenue budget efficiency for the year of £1.723m and proposals to earmark this for cost pressures (para 4.1)
- b) the capital budget efficiencies of £3.758m including various re-profiling stated at paragraph 4.7, included in the MTFs to Full Council

- c) the expected outturn position for Special Expenses to be £3.2k below budget (para 4.5)
- d) considers whether scrutiny is required for identified 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 £1.723m with proposals to utilise this for in-year pressures given in **Appendix A**. Most notably it is proposed to earmark £0.973m 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:

- Pooled Investments £0.973m
- Carry forwards £0.465m (appendix F)
- Tree preservation works £0.090m
- Agency for planning £0.065m
- Local area energy planning £0.075m
- Council tax support fund £0.030m (paragraph 4.15)
- New sinking fund for Bingham Leisure Centre sports track £0.015
- Staffing resource elections £0.010m.

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
Projected in year costs/(efficiencies):		
Agency costs	296	Additional agency in Planning, Refuse, less savings from vacancies
Income Crematorium	284	Income lost from delayed opening of the Crematorium (additional lost income £135k covered by carry forwards)
Bingham Leisure Centre	163	Lost income from delayed opening (additional lost income £32k covered by carry forwards)
Rental Income	114	Rental income at Bingham Enterprise Centre and the Point
Streetwise	89	Streetwise external contracts

Vehicle Maintenance	54	Cost of repairs linked to older vehicles
Investment Income	(592)	Increase in investment receipts linked to higher interest rates and cash balances
Planning Fees	(205)	Increase in planning applications and unspent Uniper contribution (request to be carried forward)
Economic Development	(150)	Underspend on Growth Board £100k carry forward requested, £50k WBTC accessibility study now funded from UKSPF
Software and Professional Costs	(110)	Website £80k (planned revenue spend that has now been capitalised) Legal & Prof £30k
Edwalton Golf Course	(97)	Increased usage and income
Contingency	(90)	Contingency now allocated re pay award and utilities
Income from Homes for Ukraine checks	(80)	Additional income for pre and post arrival checks
Car Parks, Septic Tank emptying	(67)	Increased income
Other	20	Underspend offsets lost income from Crematorium and Bingham
Net Revenue Cost/ (Efficiencies)	(371)	
Grant Income	(365)	New Burdens, Asylum Seekers, Homes for Ukraine and Test and Trace additional grants
Business Rates	(987)	Increase in Net Rates payable
Total Net Projected Budget Variance	(1,723)	

- 4.3 The main adverse variances arise from: 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 the Nottinghamshire Business Rates pool surplus and net rates, 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 31 December 2022, is attached at **Appendix B**.
- 4.5. **Appendix E** shows the Quarter 3 position on the Special Expenses budget. The expenditure is currently expected to be £3.2k below budget, 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 31 December 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 (£3.044m) giving a current budget of £22.213m. The projected outturn is around £18.5m – resulting in an estimated underspend of £3.7m. Primarily, this arises from:
- the removal of the £1m provision in 2022/23 for the Gypsy and Traveller Site: a funding bid was not successful, and other sources of funding are being investigated. The 2023/24 programme still contains £1m for site acquisition
 - £1m on Bingham Leisure Hub comprises contract and other contingencies, however £0.730m of this is earmarked for post opening enhancements
 - the provision for Support for Registered Housing Providers not wholly committed at this stage (£0.504m), options continue to be assessed
 - £0.350m projected savings on Cotgrave Phase 2. Of this, it is requested that £0.270m re-profiled to 2023/24 to support newly costed enhancement schemes for Cotgrave Leisure Centre (additional £0.230m) and Keyworth Leisure Centre (additional £0.040m);
 - A request to re-profile £0.300m for Manvers Business Park to the 2023/24 capital programme, and
 - Capital Contingency currently sits at £0.259m. There is expenditure pressure of £150k at this stage on the Crematorium. The remaining contingency will smooth out any further capital implications of Streetwise in-sourcing.
- 4.8. The Council was due to receive capital receipts of £11.4m in the year, due to the reprofiling of the timing of receipts from depot disposal (-£1.2) and Sharphill overage (+£3.6m) the deferral of holly gate lane income (-£7.2m), and early repayment of the Streetwise loan (+£0.3m) this is now revised to £6.3m. 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 re-profiling of receipts, 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 paid in November 2022, the cost to the council was approximately £0.55m. The budget for 2022/23 included £0.33m for pay increases and a further £0.25m was allocated from 2021/22 underspends in anticipation of this. This represents a significant annual cost pressure to the Council which now forms part of the MTFs to be approved by Council in March. In addition, the potential associated impact on service provision contracts such as leisure are being monitored.
- 4.10. Inflation is expected to peak at 11% 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, this was further increased from underspends in 2021/22

and contingency set aside within the Finance and Corporate Services line. Projections for utilities have been reviewed and updated within services areas and remaining contingency released. 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 95.69% (slightly below target 97%). 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 3 performance (reported to Corporate Overview Group) 85.33% of Council Tax has been collected, compared to 85.46% last year (a decrease of 0.13%). For Business Rates, currently 87.3% has been collected compared to 83.7% last year (an increase of 3.6%). 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 quarter 1 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 £0.284m and £0.163m for the Crematorium and Bingham respectively. This is in addition to the £0.135m and £0.032m allocated from 2021/22 underspends to mitigate some of this loss. We are now in possession of the keys for Bingham Leisure Centre and this is due to open on 20 February 2023. The Crematorium is progressing well and due to open by April 2023.
- 4.13. The value of the Council's Multi Asset investments or pooled funds had recovered at the end of March 2022. However there continue 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 £0.973m 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 (65%) 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 has been extended to April 2025, it is prudent to maintain a reserve whilst investments remain.

- 4.14. Planning income is currently projected at £0.170m over budget due to increased planning applications, however, this is not expected to fully cover the additional agency costs of £0.330m. Additionally, a further £65k to fund agency for 2023/24 has been requested to be allocated from the underspends. Whilst it is hoped that this will improve, the situation is being closely monitored, particularly as planning application demand may reduce as a result of economic slowdown and houses not being built as quickly as expected.
- 4.15. The Government have announced a Council Tax Support Fund (£123k for Rushcliffe) to allow local authorities to support more economically vulnerable households (those in receipt of Local Council Tax Support) with up to £25 reduction on their Council Tax bill. In the MTFS due to be approved by Council in March, it is proposed that a further £30k from Council resources is used to further discount Council Tax bills for properties in bands A to D.

Conclusion

- 4.16. 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 £1.723m. Inflation and the consequential rising costs of living present significant risks to the Council's budget. In addition, as mentioned above, the value of the Council's pooled funds has reduced significantly, this is mitigated as per proposed use of efficiencies (Appendix A). The Council must ensure it can support any adverse budgetary impact and proposes to utilise the £1.723m projected underspend to mitigate these risks.
- 4.17. The position on capital is currently positive, although with some delays on completion and handover of Bingham Hub and the Crematorium which are due to open in February and April respectively. There will still be 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 in the final quarter.
- 4.18. Political uncertainty and the current economic climate continue, however, the final local government finance settlement on 6 February 2023 has delivered some clarity of future funding, including a new round of New Homes Bonus for 2023/24 and the replacement of the Lower Tier Services Grant with minimum funding guarantee to ensure Local Authorities see an increase of at least 3% in core spending power (£0.326m for next two years), and a one off release of £0.020m from the Business Rates Levy account for 2023/24. The government have confirmed that the reset of Business Rates retention, new Homes Bonus and Fairer Funding review will not take place until at least 2025/26, however, levelling up remains a priority.
- 4.19. 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. As the economic background appears to be ever more volatile 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

- 4.20. 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.
- 4.21. The task, Develop the Chapel Lane site in Bingham, including a new Leisure Centre, Community Hall and Office space, has been completed. This major project has now been completed. The handover date was 27 January 2023. The Bingham Arena leisure centre was opened to the public on 20 February 2023. This is a major achievement, the work started before the pandemic and was affected by the changes in working practices and supply of construction materials.
- 4.22. Performance in quarter 3 continues is showing signs of 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:
- **LIDEG40** Percentage of RBC owned industrial units occupied – occupation levels have increased and currently 2.74% above target
 - **LIFCS21** Percentage of Non-domestic Rates collected in year – the current collection rate is 4.77% above the target
 - **LIFCS22a** Average number of days to process a new housing benefit claim – currently 3.88 days below target and an improvement on performance in quarters 1 and 2
 - **LINS06** Cumulative number of fly tipping cases (against cumulative monthly comparison for last year) – the number of reported cases is similar to last year and over 300 below target
 - **LINS37** Domestic burglaries per 1,000 households – currently 5.73 below target (2.43 lower than last year)
 - **LINS38** Robberies per 1,000 population – currently 0.08 below target and lower than last year)
 - **LINS39** Vehicle crimes per 1,000 population – currently 1.37 below target.
- 4.23. There are only one corporate and five operational indicators missing their targets. Explanations can be found in Appendix H.
- 4.24. 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				
1	0	1	3	0	0	0	3	0
<p>Performance exceptions:</p> <p>LIFCS15 Value of savings achieved by the Transformation Strategy against the programme at the start of the financial year</p> <p>An explanation is provided in the appendix.</p>				<p>No performance exceptions</p> <p>Note: LINS18 Percentage of household waste sent for reuse, recycling and composting – this indicator is likely to be an exception once data is received.</p>				

QUALITY OF LIFE				SUSTAINABLE GROWTH				
Strategic Tasks				Strategic Tasks				
3	4	0	0	1	7	0	0	
There are no task exceptions this quarter.				There are no task exceptions this quarter.				
Performance Indicators				Performance Indicators				
1	0	1	1	5	1	0	4	4
No performance exceptions.				No performance exceptions.				

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

Performance Monitoring – Operational Scorecard

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

Operational Scorecard – Performance Indicators				
 20	 2	 5	 10	 1
<p>There are five performance exceptions to report.</p> <p>LIDEG01 Percentage of householder planning applications processed within target times</p> <p>LIFCS52 Percentage of complaints responded to within target times</p> <p>LIFCS61a Percentage of calls answered in 60 seconds</p> <p>LINS73a Income generated from community buildings</p> <p>LINS73b Income generated from parks, pitches and open spaces</p> <p>These indicators have been identified as exceptions. Explanations are provided in Appendix H.</p>				

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.

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 £1.723m and proposals to earmark this for cost pressures (para 4.1)

- b) the capital budget efficiencies of £3.908m including various re-profiling stated at paragraph 4.7, included in the MTFS to Full Council
- c) the expected outturn position for Special Expenses to be £3.2k below budget (para 4.5)
- d) considers whether scrutiny is required for identified exceptions.

For more information contact:	Peter Linfield Executive Manager - 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 Cabinet 12 July 2022 – Financial Outturn Report
List of appendices:	Appendix A – Revenue Outturn Position 2022/23 - December 2022 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2022/23 December 2022 Appendix D – Capital Variance Explanations 2022/23 December 2022 Appendix E – Special Expenses Monitoring December 2022 Appendix F – Carry Forwards expected December 2022 Appendix G – Corporate Scorecard Appendix H – Operational Scorecard