Corporate Overview Group

Tuesday, 5 September 2023

Financial and Performance Management

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. This report outlines the quarter one position in terms of financial and performance monitoring for 2023/24. This is linked to the closure of accounts process and previous financial update reports.

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 £0.55m for 2023/24 mostly as a result of an improved position in relation to business rates. This represents a variance of 3.8% of Net Service Expenditure. This is proposed to be earmarked for additional cost pressures mainly in relation to inflation and pay award. The position is likely to change as further variances are identified during the year.

1.4. There is a capital budget efficiency expected of £6.457m, primarily due to £2.723m Support for Registered Housing Providers, £1m Gypsy and Traveller Site acquisition and £0.783m crematorium contingencies.

2. Recommendation

It is RECOMMENDED that The Corporate Overview Group considers:

a) the expected revenue budget efficiency for the year of £0.55m and proposals to earmark this for cost pressures (paragraph 4.1)

b) the capital budget efficiencies of £6.457m

c) the expected outturn position for Special Expenses to be £6.5k over budget (paragraph 4.5)

d) identified exceptions to judge whether further information is required.

3. Reasons for Recommendation

3.1. 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 £0.55m with proposals to utilise this for in-year pressures given in **Appendix A**. It is proposed to earmark the in-year efficiencies towards the 2024/25 pay award.

4.2 Table 1 below summarises the main variations from revenue efficiencies and pressures:

Table 1: Main Items Impacting on the Current Revenue Budget

Projected in year costs/(efficiencies)	Pressure/(efficiency) 2023-24 £'000	Reason
Legal	350	Property related legal claim
Streetwise	350	Hire of vehicles
Crematorium	199	Income target over optimistic and cost of grounds maintenance
Depot & Contracts	84	Car parking costs and tyres
Democratic Services	15	Member grants not expected to achieve transformation reduction
Community Development	13	Reduction in Young grant not fully realised until 24/25
Insurance	17	Increases on renewal
Electoral Services	24	Due to voter ID requirement for additional staff and training offset by New Burdens grant
Rental income	33	Vacancies mainly at the Point
Emergency Accommodation	19	Increasing demand on B&B's
Contingency	(110)	Contingency not required at this stage
Planning Policy	(55)	Savings on secondment not backfilled
other	3	
Net Revenue cost/(efficiencies)	**942**	
Grant income	(257)	New burdens and other funding above budgeted
Business Rates	(770)	Reduced Levy payment
Business Rates Pool	(496)	Share of pool surplus
Business Rates Deficit	31	
Total Net Projected Budget Variance	**(550)**	

4.3 The main adverse variances arise from:

- Rushcliffe Oaks Crematorium: The income budget was set assuming a target 60 cremations per month from the outset rather than a lower target allowing for growth in the new service. Since opening in March, income has been lower than expected. Numbers are rising each month with June reaching 36 cremations and projections suggest 60 is still realistic although consequently the target income for the year will not be achieved
- Streetwise are currently forecasting a budget pressure of £0.35m on vehicle hire pending the results of an independent report and recommendations linked to the way forward in relation to carbon reduction
- Depot and contracts are overspending on tyres due to both consumption and increasing cost of rubber and a service payment for the car park SLA in relation to 2022/23
- Increased income attributable to the Nottinghamshire Business Rates pool surplus, a lower Business Rates Levy (a charge to Government based on Business Rates Growth) and additional grant income are among the biggest favourable variances
- £0.35m is also required in relation to a property related legal claim.

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 June 2023, 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 £6.5k above budget mostly in relation to costs incurred from a traveller encampment. This position may change later in the year as further variances are identified.

Financial Monitoring – Capital

4.6 The updated summary of the Capital Programme monitoring statement and funding position is shown at Appendix C as at 30 June 2023. 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 2023/24 was £9.576m, with £5.426m carry forwards and other adjustments of £1.722 giving a current budget of £16.724m. The projected outturn is £10.267m, resulting in an estimated underspend of £6.457m. Primarily, this arises from:

- £2.723m for the provision for Support for Registered Housing Providers, meetings are taking place with Registered Providers, developers, and Homes England to explore opportunities to commit the provision.
- £1m provision in 2023/24 for the Gypsy and Traveller Site acquisition: a funding bid in 2022/23 was not successful, and other sources of funding are being investigated but this remains uncommitted at this stage.
- £0.783m for the potential repayment of VAT at the Crematorium is unnecessary due the 2022/23 partial exemption limit not being breached

- £0.563m on Bingham Leisure Hub release of savings from the contract contingencies, £0.730m still available for post opening enhancements
- £0.5m expenditure on the Edwalton Community Facility Special Expense expected to slip into 2024/25, planning application for the community venue at Sharphill set for September Committee.
- £0.480m on the West Park/Julien Cahn Special expense, essential works to be undertaken with a cabinet report early autumn for strategic vision.

4.8 The Council is due to receive capital receipts of £7m in the year, primarily from disposals of land at Hollygate Lane; Candleby Lane industrial Estate; and the final payment for overage agreement for Sharphill 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 and this will also impact on interest on Council cash balances.

Pressures Update

4.9 Staff pay negotiations for 2023/24 are now complete with a pay award of the higher of £2,125 per employee or 3.5% backdated to 1 April 2023. The cost to the Council above budget was approximately £0.394m of which £0.204m was carried forward from 2022/23 underspends in anticipation of this, the remaining amount is covered by in-year contingency. This represents a significant annual cost pressure to the Council which will be supported by the in-year efficiency of £0.55m and subsequently forms part of the MTFS to be approved by Council in March 2024. In addition, the potential associated impact on service provision contracts such as leisure are being monitored.

4.10 Inflation peaked in October 2022 at 11.1%, although this dropped to 7.95% in June 2023. It is expected to continue to be above the Government's target for 2023/24, with the potential to fall back to 2% in 2025. This will continue to impact on both contracts that are index linked and those due for renewal, and on fuel and utilities. The impact of inflation was reflected in the 2023/24 budget and is being closely monitored in-year.

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 95.01% (slightly below target 97%). The potential financial impact on Council Tax and Business Rates would be an increase in Collection Fund deficit, ultimately a pressure on the budget. Based on Quarter 1 performance 29.61% of Council Tax has been collected, compared to 29.93% last year (a decrease of 0.32%). For Business Rates, currently 41.16% has been collected compared to 43.19% last year (a decrease of 2.03%). There is some distortion on both council tax and business rates due to the £150 energy grants and Covid reliefs making last year's figures unusually high. Taking these into account, the collection rate for Council Tax is comparable and the average quarter 1 collection data for Business rates over the past 5 years is 36.2%, reflecting that this year's performance is ahead of target. 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 three most significant targets in the Council's Transformation Programme for 2023/24 are the Crematorium (£0.116m), the Parkwood Contract (£0.139m), Streetwise insourcing (£0.1m) and Planning Performance Agreements (£0.075m). At Quarter 1, a total of £0.074m savings have been realised against a target of £0.155m the shortfall mostly relating to the Crematorium and Streetwise.

4.13 The value of the Council's Multi Asset investments or pooled funds is currently at £13.699m a £1.3m loss against original investment. The Council hold £0.973m in reserves to smooth the impact of the movements in value with a further £0.2m budgeted to be added in year a total of £1.173m. 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 (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 we retain such investments.

Financial Conclusion

4.14 The financial position in the revenue budget is showing a projected overspend of £0.942m; however, due to a lower than anticipated Business Rates Levy charge and the Business Rates Pool surplus distribution, there is a projected overall budget efficiency of £0.55m. Inflation has reduced slightly but remains high and the consequential rising costs of living present significant risks to the Council's budget. Pay awards for the last two years have been higher than anticipated, linked to the cost of living, and this not only impacts on the current year but also in each year thereafter. Furthermore, planned savings are currently falling short of expected targets and this adds further pressure to the budget. The Council must ensure it can support any adverse budgetary impact and proposes to utilise the £0.55m projected underspend to mitigate these risks.

4.15 The position on capital is currently positive although in the long-term resources are diminishing and headroom in the budget will be required to ensure future capital commitments can be met. There will still be no need to externally borrow this financial year. Challenges can arise during the year, such as sourcing labour and materials and inflated costs, which may still impact on the projected year-end position, and this will continue to be reported.

4.16 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 and there remains little prospect of a longer-term settlement with a potential general election in 2024 which could entirely change the political agenda. It is hoped that the autumn spending review will bring some clarity on the funding position for 2024/25 but this uncertainty does make longer term forecasting challenging.

4.17 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

4.18 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.

4.19 Two new strategic tasks have been added: ST1923_24 Deliver a targeted events, health, and sports development programme across the Borough and ST1923_24 Deliver the Cotgrave and Keyworth Leisure centre redevelopment, including the public sector decarbonisation of Cotgrave Leisure Centre. The number of new major capital projects has now slowed down, however major projects will still be delivered as these are identified and resources permit.

4.20 Performance in quarter 1 continues to show the positive trends seen following the pandemic. 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 – performance at 100% compared to target of 70%
- LIDEG40 Percentage of RBC owned industrial units occupied – occupation levels are currently at 100%
- LIFCS21 Percentage of Non-domestic Rates collected in year – the current collection rate is 41.16% compared to the target of 32.29%
- LIFCS65 Percentage of telephone enquiries to Rushcliffe Customer Service Centre resolved at first point of contact – currently 93% compared to 87% target
- LINS14 Average NOx level for Air Quality Management Areas in the Borough – currently 27µg/m³ against target of 40µg/m³
- LINS32 Average number of weeks for all Home Search applicants to be rehoused through Choice Based Lettings – current at 29 weeks compared to 40 weeks last year
- LINS37 Domestic burglaries per 1,000 households – currently 1.36 compared to 3.5 target.

4.21 Four corporate and five operational indicators missing their targets. Explanations can be found in **Appendices F and G.**

4.22 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	1 | 0 | 1 | 1 | 0
Performance exceptions: LIFCS15 Value of savings achieved by the Transformation Strategy against the programme at the start of the financial year An explanation is provided in the appendix.	Performance exceptions: LINS18 Percentage of household waste sent for reuse, recycling and composting An explanation is provided in the appendix.

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 | 0	5 | 1 | 1 | 4 | 4

QUALITY OF LIFE	SUSTAINABLE GROWTH
LINS72b Percentage usage of community facilities An explanation is provided in the appendix.	LINS24 Number of affordable homes delivered An explanation is provided in the appendix.

4.23 Further details and a key of symbols is shown in **Appendix F**.

Performance Monitoring – Operational Scorecard

4.24 The Council’s operational business is also monitored, 33 measures make up the Operational Scorecard, presented for scrutiny at the quarterly Corporate Overview Scrutiny Group.

<table>
<tr><th colspan="5">Operational Scorecard – Performance Indicators</th></tr>
<tr><td>21</td><td>2</td><td>5</td><td>5</td><td>1</td></tr>
<tr><td colspan="5">There are five performance exceptions to report.

LIDEG01 Percentage of householder planning applications processed within target times

LIDEG17 Percentage of planning enforcement inspections carried out in target time

LIFCS61a Percentage of calls answered in 60 seconds

LINS06 Cumulative number of fly tipping cases (against cumulative monthly comparison for last year)

LINS73b Income generated from parks, pitches and open spaces

Explanations are provided in the appendix.</td></tr>
</table>

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 2024/25.

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 2025/26); government policy in relation to waste collection has now been delayed until 2025; the potential impact of the power station closure in 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. 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 potential 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 MTFS and is good financial practice.

6. Implications

6.1. Financial Implications

Financial implications are covered in the body of the report.

6.2. Legal Implications

There are no direct legal implications arising from this report.

6.3. Equalities Implications

There are no direct equalities implications arising from this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no direct Section 17 implications arising from 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 scrutinises:

a) the expected revenue budget efficiency for the year of £0.55m and proposals to earmark this for cost pressures (paragraph 4.1)

b) the capital budget efficiencies of £6.457m

c) the expected outturn position for Special Expenses to be £6.5k over budget (paragraph 4.5)

d) identified exceptions to judge whether further information is required.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council 2 March 2023 – 2023-24 Budget and Financial Strategy Cabinet 11 July 2023 – Financial Outturn Report 22/23
List of appendices:	**Appendix A** – Revenue Outturn Position 2023/24 – June 2023 **Appendix B** – Revenue Variance Explanations **Appendix C** – Capital Programme 2023/24 – June 2023 **Appendix D** – Capital Variance Explanations 2023/24 June 2023 **Appendix E** – Special Expenses Monitoring June 2023 **Appendix F** – Corporate Scorecard **Appendix G** – Operational Scorecard