



**Corporate Overview Group**

**Tuesday, 7 November 2023**

**Financial and Performance Management**

## **Report of the Director – Finance and Corporate Services**

### **1. Purpose of report**

- 1.1. This report outlines the quarter two position in terms of financial and performance monitoring for 2023/24.
- 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 £0.287m for 2023/24 mostly as a result of Business Rates Pool and a lower Business Rates Levy payment than anticipated. This represents a variance of 1.95% of Net Service Expenditure. 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 £9.292m, this includes rephasing of £6.068m to 2024/25 and £1m to 2025/26 across a number of schemes as detailed in paragraph 4.7 with the resulting variance primarily due to Rushcliffe Oaks Crematorium £1.123m, Support for Registered Housing Providers £0.747m, Bingham Leisure Centre post opening enhancements £0.583m offset by an increase of £1.131m on Vehicle Replacement requested to be accelerated from 2024/25.

### **2. Recommendation**

It is RECOMMENDED that The Corporate Overview Group considers:

- a) the expected revenue budget efficiency for the year of £0.287m and proposals to earmark this for cost pressures (para 4.1);
- b) the projected capital budget efficiencies of £9.292m including the re-profiling of provisions totalling £6.068m to 2024/25 and £1m to 2025/26 (para 4.7);
- c) the expected outturn position of £12.3k overspend for Special Expenses (para 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

#### *Revenue Monitoring*

- 4.1 For this financial year, the overall budget variance is expected to be an efficiency of £0.287m with proposals to utilise this for in-year pressures given in Appendix A. It is proposed to earmark the in-year efficiencies towards 2024/25 cost pressures.

- 4.2 **Table 1** below summarises the main variations from revenue efficiencies and pressures (full summary at **Appendix B**).

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

Projected in year costs/(efficiencies)	Pressure/(efficiency) 2023-24 £'000	Reason
Property Services	390	Property related legal claim plus associated legal expenses
Streetwise	351	Hire of vehicles
Rushcliffe Oaks Crematorium	347	Income target originally set too high as growth will happen more gradually than originally modelled. Cost of grounds maintenance offset by NDR savings
Planning	259	Reduction in demand from new developments loss of income from planning fees, performance agreements and land searches
Utilities	(183)	Pessimistic budget set at height of volatility, projection based on current position identifies savings
Employee Expenses	(107)	Savings due to vacant posts (Customer Services, Finance, Revenues, BSU)
Economic Development	(20)	£20k contribution to UKSPF project officer
Other Variances	(31)	
<b>Net Revenue cost/(efficiencies)</b>	<b>898</b>	
Grant Income	(247)	New burdens and other funding
Business Rates	(319)	Reduced Business Rates Pool Levy payment
Business Rates Pool	(650)	Share of pool surplus
Business Rates	31	

Surplus/deficit		
<b>Total Net Projected Budget Variance</b>	<b>(287)</b>	

- 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 an initial lower target in the first few months allowing for growth in the new service. Since opening at Easter, income has been lower than expected because of this. Numbers are rising with an average of 38 cremations per month this quarter, however, the industry is currently experiencing low demand across the sector in Nottinghamshire. The income projection has been reduced since Quarter 1 to reflect the current position.
  - Streetwise are currently forecasting a budget pressure of £0.35m on vehicle hire whilst the recommendations from an independent report on carbon reduction are implemented along with action to purchase a light vehicle hire fleet which has now taken place.
  - Demand for planning services in relation to new developments has declined resulting in a loss of income.
  - £0.35m is also required in relation to a property related legal claim.

The main favourable variances arise from:

- Utilities savings: a pessimistic budget was set at a time of high price volatility; this has been revised based on 2022/23 actuals and expected usage in-year
- Savings due to vacant posts for whole or part year, notably in Finance and Corporate Services and Business Support unit.

A rise in interest income and costs recovered help to offset some of the overspends, however there is a £0.898m net overspend on cost of services. 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 deliver an overall expected efficiency of £0.287m for 2023/24, this is proposed to be used towards 2024/25 revenue pressures.

- 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 2023, is attached at **Appendix B**.
- 4.5 **Appendix E** shows the Quarter 2 position on the Special Expenses budget. The expenditure is currently expected to be £12.3k above budget mostly in relation to Community Halls reduced income linked to cost of living. 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 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 £2.681m to give a current budget of £17.683m. The projected outturn is £8.391m, resulting in an underspend of £9.292m, it is requested that £6.068m is rephased to £2024/25 and a further £1m to 2025/26. This is summarised in Table 2 below. It is requested that £1.31m is accelerated from the 2024/25 scheme for the Vehicle Replacement Programme in relation to the refuse collection vehicles following the fleet review.

**Table 2: Re-phasing of 2023/24 schemes**

Scheme	Amount to be rephased £'000
Support for Registered Housing Providers	2,000 (Split 24/25 & 25/26)
Traveller Site Acquisition	1,000
Cotgrave & Keyworth Leisure Centre Enhancements	1,500
Bingham Leisure Hub	730
West Park Julien Cahn Pavilion Special Expense	475
Edwalton Community Facility Special Expense	498
Hound Lodge Enhancements	250
Water Course Improvements	210
Manvers Business Park Enhancements	200
Highways at Cotgrave, Bingham and CB?	100
Gamston Community Centre Enhancements	50
Edwalton Golf Club Enhancements	30
Keyworth Cemetery	25
<b>Total to be rephased</b>	<b>7,068</b>

The remaining £2.224m underspend is due to the following main areas Offset by the £1.131m to be accelerated from 2024/25:

- Rushcliffe Oaks Crematorium £1.123m final account is yet to be agreed and may result in some savings
- Support for Registered Housing Providers £0.747m meetings taking place with Registered Providers, Developers and New Homes England to explore opportunities to commit this provision
- Bingham Arena Leisure Centre £0.583m for post opening enhancements which may arise
- Disabled Facilities Grants £0.332m
- Contingency £0.180m additional requirements not yet identified
- Gresham Sports Park Redevelopment £0.089m savings realised
- Arena Enhancements £0.078m
- Lutterell Hall Enhancements Special Expense £0.077m
- External Door/Window Upgrades Various Sites £0.046m no works yet identified.

- 4.8 The Council is due to receive capital receipts of £7.5m in the year, primarily from the disposals of land at Hollygate Lane, Candleby Lane Industrial Estate these now look more likely for 2024/25; and the final payment for overage agreement for Sharphill Woods 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 further which will mean a higher level of short-term, internal borrowing and this will also impact on interest earned on Councils cash balances.

#### *Pressures Update*

- 4.9 Staff pay increases represents a significant annual cost pressure to the Council which will need to be funded in 2024/25 onwards, this demand is supported by the in-year efficiency and subsequently form 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%. In September 2023, this had dropped to 6.7%, 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. The potential financial impact on Council Tax and Business Rates would be an increase in Collection Fund deficit, ultimately a pressure on the budget. Table 3 below shows the position at Quarter 2.

Table 3

Description	2023/24	2022/23	Increase/(Decrease)
Sundry Debtors	95.96%	95.20%	0.76%
Council Tax	57.50%	57.60%	(0.10%)
Business rates	67.20%	66.80%	0.40%

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 four most significant targets in the Council's Transformation Programme for 2023/24 are Rushcliffe Oaks Crematorium (£0.116m), the Parkwood Contract (£0.139m), Streetwise insourcing (£0.1m) and Planning Performance Agreements (£0.075m). At Quarter 2, a total of £0.278m of savings is projected against a full year target of £0.622 a shortfall of £0.344m mostly relating to income at the Crematorium, additional Streetwise costs as

discussed in paragraph 4.3 and £47.5k relating to income from Primary Authority contracts.

- 4.13 The value of the Council's Multi Asset investments or pooled funds is currently at £13.55m, a £1.4m 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. 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 there is a statutory override currently in place which has been extended to April 2025, however it is prudent to maintain a reserve whilst we retain such investments.

#### *Conclusion*


















- 4.14 The financial position in the revenue budget is showing a projected overspend of £0.898m; 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 £0.287m. 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 £0.287m projected underspend to mitigate these risks.
- 4.15 The position in 2023/24 on capital is currently positive and 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. In the long-term it will be more challenging to meet capital demands with diminishing resources. Headroom in the budget will be required to ensure future capital commitments can be met.
- 4.16 It is assumed that the Governments proposed funding reforms (Business Rates Reset, New Homes Bonus and Fairer Funding review) will not take place until at least 2026/27 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 Challenges still exist such as meeting the Council's 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 remains volatile it is imperative that the Council continues to monitor and maintain 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 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 2 continues to show the positive trends in most areas. 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 92.6% compared to target of 80%
  - LIDEG03 Percentage of non-major applications dealt with in 8 weeks or agreed period – performance at 88.2% 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 67.19% compared to the target of 57.66%
  - LIFCS22 Three out of four benefit / council tax reduction pis are below target and better than last year:
    - LIFCS22a Average number of days to process a new housing benefit claim
    - LIFCS22b Average number of days to process a change in circumstances to a housing benefit claim
    - LIFCS22d Average number of days to process a change in circumstances to council tax benefit claim
  - 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/m<sup>3</sup> against target of 40µg/m<sup>3</sup>
  - LINS51 Number of leisure centre users - public – user visits are 96,000 above target
  - LINS73b Income generated from parks, pitches and open spaces – income is over £12k above target.
- 4.21 Three corporate and four operational indicators are 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				
<b>Strategic Tasks</b>				<b>Strategic Tasks</b>				
 2	 2	 0	 0	 2	 2	 0	 0	
There are no task exceptions this quarter.				There are no task exceptions this quarter.				
<b>Performance Indicators</b>				<b>Performance Indicators</b>				
 1	 0	 1	 3	 0	 0	 0	 3	 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.				There are no performance exceptions.				






QUALITY OF LIFE				SUSTAINABLE GROWTH				
<b>Strategic Tasks</b>				<b>Strategic Tasks</b>				
 3	 4	 0	 0	 1	 7	 0	 0	
There are no task exceptions this quarter.				There are no task exceptions this quarter.				
<b>Performance Indicators</b>				<b>Performance Indicators</b>				
 1	 0	 1	 1	 5	 0	 1	 4	 4
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 quarterly Corporate Overview Scrutiny Group.

Operational Scorecard – Performance Indicators				
 17	 2	 4	 10	 1
<p>There are four performance exceptions to report.</p> <p>LIDEG01 Percentage of householder planning applications processed within target times</p> <p>LIDEG17 Percentage of planning enforcement inspections carried out in target time</p> <p>LIFCS61a Percentage of calls answered in 60 seconds</p> <p>LINS73b Income generated from parks, pitches and open spaces</p> <p>Explanations are provided in the appendix.</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 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 2026/27); Government policy in relation to waste

collection has now been delayed until 2025 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 although this now accounts for a much smaller proportion of the Business Rates and therefore reduced risk. 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.

### 6.5. Biodiversity Net Gain Implications

There are no direct biodiversity net gain 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 £0.287m and proposals to earmark this for cost pressures (para 4.1);
- b) the projected capital budget efficiencies of £9.292m including the re-profiling of provisions totalling £6.068m to 2024/25 and £1m to 2025/26 (para 4.7);
- c) the expected outturn position of £12.3k overspend for Special Expenses (para 4.5);
- d) identified exceptions to judge whether further information is required.

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