



Corporate Overview Group

Tuesday, 20 February 2024

Financial and Performance Management

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. This report outlines the quarter three 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 £0.665m for 2023/24 mostly as a result of Business Rates Pool and additional grants received. This represents a variance of 4.53% of Net Service Expenditure. This is proposed to be transferred to reserves as discussed below. The position is likely to change as further variances are identified in the final quarter.
- 1.4. There is a capital budget efficiency underspend projected of £3.880m, this is primarily due to Rushcliffe Oaks Crematorium £1.188m, Support for Registered Housing Providers £0.747m, Bingham Leisure Centre post opening enhancements £0.733m, Disabled facilities grants £0.332m and unallocated contingency £0.180m.

2. Recommendation

It is RECOMMENDED that the Corporate Overview Group considers:

- a) the expected revenue budget efficiency for the year of £0.665m and proposals to transfer to reserves
- b) the projected capital budget efficiencies of £3.880m including carry forwards of £0.430m to 2024/25
- c) the expected outturn position of £2.3k underspend for Special Expenses
- 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 £0.665m with proposals to transfer to reserves given in **Appendix A**.
- 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
Planning	304	Reduction in demand from new developments resulting in loss of income from planning fees, performance agreements and land searches. Q2 was £259k and shows a worsening position.
Legal Services	455	Property related legal claim plus associated legal expenses
Rushcliffe Oaks Crematorium	400	Income target originally set too high as growth will happen more gradually than originally modelled. Cost of grounds maintenance.
Streetwise	295	Hire of vehicles
Grant income	(323)	Homelessness top-up and Homes for Ukraine grants underspends (carry forward request)
Utilities	(257)	Pessimistic budget set at height of volatility, projection based on current position identifies savings
Depot & Contracts	(181)	Leisure contract efficiencies (£149k) and increase in garden waste income (£32k)
Revenues & Benefits	(160)	Increase in costs recovered, £140k relates to Housing Benefit overpayments
Diesel	(108)	Reduction in the price of diesel and postponement of more expensive HVO (Hydrotreated Vegetable Oil) transition
Economic Development	(100)	Development corporation rephased £50k 2024/25 and £50k 2025/26
Other Variances	18	

Net Revenue cost/(efficiencies)	343	
Grant Income	(161)	New burdens and other funding
Business Rates	(305)	Lower Business Rates Pool Levy payment than budgeted
Business Rates Pool	(573)	Share of pool surplus
Business Rates Surplus/deficit	31	
Total Net Projected Budget Variance	(665)	

4.3 The main adverse variances arise from:

- Rushcliffe Oaks Crematorium 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 April 2023, income has been lower than expected due to lower number of cremations. There continues to be an average of 38 cremations per month, the industry is currently experiencing low demand across the sector in Nottinghamshire and the business case and projections have been reworked based on this
- Streetwise are currently forecasting a budget pressure of £0.295m predominantly on vehicle hire whilst the recommendations from an independent report on carbon reduction are implemented along with action to purchase the light vehicle hire fleet which has now taken place
- Demand for planning services in relation to new developments has declined due to interest rates impacting housing demand, resulting in a loss of income of £0.304m
- £0.455m is also required in relation to a property related legal claim.

The main favourable variances arise from:

- Grant income relating to homelessness and homes for Ukraine, underspend to be added to specific reserve
- Utilities savings: a pessimistic budget was set at a time of high price volatility; this has been revised based on expected usage in-year
- Leisure contract efficiencies £0.149m, and increased income from garden waste £32k
- Costs recovered on Housing Benefit overpayments £0.14m, Council Tax and NNDR
- The transition to the use of HVO (Hydrotreated Vegetable Oil) a joint project with Nottingham City Council, has been delayed due to their current financial constraints, however discussions remain ongoing. HVO is 30% more expensive than diesel and in addition the cost of diesel has reduced resulting in expected savings of £0.108m
- Development Corporation: £167k was allocated in the budget for the third and final payment to the East Midlands Development Company (EM DevCo) which was set up as a proposed forerunner to a statutory development corporation for the Ratcliffe on Soar power station site, Toton & Chetwynd Barracks and East Midlands Airport. Due to the delay in the

passing of the Levelling Up and Regeneration Act, which received Royal Assent in October last year, a statutory development company has not yet been set up. It has been anticipated that either a locally-led urban development company or a Mayoral development company linked to the proposed East Midlands Combined County Mayoral Authority may be set up. Approval was granted at Cabinet 12 December 2023 to move the £0.1m underspend to reserves and release in 2024/25 (£50k) and 2025/26 (£50k) in order that the Council can continue to support the work of the EM DevCo over the next two years.

There is a £0.343m net overspend on cost of services, however a rise in interest income and costs recovered help to offset some of this. 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 £0.665m for 2023/24, Appendix A details the proposed use of this; transfer of £0.335m to specific grant reserves, £0.2m to the organisation stabilisation reserve for cost pressures, £0.1m to Development Corporation reserve, with the balance allocated to the climate change reserve.

- 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 2023, 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 £2.3k below due to Community Halls reduced income linked to cost of living, however, this has been offset by utilities savings due to a pessimistic budget set at a time of volatile pricing. This position may change later in the final quarter.

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 December 2023. **Appendix D** provides further details about the progress of the schemes, any necessary re-phasing, and highlights efficiencies.
- 4.7 The current Capital Programme budget of £12.417m includes rephasing of £7.068m (£6.068m to 2024/25, £1m 2025/26) approved at quarter 2. The projected outturn is £8.537m, resulting in an underspend of £3.880m. Further carry forwards of £0.430m have been identified and are requested to be approved to 2024/25. These are summarised in **Table 2** below.

Table 2: Carry Forwards requested to 2024/25

Scheme	Amount to be rephased £'000
Rushcliffe Oaks	150
Manvers Business Park Enhancements	100
Greythorn Drive Play Area Special Expense	80
Rushcliffe Country Park Play Area	75
Bridgford Park Kiosk	25
Total carry forward requests	430

The remaining £3.450m underspend is due to the following main areas:

- Rushcliffe Oaks Crematorium £1.188m - the final retention is yet to be released, savings arise from a VAT provision which is not required in 2023/24, however a carry forward of £0.150m is requested for this risk in 2024/25
- 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 £0.733m - for post opening enhancements this is now a confirmed saving
- Disabled Facilities Grants was topped up by £0.5m of RBC resources of which £0.332m currently remains uncommitted, any unspent amount at year end will be requested to be carried forward and utilised in 2024/25
- Contingency £0.180m
- Arena Enhancements £0.103m earmarked for reception and corridor floors, if works are not completed in year this will be requested to be carried forward to 2024/25
- Gresham Sports Park Redevelopment £79k savings realised
- Lutterell Hall Enhancements Special Expense £77k works not yet identified, savings may be realised
- External Door/Window Upgrades Various Sites £46k no works yet identified.

4.8 The Council was due to receive capital receipts of £7.5m in the year, primarily from the disposals of land at Hollygate Lane and Candleby Lane Industrial Estate. £3.7m (50%) for Hollygate Lane has been received, with balances due in 2024/25. 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 the Council's 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 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%. In December 2023, this had dropped to 4%, 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. Inflation will be reflected in the 2024/25 budget but remains a risk.
- 4.11 There is also the potential knock-on effect that the increased cost-of living may have on collection rates for Council Tax and Business Rates and on fees and charges as household disposable incomes contract. The potential financial impact on Council Tax and Business Rates would be an increase in Collection Fund deficit and ultimately a pressure on the budget. Table 3 below shows the position at Quarter 3.

Table 3 – Collection Rates

Description	2023/24	2022/23	Increase/(Decrease)
Sundry Debtors	95.86%	95.69%	0.17%
Council Tax	84.99%	85.33%	(0.34%)
Business rates	88.46%	87.32%	1.14%

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 (£75k). At Quarter 3, a total of £0.298m of savings is projected against a full year target of £0.622 a shortfall of £0.324m mostly relating to income at the Crematorium, additional Streetwise costs as discussed in paragraph 4.3 and £47.5k relating to income from Environmental Health Primary Authority contracts not materialising (due to a lack of appropriately qualified resource being available).
- 4.13 The value of the Council's Multi Asset investments or pooled funds is currently at £14.02m, a £0.985 loss against original investment, this has improved from £1.4m loss reported in quarter 2. 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 the value of these assets only represents around 14% of total investments but deliver 32% of the Council's overall return on investments. They are long term investments and form part of the Council's Capital and Investment Strategy approved by Full Council as part of the (MTFS). There is a statutory override currently in place which allows any movement in capital value to be reversed through unusable reserves removing the impact on the revenue account. This has

been extended to 31 March 2025, however 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 £0.343m; 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 £0.665m. Inflation and the consequential rising costs of living and pay award present significant risks to the Council's budget. These risks have been built into the budget setting for the MTFs (Medium Term Financial Strategy) and are mitigated by the prudent use of reserves. The Council will wherever possible utilise any underspend to increase reserves to mitigate future 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 rising capital demands (such as DFGs and Waste Collection) with diminishing resources and rising costs. Headroom in the budget will be required to ensure future capital commitments can be met.
- 4.16 It is assumed that the Government's 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 change the political agenda. The autumn spending failed to give any long-term clarity beyond one year and there were no significant new funding streams. This continues to 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 Strategic tasks have progressed throughout the 2017-2023 period and have been refreshed in the Corporate Strategy 2024-2027. The new strategy will be monitored from Quarter 1 2024-25.

4.20 Performance in quarter 3 continues to show the positive trends. Good performance is particularly evident in the following performance indicators:



















- LIDEG40 Percentage of RBC owned industrial units occupied – occupation levels are currently at 100%
- LIDEG41 Level of income generated through letting property owned by the Council but not occupied by the Council – collection is currently £66k above target
- LIFCS21 Percentage of Non-domestic Rates collected in year – the current collection rate is 88% compared to the target of 82.5%
- LIFCS62 Percentage increase in self-serve transactions – currently 3.68 above target
- LINS14 Average NOx level for Air Quality Management Areas in the Borough – currently 24µg/m³ against target of 40µg/m³, an improvement on quarter 2
- LINS24 Number of affordable homes delivered – below target in quarter 2, now above target
- LINS25 Number of households living in temporary accommodation – currently 6 households compare to target of 20
- LINS29a Number of successful homelessness preventions undertaken – 58 to date compared to target of 54
- LINS73b Income generated from parks, pitches and open spaces – currently £30k above target.

4.21 There are two corporate and three 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	 0	 0	 0	 3	 0

EFFICIENT SERVICES	ENVIRONMENT
LIFCS15 Value of savings achieved by the Transformation Strategy against the programme at the start of the financial year	Performance exceptions - none

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	 6  0  0  4  4
LINS72b Percentage usage of community facilities An explanation is provided in the appendix.	Performance exceptions - none

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, 34 measures make up the Operational Scorecard, presented for scrutiny at the quarterly Corporate Overview Scrutiny Group. The scorecard has two less indicators than in 2022-23, these were removed from monitoring in Service Plans.

- LIFCS23 Percentage of Revenues Services customers surveyed that were satisfied with the level of service provided
- LINS21a Percentage of eligible households taking up the green waste collection service.

Operational Scorecard – Performance Indicators



23



2



3



5



1

There are three performance exceptions to report.

LIDEG01 Percentage of householder planning applications processed within target times

LIFCS61a Percentage of calls answered in 60 seconds

LINS73a Income generated from community buildings

Explanations are provided in the appendix.

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 beyond. The Council remains committed to the Freeport and Development Corporation opportunities.
- 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 a reduced risk. Furthermore, changes in Central Government policy influences Business Rates received and their

timing, for example policy changes on small Business Rates relief such as the decoupling of the small and standard business rates multiplier announced in the autumn statement.

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

The Environment	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	
Quality of Life	

8. Recommendations

It is RECOMMENDED that the Corporate Overview Group scrutinises:

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- c) the expected outturn position of £2.3k underspend for Special Expenses
- 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 Cabinet 12 September 2023 – Q1 Revenue and Capital Monitoring Cabinet 4 December 2023 – Q2 Revenue and Capital Monitoring
List of appendices:	Appendix A – Projected Revenue Outturn Position 2023/24 – December 2023 Appendix B – Revenue Variance Explanations – December 2023 Appendix C – Capital Programme 2023/24 – December 2023 Appendix D – Capital Variance Explanations 2023/24 December 2023 Appendix E – Special Expenses Monitoring December 2023 Appendix F – Corporate Scorecard Appendix G – Operational Scorecard