



## Corporate Overview Group

Tuesday, 7 July 2020

## Finance and Performance Management

### Report of the

#### 1. Purpose of report

- 1.1. This report outlines the quarter four position in terms of financial and performance monitoring for 2019/20. The draft Statement of Accounts has been prepared and was approved by the Executive Manager – Finance and Corporate Services by 9 June 2020.
- 1.2. Due to additional work pressures as a result of Covid-19, the approval of the draft accounts was only nine days later than planned (and earlier than many authorities). This is well within the statutory deadlines which have been extended, to 30 August 2020, as a result of the Covid-19 pandemic with approval of the audited statements now 30 November 2020.
- 1.3. Officers continue to monitor tasks in the Corporate Strategy 2019-23 (**Appendix D**) and performance measures within the Corporate Scorecard (**Appendix E**) to ensure that these are on track with targets. The Group is asked to bear in mind that this report focuses on performance information up to the end of March 2020. Data relating to quarter one of the current year will be reported at the next meeting of the Group. Officers are mindful that Councillors will naturally have concerns about the impact of Covid-19 on the council's performance and, in response to that concern, an additional report has been included later on the agenda to provide insight into this matter.

#### 2. Recommendation

It is RECOMMENDED that the Group:

- a) Notes the 2019/20 revenue position and efficiencies identified in **Table 1**, and the carry forwards in Table 2;
- b) Notes the associated changes to the earmarked reserves as set out at **Appendix B** and the transfer of 3 reserves totalling to £0.524m as stated in paragraph 4.8 to the Organisation Stabilisation Reserve from 2020/21;
- c) Notes the re-profiled position on capital and capital carry forwards outlined in **Appendix C**;
- d) Notes the update on the Cricket Club loan in Section 5;

- e) Discusses the identified finance and performance exceptions;
- f) Considers whether scrutiny is required for identified exceptions.

### 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

- 4.1. The Council is required to categorise its income and expenditure as either revenue or capital. The General Fund account deals with the Council's revenue income and expenditure, where spend is incurred on day to day expenditure or on items used within the year. Capital income and expenditure is included in the capital programme. The Financial Outturn, for both Revenue and Capital, is presented below.

#### Revenue Outturn

- 4.2. The net revenue position shows a transfer to reserves of £1.348m (originally planned to be a transfer to reserves of £425k adjusted down to £197k to reflect carry forward commitments) a net increase of £1.151m and equivalent to 10% of the net budget. The majority of the transfer is the distribution of the Nottinghamshire Pool Surplus (of £0.409m which is partially offset by the growth payment to the pool) and the realised increase in renewable energy business rates from 2018/19 (0.381m). The remaining transfer (£0.619m) arises from revenue efficiencies reported throughout the year mainly due to additional planning income, increased investment income, car park receipts and rental income from investment properties.

**Table 1: Revenue Outturn Position Quarter 4**

	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
<b>Communities</b>	1,237	1,317	1,238	(79)
<b>Finance &amp; Corporate Services</b>	4,660	4,708	4,537	(171)
<b>Neighbourhoods</b>	5,241	5,142	5,121	(21)
<b>Transformation</b>	1,687	1,775	1,427	(348)
<b>Net cost of services</b>	<b>12,824</b>	<b>12,942</b>	<b>12,323</b>	<b>(619)</b>
<b>Capital Accounting Reversals</b>	(2,333)	(2,333)	(2,333)	0
<b>Minimum Revenue Provision</b>	1,000	1,000	1,000	0
<b>Total Net Service Expenditure</b>	<b>11,491</b>	<b>11,609</b>	<b>10,990</b>	<b>(619)</b>
<b>Grant Income (New Homes Bonus and new burdens)</b>	(1,935)	(1,825)	(1,823)	2
<b>Business Rates (including SBRR)</b>	(3,767)	(3,767)	(4,301)	(534)
<b>Council Tax</b>	(6,646)	(6,646)	(6,646)	0

	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
<b>Collection Fund Surplus</b>	300	300	300	0
<b>Total Funding</b>	<b>(12,048)</b>	<b>(11,938)</b>	<b>(12,470)</b>	<b>(532)</b>
<b>Surplus (-)/Deficit on Revenue Budget</b>	<b>(557)</b>	<b>(329)</b>	<b>(1,480)</b>	<b>(1,151)</b>
<b>Capital Expenditure financed from reserves</b>	132	132	132	0
<b>Net Transfer to (-)/from Reserves</b>	<b>(425)</b>	<b>(197)</b>	<b>(1,348)</b>	<b>(1,151)</b>
<b>Technical adjustments reversed through reserves</b>				
<b>Reduction in value of Financial Investments</b>				1,238
<b>In-year surplus/deficit on collection fund</b>				(376)
<b>In-year increase in renewable energy increase</b>				(109)
<b>Net after statutory adjustments</b>				<b>(398)</b>

- 4.3. Technical adjustments for the collection fund are made to account for entries that are required to be reported in the accounts (the in-year surplus) but are reversed through reserves with no impact on the general fund. These accounting adjustments relate to Business Rates surplus £0.35m, Renewable energy £0.109m and Council Tax Surplus £0.026m.
- 4.4. The COVID-19 pandemic has had a negative effect on the economic outlook and has directly affected the Council's Treasury Investments (see Cabinet 12 May 2020). There has been a reduction in the value of the financial assets held by the Council and as at 31 March 2020 this was £1.2m. This reduction in value is charged to the revenue account in 2019/20 in accordance with statute. However this reduction is reversed through reserves and therefore does not affect the bottom-line revenue position.

#### Business Rates

- 4.5. The Council ensured the discretionary business rates reliefs were applied, resulting in 55 businesses benefitting from £0.429k of additional discretionary rates relief.
- 4.6. The Council ensures businesses maximise the benefit of the relief available. As can be seen below 407 businesses benefitted from the various types of relief, amounting to £0.698m.

Scheme	Value of relief awarded	Number of businesses
Retail Discount Scheme	£618,735.10	252
Local Discretionary Scheme	£49,684.60	135
Supporting Small Businesses	£29,571.40	20
<b>Total</b>	<b>£697,991.10</b>	<b>407</b>

## Reserves

4.7. There are a number of movements in Reserves largely agreed as part of the budget setting process and budget monitoring for 2019/20. The overall net movement on reserves is of £1.661m detailed at **Appendix B**. This comprises £1.348m from revenue outturn; £235k funding adjustment, £78k relating to capital reserves movements. The key points to note are:

- There are a number of ‘transfers out’ or use of reserves totalling £2.543m including: £1.042m from the New Homes Bonus reserve, £1m of which is to offset the Minimum Revenue Provision (MRP) arising from internal borrowing to fund the Arena;
- £1.157m is transferred out from the Organisation Stabilisation Reserve. £1m of this was agreed by Council 05.03.20 to create a Climate Change Reserve; £110k meets the Positive Futures grants; the balance released to meet revenue 18-19 carry forward commitments;
- There are a number of ‘transfers in’ totalling £4.204m that increase reserves. Significant items comprise: £1.621m New Homes Bonus receipts; £1m to create the Climate Change reserve detailed above; and £1.414m to top up reserves and general contingency (£0.6m revenue underspend and £0.5m funding surplus);
- The New Homes Bonus (NHB) Reserve balance at 31.03.20 of £7.186m is largely earmarked to fund internal borrowing in relation to capital projects such as the Arena;
- Overall, whilst the level of Earmarked Reserves is a healthy £13.479m, there are risks going forward in terms of the financial pressures arising from COVID-19 (Cabinet 12 May 2020) and further reductions and commitments from reserves to capital projects. This includes the repayment of internal borrowing for the Arena, which was reliant on NHB receipts and these are predicted to cease at the end of 22/23;
- The General Fund balance of £2.604m accords with the Council’s approved Medium Term Financial Strategy.

4.8 Given the likelihood that there will be a large transfer from the Organisation Stabilisation Reserve to support the Council’s revenue budget (as a result of the financial challenges presented by Covid-19) the earmarked reserves have been reviewed in terms of both their previous and potential use. The following reserves are not planned to be used and it is therefore recommended that these

are transferred into the Organisation Stabilisation Reserve, amounting to £0.524m:

#### 4.9 Revenue carry forward requests:

The Council is committed to growing the Borough, ensuring it maximises available opportunities, particularly linked to the impact of growth. Below are requests for the use of reserves in 2020/21 (from 2019/20 efficiencies), for both expected and new revenue commitments totalling £0.265m – detailed in table 2 below.

**Table 2: Revenue Budget Carry Forward Requests**

Revenue Carry Forward Requests unspent in-year provision			
<b>Development Corporation</b>			100
<b>Shop Front</b>			22
<b>Growth Board</b>			55
<b>Loneliness Reserve</b>			8
<b>General Contingency</b>			85
<b>TOTAL</b>			270

#### Capital

4.10 The year-end Capital Programme provision totalled £25.302m (see Table 3 and **Appendix C**). Actual expenditure in relation to this provision totalled £6.061m (27%) giving rise to a variance of £19.241m, £19.181m of which is recommended to be carried forward. This position was expected and reported during the year. Significant commitments have been made with regard to Strategic Asset Investments in the Borough. The complexity of these investments makes timing of the actual spend difficult to predict. In addition, such major decisions do need to be reassessed in the light of significant changes to the financial and economic climate. This will be done early in 2020/21. The delivery of the Bingham Hub leisure and office scheme progressed well in the design stages with the build expected to commence in 2020/21.

The main variations are:

- Asset Investment Strategy £6.632m – £4.554m is earmarked for two strategic Asset Investments in the Borough. These two acquisitions will generate revenue income streams to support the revenue budget in future years. The balance of £2.078m is uncommitted;
- Bingham Leisure Hub and Offices £4.408m – detailed design works and surveys were undertaken in 2019/20 with anticipated commencement of the building works in 2020/21;
- Cotgrave Regeneration Scheme Phase II £1.859m – the Public Realm was completed in 2019/20 but enhancements to the second phase of shops continues into 2020/21;

- Industrial Units Moorbridge £1.750m – an initial delay in planning and then a re-design was required due to ground conditions. This scheme is no longer progressing and the sum can be returned to the Asset Investment Strategy;
- Support for Registered Housing Providers £1.396m as officers continue to explore options for the delivery of affordable housing.

4.11 **Appendix C** highlights the main variances and summarises, as well as the carry forward amounts (£19.181m); efficiency savings (£69k); overspends (£7k); and acceleration (£2k).

**Table 3: Summary of Capital Expenditure 2019/20**

<b>CAPITAL PROGRAMME MARCH 2020</b>			
<b>EXPENDITURE SUMMARY</b>	<b>Current Budget</b>	<b>Projected Actual</b>	<b>Projected Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Transformation</b>	13,612	3,890	(9,722)
<b>Neighbourhoods</b>	3,448	1,299	(2,149)
<b>Communities</b>	818	284	(534)
<b>Finance &amp; Corporate Services</b>	7,329	588	(6,741)
<b>Contingency</b>	95	0	(95)
	<b>25,302</b>	<b>6,061</b>	<b>(19,241)</b>
<b>FINANCING ANALYSIS</b>			
<b>Capital Receipts</b>	(6,054)	(5,196)	858
<b>Government Grants</b>	(1,663)	(796)	867
<b>Other Grants/Contributions</b>	(489)	(15)	474
<b>Use of Reserves</b>	(481)	(54)	427
<b>Borrowing</b>	(16,615)	-	16,615
	<b>(25,302)</b>	<b>(6,061)</b>	<b>19,241</b>
<b>NET EXPENDITURE</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Financial Outturn Conclusion

4.12 The Council continues to face many significant financial challenges notwithstanding COVID-19. The 2019/20 financial outturn position demonstrates how the culture of the Council drives efficiency savings to enable it to invest and grow the borough.



















4.13 The financial position will assist the Council in facing future financial challenges and meet its ambitions to improve services, enhance assets and grow the Borough. A number of commitments, both revenue and capital, are identified in

the report to be resourced from the improved reserve position, particularly linked to the Council's growth agenda.


















- 4.14 A healthy position on reserves is necessary to insulate the Council against significant financial risks (and take advantage of opportunities) it faces both now and in the future. However, the COVID-19 pandemic has placed significant financial pressure upon the Council's resources due to decreased income streams and additional cost pressures. The Council is anticipating a significant budget gap that is unlikely to be fully replenished by additional Government funding. The in-year underspends referred to in paragraph 4.7 will be transferred to the organisational stabilisation reserve to assist the Council in meeting the financial pressures created by COVID-19 pandemic. A revised budget is due to be presented in September to Full Council.
- 4.15 Uncertainties prevail surrounding the Comprehensive Spending Review (now delayed from July) and both the business rates revaluation and the Fairer Funding reviews which were due to take place in 2020/21 now postponed to 2021/22. Consequently, it is unlikely that the Council will receive resource allocations for three years as expected, making financial planning for the medium term increasingly challenging
- 4.16 The deadline for submission of the year-end return for Business Rates (NDR 3 form) has also been extended to reflect the additional pressures of COVID-19. The NDR 3 forms would normally have been approved and returned prior to completion of the Statement of Accounts however, the form was not finalised until after the draft statement had been produced. During finalisation of the NDR 3 form, the value of reliefs (that are subject to reimbursement in S31 grants) were amended and this has effectively reduced the amount due to the Council. This report reflects the final position and the Statement of Accounts will be amended before the Accounts are approved at Governance Scrutiny Group.
- 4.17 The year-end Financial Statements are subject to audit by Mazars and will be considered by the Governance Group in September 2020.

#### Strategic Scorecard

- 4.18 Performance of the tasks and measures within the strategic scorecard has been positive, with five tasks completing within the first twelve months, and the remainder making progress. Of the 31 performance indicators, five have not met their target. Some of these performance indicators have not met or are lower than expected at outturn as a result of the COVID-19 pandemic and this dip in performance will continue into at least the first quarter of the new year.
- 4.19 Further details and a key to symbols is shown in **Appendices D and E**.






EFFICIENT SERVICES					ENVIRONMENT				
Strategic Tasks					Strategic Tasks				
 2	 2	 0	 0		 1	 1	 0	 0	
<p>There are no task exceptions this quarter.</p> <p><b>ST1923_07 Relocation of R2Go service and Streetwise</b> – task is complete</p> <p><b>ST1923_09 Relocate the Rushcliffe Community Contact Centre in West Bridgford</b> – task is complete</p>					<p>There are no task exceptions this quarter.</p> <p><b>ST1923_ Refresh our carbon management plan and establish a carbon neutral target</b> – task is complete</p>				
Performance Indicators					Performance Indicators				
 1	 0	 1	 3	 1	 1	 1	 0	 1	 0
<p><b>LITR03a – Percentage increase in self-serve transactions</b> has been identified as an exception. An explanation is provided in the appendix.</p>					<p>No performance exceptions identified this quarter.</p>				



QUALITY OF LIFE				SUSTAINABLE GROWTH				
Strategic Tasks				Strategic Tasks				
 0	 5	 0	 0	 1	 4	 0	 0	
There are no task exceptions this quarter.				There are no task exceptions this quarter. <b>ST1923_ Review the asset (property) management plan – task is complete</b>				
Performance Indicators				Performance Indicators				
 2	 0	 3	 0	 7	 0	 1	 4	 4
<p><b>LICO64 – Number of pavilion, community hall and playing field users</b> has been identified as an exception. An explanation is provided in the appendix.</p> <p><b>LICO64 – Percentage usage of community facilities</b> has been identified as an exception. An explanation is provided in the appendix.</p> <p><b>LINS51 – Number of leisure centre users – public</b> has been identified as an exception. An explanation is provided in the appendix.</p>				<p><b>LINS24 – Number of affordable homes delivered</b> has been identified as an exception. An explanation is provided in the appendix.</p>				

### Operational Scorecard

4.20 The Council's operational business is also monitored and 38 measures make up the Operational Scorecard. There are seven exceptions and explanations are shown in **Appendix E**.

Operational Scorecard – Performance Indicators				
 22	 1	 7	 5	 3
<p>LICO41 Percentage of householder planning applications processed within target times</p> <p>LICO60 Percentage of planning enforcement inspections carried out in target time</p> <p>LINS19a Number of household waste (residual, dry and garden) missed twice or more in a 3 month period</p> <p>LINS37 Domestic burglaries per 1,000 households</p> <p>LINS38 Robberies per 1,000 population</p> <p>LINS39 Vehicle crimes per 1,000 population</p> <p>LITR02a Percentage of calls answered in 40 seconds (cumulative)</p> <p>These have been identified as exceptions. An explanation is provided for each in the appendix.</p>				

## **5. Cricket Club Loan Update**

- 5.1. The Council has received monthly project update reports prior to authorising any loans. Additionally the Section 151 Officers for RBC, Nottingham City Council and Nottinghamshire County Council meet on a quarterly basis with the Cricket Club Finance Director. Monthly loans have been authorised (from October 2016) with £1.878m being loaned at a rate of 4.31% and new loans of £87k at a revised interest rate of 4.77%. Interest repayments totalling £77k were received in the year.
- 5.2. The extension of the Radcliffe Road Stand was completed in 2018/19. Peripheral associated works, supported by the loan, were finalised in 2019/20 and the final tranche of the loan (£15k) was released. At 31 March 2020, a total advance of £1.965m has been made against the original loan approval of £2.7m. The balance of £735k is no longer required.
- 5.3. The impact of COVID-19 on the Cricket Club led to a re-negotiation of the principal due at 31.03.20. The sum of £55k has now been deferred until the end of the loan agreement (2036) or earlier, if the Cricket Club deem this possible. Principal repayments received total £191k and the loan outstanding at 31.03.20 stands at £1.774m.

## **6. Risks and Uncertainties**

- 6.1. The improved financial position to reserves will assist the Council to meet financial pressures in an increasingly volatile environment. Pressures are emerging from COVID-19, which will require the Council to respond quickly.
- 6.2. Business rates is subject to specific risk given the volatile nature of the tax base and the complexity of the system particularly at risk of a reduction in tax base due to COVID-19. Changes in central government policy influences business rates received and their timing, for example policy changes on small business rates relief, which makes forecasting both the budget and outturn positions challenging.
- 6.3. Covid-19 will impact on Council performance and a separate report on this agenda covers the key areas effected.

## **7. Implications**

### **7.1. Financial Implications**

These are contained within the body of the report with commentary on revenue (Section 4.1 to 4.4), Business Rates (sections 4.5 and 4.6) reserves (section 4.7 to 4.8), capital (section 4.10) and the cricket club loan update (section 5).

### **7.2. Legal Implications**

There are no direct legal implications for finance or performance.

### 7.3. Equalities Implications

There are none for this report.

### 7.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are none for this report.

## 8. 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	

## 9. Recommendations

It is RECOMMENDED that the Group

- a) Notes the 2019/20 revenue position and efficiencies identified in **Table 1**, and the carry forwards in Table 2;
- b) Notes the associated changes to the earmarked reserves as set out at **Appendix B** and the transfer of 3 reserves totalling to £0.524m as stated in paragraph 4.8 to the Organisation Stabilisation Reserve from 2020/21;
- c) Notes the re-profiled position on capital and capital carry forwards outlined in **Appendix C**;
- d) Notes the update on the Cricket Club loan in **Section 5**;
- e) Discusses the identified finance and performance exceptions;
- f) Considers whether scrutiny is required for identified exceptions.

<b>For more information contact:</b>	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148 238 Email: plinfield@rushcliffe.gov.uk
<b>Background papers available for Inspection:</b>	Previous Revenue and Capital monitoring reports throughout the year Budget Update – Cabinet 12 May 2020

**List of appendices:**

Appendix A – Revenue Budget 2019/20 – Main  
Variances  
Appendix B – Movement in Reserves  
Appendix C – Capital Programme 2019/20  
Outturn  
Appendix D – Strategic Tasks  
Appendix E – Corporate and Operational  
Scorecards