Rushcliffe Borough Council	**Corporate Overview Group** **Tuesday, 22 September 2020** **Finance and Performance Management Quarter 1**

Report of the Executive Manager – 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 2020/21.

1.2. This report presents the budget position for revenue and capital as at 30 June 2020. Details of this report form part of the Expected Outturn Budget Report to be taken to Council on 24 September and includes the in-year variances along with variances resulting from Covid-19.

1.3. Given the current financial climate, particularly relating to the impact of Covid-19, 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.

1.4. As previously reported to Cabinet, the effects of Covid-19 will have a negative impact on the Council's finances. The anticipated budget gap caused by the pandemic is partially offset by additional government grants and in-year efficiencies with an overall net in-year position of £0.422m budget gap. This position is likely to change as further variances are identified during the year, further government funding is announced or in the event of a second wave or local lockdown.

1.5. The Capital Programme shows a planned underspend of £24.8m largely due to slippage in two major schemes (Bingham Hub and Crematorium) and uncommitted funds in the Asset Investment Strategy.

1.6. Monitoring of tasks in the Corporate Strategy 2019-23 in **Appendix D** and performance measures within the Corporate Scorecard in **Appendix E** to ensure that these are on track with targets.

2. Recommendation

It is RECOMMENDED that the Corporate Overview Group notes:

a) the projected net effect of in-year efficiencies (£0.624m) and Covid-19 pressures (£2.564m) and Covid Government funding (£1.518m) resulting in an expected net revenue position for the year of £0.422m;

b) a projected £2.864m net surplus on Business Rates as a result of additional S31 reliefs and that this surplus is to be transferred to the

Organisation Stabilisation Reserve to offset the expected Collection Fund deficit in later years;

c) the capital underspend of £24.8m as a result of planned programme slippage;

d) the projected Special Expenses position with a projected deficit of £0.119m for the year to be financed by a loan from the Council, terms to be consulted on with the West Bridgford CIL and Special Expenses Group; and

e) considers whether scrutiny is required for identified performance 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

Financial Monitoring – Revenue

4.1. The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 June 2020 attached at **Appendix B**. For *this financial year* the budget gap including Covid-19 related pressures and in-year efficiencies is expected to be at least £0.422m (expected position) and up to a worst case scenario of £1.733 (both scenarios take into account current Government funding of £1.518m). Table 1 below summarises the main variations from revenue efficiencies and Covid-19 related pressures.

Table 1: Main Items Impacting on Current Revenue Budget

	Pressure/(Saving) (£m) 2020/21
Reductions in income	**£1.253**
Return on Investments	0.030
Hire of Facilities	0.183
Car Parking	0.450
Development Control	0.200
Land Charges	0.050
Commercial Activity	0.225
Other Lost Income	0.115
Additional Costs	**£1.489**
Anti-social behaviour/PPE	0.042
Leisure	1.033
Waste Collection/Street Cleansing	0.177
Homelessness	0.069

	Pressure/(Saving) (£m) 2020/21
Increase in Bad Debt Provision	0.100
Other Costs	0.068
Total Covid Related Budget Pressure	***2.742***
Covid related savings	(0.133)
Furlough	(0.045)
Net Covid Related Budget Pressure	**2.564**
Projected In year costs/(savings):	
Pay award additional 0.75%	0.070
Vacancies	(0.256)
Rental Income (new property)	(0.122)
Garden Waste Income	(0.076)
Housing Benefit Subsidy	(0.142)
Diesel (price reduction)	(0.029)
Other efficiencies	(0.069)
Total projected in-year efficiency savings	**(0.624)**
Net Revenue Position	**1.940**
Government funding	(1.518)
Total Net Projected Budget Gap	**0.422**

4.2. **Appendix A** shows projected net revenue efficiency for the year to date of £0.624m and a pressure of £2.564m relating to Covid-19 totalling £1.940m. The Council has received £1.518m in additional Covid-19 support to bring the net projected budget gap to £0.422m and anticipate a surplus of £2.864m on Business Rates relating to additional S31 grants (see paragraph 4.14) giving an overall variation of £2.412m. This represents (21%) against the net expenditure budget and we currently anticipate £4m to be transferred to the Organisation Stabilisation Reserve the majority of which are to meet the anticipated future Business Rates reductions caused by Covid-19 referred to in paragraph 4.14.

4.3. **Appendix A** includes a Minimum Revenue Provision (MRP) of £1m. This is a provision that the Council is required to make each year to cover the internal borrowing costs for the Arena which will be funded by the New Homes Bonus. The MRP includes an element of Voluntary Repayment Provision (VRP) and Governance Scrutiny Group recommended to Council on 30 July 2020 that the option be made to withhold the VRP element to potentially use to support the budget gap created by Covid-19. However, based on the projections as at the Q1 position the budget gap can be supported by the temporary use of reserves without the need to utilise the VRP in 2020/21.

4.4. As documented at **Appendix B**; the financial position to date reflects a number of positive variances totalling £0.658m including additional garden waste income (£0.076m) and housing benefit subsidy (£0.142m). There are several adverse variances totalling £2.66m. The majority of the adverse variances arise from lost rental income (£0.207m) and additional payments to Parkwood (£1.033m). These are detailed in Table 1 above.

4.5. **Appendix E** shows the quarter 1 position on the Special Expenses budget. Budgets within the Special Expenses area have been impacted by Covid-19, particularly on the loss of income from hire of venues and bar sales. These projections are included in the overall £1.940m projected revenue budget gap. The expected budget deficit for the year is £0.119m initially to be funded from Covid Government funding and a repayment mechanism by way of a loan to be agreed with the West Bridgford CIL and Special Expenses Group. The outcome of this and any other budget issues will form part of the 2021/22 MTFS report to be approved by both Cabinet and Full Council (respectively in February and March 2021).

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 2020. **Appendix D** provides further details about the progress of the schemes, any necessary re-phasing and highlights efficiencies. The projected variance at this stage is £24.8m.

4.7. The original Capital Programme of £18.936m has been supplemented by a net brought forward and in-year adjustments of £19.435m giving a revised total of £38.371m. The net expenditure efficiency position of £24.8m is primarily due to the following:

a) Bingham Leisure Hub £12.756m – spend slipped to 2021/22;
b) Crematorium £4.917m – build likely in 2021/22; and
c) Asset Investment Strategy £3.828 – this is uncommitted and will be recommended to Council to be removed from the Capital Programme;
d) Support for Registered Social Landlords (RSL): RBC have recently agreed to be part of a joint bid led by Framework which will lead to investment of £150k from the provision in the Capital Programme. This will provide 5 units of Next Steps accommodation to support 'rough sleepers'. The units will be owned and managed by Framework. RBC will retain nomination rights for a minimum period of 30 years.

4.8. The Council was due to receive capital receipts of £20m in the year, primarily from the disposal of surplus operational and investment property: Abbey Road Depot, Land at Hollygate Lane and also from an overage agreement in place for Sharphill Wood site. Covid-19 has impacted on the progress of these schemes with receipts projected to be £4.6m in year now. Significant delays or reductions to capital receipts will affect the funding of the capital programme and may lead to either internal or external borrowing earlier than planned dependant on the progress of the capital programme and any slippage. Alternatively, projects could be delayed or not proceed with if deemed economically unviable. 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.

Covid-19 Update

4.9. The position in relation to Covid-19 was reported to Cabinet on 14 July 2020 and covered the estimated budget gap from Covid-19 along with individual updates on specific issues. As this report now includes the projected Covid-19 impact based upon current government guidance in addition to the revenue efficiencies, the paragraphs below provide an update where necessary to the specific Covid-19 issues that have future financial implications.

4.10. The retail and hospitality sector re-opened in June however early indications are that consumer confidence remains a risk. Additional government initiatives such as the ‘Eat Out to Help Out’ scheme have been launched and aim to increase the number of customers to pubs and restaurants which appears to have been a success. Leisure centres have re-opened but recovery is also slower than expected with only 26% of capacity currently being used. Swimming commenced on 1 September but this is only lane swim and not family or groups. This will continue to have an adverse impact on income receipts.

4.11. It has previously been reported that as at 31 March 2020 the value of the Council’s Multi Asset investments had dropped in value by £1.238m with an improvement of £0.5m to the end of June. Further information received to the end of July shows that this has improved by a further £0.143m to £0.643m and with an upward trend is on track to return to pre-Covid values. There is still a risk that a second wave could reverse this trend and this will be closely monitored.

4.12. It was reported to Cabinet 14 July 2020 that due to Covid-19 a re-negotiation had taken place to defer the principal repayment of £55k due from the Cricket Club from 2020 to 2036, however the club’s financial position is such that the repayment was received on 7 August 2020.

4.13. Data to 23 August 2020 shows collection rates for Council Tax has reduced by 1.2% equating to approximately £1.08m of cash not received. Business Rates are currently behind by £0.675m (0.85%), although £0.6m of this relates to a newly rated property which is anticipated to be received. The aforementioned reductions in cash received will create a deficit and a burden on future income streams albeit the County Council will take a significant proportion of the Council Tax deficit. Recent government announcements mean this deficit can now be spread over 3 years and this should reduce the burden in each year, nonetheless the burden will still be there.

4.14. A further deficit will be created in the collection fund as a result of the timing differences of precept payments made to Major Preceptors (which will continue to be made at budgeted Business Rates) and the issuing of additional reliefs (approx. £10.6m) to the retail and hospitality sector which effectively reduce the amount of business rates billed (and therefore incoming cash) in the year. This deficit will be collected in 2021/22 to 2022/23 reducing the income due to the Council. In order to support this shortfall in cashflow, the major preceptors (including the Council) will be reimbursed for its share of the additional reliefs in the **current year**. It is therefore recommended that this reimbursement be appropriated to the Organisation Stabilisation Reserve to match or smooth the reduced Business Rates income in future years.

4.15. At the time of writing, the Council has paid out £18.025m in BEIS grants equating to 90.7% of approximately 1,700 eligible businesses. Hardship Fund allocations committing in excess of £389k in relation to Council Tax support have also been made, circa 2400 payments and 75% of the £515k budget.

4.16. The Council commenced the discretionary grant scheme on 1 June with the criteria reviewed and expanded from 15 July 2020. At the time of writing the Council had received 189 claims, decided on 159 and paid 62 totalling £0.814m (84% of the total available funds of £0.972m). All payments should be made by 30 September 2020.

4.17. **Conclusion**

4.17.1 The financial position resulting from to Covid-19 pressures was anticipated to result in a significant budget gap and this is the position that has been reported to Cabinet over the lockdown period. Whilst some savings were expected in relation to income generating activities that had ceased, there have been further additional in-year efficiencies identified. These savings along with the additional government funding means that the overall position for revenue is a more manageable budget gap of £0.422m. As detailed in the Covid Budget Update report on this agenda, Covid risks prevail beyond this current financial year and have to be managed.

4.17.2 To meet the current year projected deficit an appropriation from the Organisation Stabilisation Reserve will suffice without the need to use the VRP element of MRP. The Council is in a fortunate position that it has healthy reserves and can fund the budget gap in this way. However, we will still aim to replenish reserves in future years to help manage both downside and upside risks.

4.17.3 The position on capital is currently positive and the slippage in Capital Receipts alongside slippage in the programme means that it is not anticipated to externally borrow this financial year. Further opportunities and challenges can arise during the year (such as a second wave or local lockdown) which may impact on the projected year-end position.

4.17.4 There remain external financial pressures from existing issues such as the uncertainty surrounding business rates retention, the fair funding review and comprehensive spending review that have now been delayed for a second year. The impact of BREXIT is still to be determined. Furthermore, there are the Council's own challenges such as meeting its own environmental objectives. Against such a background, 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.

Performance Monitoring – Strategic Scorecard

4.18 At the last meeting, the Group agreed to omit targets, as a way of measuring performance, this year for those indicators that are being impacted by the coronavirus pandemic. However, targets have been included in this report (for information purposes) to enable members of the Group to see what the impact has been, thereby showing the true performance position for all indicators. Performance indicators that have been identified as being impacted by Covid-19 have been highlighted within the scorecards and targets have been greyed. This is to show that whilst a target has been set underperformance will not lead to identification as an exception.

4.19 Performance during quarter one has been good, of those indicators not identified as being impacted by Covid-19, only one has been identified as an exception.

4.20 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. Five strategic tasks were completed last year and have now been removed. There is one new strategic task added to the Corporate Scorecard this year, **ST1923_18** Review Local Plan Part 1 – Core Strategy in partnership with Greater Nottingham Housing Market Area.

<table>
<tr><th colspan="5">EFFICIENT SERVICES</th><th colspan="5">ENVIRONMENT</th></tr>
<tr><th colspan="5">Strategic Tasks</th><th colspan="5">Strategic Tasks</th></tr>
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<tr><td colspan="5">There are no task exceptions this quarter.</td><td colspan="5">There are no task exceptions this quarter.</td></tr>
<tr><th colspan="5">Performance Indicators</th><th colspan="5">Performance Indicators</th></tr>
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QUALITY OF LIFE	SUSTAINABLE GROWTH
Strategic Tasks	**Strategic Tasks**

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

Performance Monitoring – Operational Scorecard

4.21 The Council's operational business is also monitored, and 38 measures make up the Operational Scorecard.

<table>
<tr><th colspan="5">Operational Scorecard – Performance Indicators</th></tr>
<tr><td>24</td><td>2</td><td>3</td><td>6</td><td>3</td></tr>
<tr><td colspan="5">LINS29a Number of successful homelessness preventions undertaken

This indicator has been identified as an exception. An explanation is provided in Appendix G.</td></tr>
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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 responding to external pressures such as the general economic climate. This has been clearly evidenced by the impact of Covid-19 and highlighted in Table 1.

5.3 Business rates is subject to specific risk given the volatile nature of the taxbase with a small number of properties accounting for a disproportionate amount of tax revenue, notably in Rushcliffe Ratcliffe-on-Soar power station. Furthermore, changes in central government policy influences business rates received and their timing, for example policy changes on small business rates relief. Again, Covid-19 is likely to have a large impact on the Business Rates position and this is highlighted at paragraph 4.14.

5.4 The Council is committed to improving the environment and reducing its carbon footprint. Addressing such risks will require funding with the Climate Change Reserve now created to facilitate such opportunities.

5.5 The Council needs to be properly insulated against such risks hence the need to ensure it has a sufficient level of reserves, as well as having the ability to use such reserves to support projects where there is 'upside risk' or there is a change in strategic direction.

6 Implications

6.1 Financial Implications

Financial implications are covered in the body of this report.

6.2 Legal Implications

The Council is required to have adequate procedures in place for financial and performance management and this report fulfils that requirement.

6.3 Equalities Implications

There are no equalities implications connected to this report.

6.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications connected to 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 notes:

a) the projected net effect of in-year efficiencies (£0.624m) and Covid-19 pressures (£2.564m) and Covid Government funding (£1.518m) resulting in an expected net revenue position for the year of £0.422m;
b) a projected £2.864m net surplus on Business Rates as a result of additional S31 reliefs and that this surplus is to be transferred to the Organisation Stabilisation Reserve to offset the expected Collection Fund deficit in later years;
c) the capital underspend of £24.8m as a result of planned programme slippage;

d) the projected Special Expenses position with a projected deficit of £0.119m for the year to be financed by a loan from the Council, terms to be consulted on with the West Bridgford CIL (Community Infrastructure Levy) and Special Expenses Group; and
e) considers whether scrutiny is required for identified performance exceptions.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 Email: plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council 7 March 2019 – 2019-20 Budget and Financial Strategy; Cabinet 10 September 2019 – Revenue and Capital Budget Monitoring 2019/20 – Financial Update
List of appendices:	Appendix A – Revenue Position - June 2020/21 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme Summary Appendix D – Capital Programme June 2020/21 Appendix E – Budget Monitoring for Special Expense Areas Appendix F – Corporate Scorecard Appendix G – Operational Scorecard