



Corporate Overview Group

Tuesday, 15 December 2020

Finance and Performance Management Quarter 2

Report of the Executive Manager – 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 2020/21.
- 1.2. This report presents the budget position for revenue and capital as at 30 September 2020. This report provides an update to the report to Cabinet on 8 September 2020 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 have and will continue to 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 £0.244m budget gap. This position does not take into account the effects of the implementation of further restrictions from 26 November and 2 December and doesn't include potential income from the reimbursement of lost fees and charges. Further updates will be reported to Cabinet at quarter 3.
- 1.5. As previously reported, the Capital Programme shows a planned underspend of £23.8m largely due to slippage in two major schemes (Bingham Hub and Crematorium) and uncommitted funds in the Asset Investment Strategy.
- 1.6. The report will request approval to formally carry forward Capital Provisions totalling £18.465m. Of which, £17.965m to 2021/22 Capital Programme, and £500k to 2022/23 Capital Programme.

2. Recommendation

It is RECOMMENDED that the Corporate Overview Group notes:

- a) the projected net effect of in-year efficiencies (£0.497m) and Covid-19 pressures (£2.355m) and Covid Government funding (£1.614m) resulting in an expected net revenue deficit for the year of £0.244m;

- b) a projected £3.017m 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 £23.8m of which £18.465m to be carried forward: £17.965m to 2021/22 Capital Programme and £500k to 2022/23 Capital Programme;
- d) the projected Special Expenses position with a projected deficit of £0.082m for the year to be financed by a loan from the Council as agreed by the West Bridgford CIL and Special Expenses Group;
- e) the 6-month trial to engage Waste Investigations Support and Enforcement to deliver enforcement of environmental crimes (following on from Communities Scrutiny Group discussions) and
- f) 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 September 2020 attached at **Appendix B**. For this financial year the budget gap including Covid related pressures and in-year efficiencies is expected to be at least £0.244m (expected position) and up to a worst-case scenario of £0.9m (both scenarios take into account current Government funding of £1.614m). The announcement to move onto a tiered system of local lockdowns (and latterly to Tier 3) will have further financial impact on the projections and government have recently announced a package of new measures to support this. The Council's allocation is £0.1m and this is included in the above projections. The financial impact of both the tiered lockdown announced in October, lockdown in November and the revised Tier lockdown in December is to be assessed and will be included in both the quarter 3 and 4 reports when further data is available. Table 1 below summarises the main variations from revenue efficiencies and Covid related pressures.

Table 1: Main Items Impacting on Current Revenue Budget

	Pressure/(Saving) (£m) 2020/21
Reductions in income	1.152
Hire of Facilities	0.155
Car Parking	0.310

	Pressure/(Saving) (£m) 2020/21
Development Control	0.200
Council Tax Summons	0.100
Land Charges	0.050
Commercial Activity	0.170
Other Lost Income	0.167
Additional Costs	£1.466
Anti-social behaviour/PPE	0.052
Leisure	1.008
Waste Collection/Street Cleansing	0.174
Homelessness	0.021
Increase in Bad Debt Provision	0.100
Other Costs	0.111
Total Covid Related Budget Pressure	2.618
Covid related savings	(0.214)
Furlough	(0.049)
Government funding	(1.614)
Total additional funding/savings	(1.877)
Net Budget Pressure	2.564
Projected In year costs/(savings):	
Pay award additional 0.75%	0.070
Vacancies	(0.307)
Rental Income (new property)	(0.122)
Garden Waste Income	(0.076)
Housing Benefit Subsidy	(0.123)
Diesel (price reduction)	(0.043)
Investment Income	(0.081)
Discretionary grants (Special Expenses)	(0.030)
Other revenue costs	0.215
Total projected in-year efficiency savings	(0.497)
Total Net Projected Budget Gap	0.244

- 4.2. **Appendix A** shows projected net revenue efficiency for the year to date of £0.497m and a pressure of £2.355m relating to Covid-19 totalling £1.858m. The Council has received £1.614m in additional Covid-19 support to bring the net projected budget gap to £0.244m. A surplus of £3.017m is anticipated for Business Rates relating to additional S31 grants (see paragraph 4.14).

Furthermore, NDR Nottinghamshire pool receipts of £0.723m are anticipated. As discussed at paragraph 4.18 £0.2m is required to support the existing £0.1m Development Corporation Reserve. The remaining £0.523m is to be transferred to the Organisation Stabilisation Reserve. The overall revenue budget variation is £3.505m. This represents (30%) against the net expenditure budget and we currently anticipate £4.9m 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 the Q1 report and in paragraph 5.3.

- 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. The Q1 report projected that the budget gap could be supported by the temporary use of reserves without the need to utilise the VRP, however the recent announcement for tighter local restrictions may result in a change to this position.
- 4.4. As documented at **Appendix B**; the financial position to date reflects a number of positive variances totalling £0.890m including additional rent from new property acquisitions (£0.147m), additional garden waste income (£0.076m), housing benefit subsidy (£0.123m) and efficiencies as a result of not delivering activities across the borough (£0.127m). There are several adverse variances totalling £2.667m. The majority of the adverse variances arise from lost income from reduced demand relating to Covid such as facility hire (£0.139m), planning applications (£0.200m), reduced car parking income (£0.310m) and additional payments to Parkwood (£1.008m).
- 4.5. On 14 October 2020 the Government announced further lockdown measures to help stop the spread of the virus. Further financial support packages were also announced aimed at supporting residents of the borough and the Council as a result of tighter restrictions:
 - Test and Trace payments of £500 (to be administered by the Council) see paragraph 4.16
 - Up to £3000 for four weeks for businesses that are forced to close in Tier 3
 - LA's to get share of £1bn in a fourth tranche of funding. The Council have been allocated £0.1m. This is included in the above projections and is the lowest level of support received in Nottinghamshire by any of the districts.
 - A 'per head' payment dependant on the local restrictions in place amounting to £20 per head of population for Business Support and £8 per head for enforcement (Upper Tier allocation to be distributed).
- 4.6. **Appendix F** shows the quarter 2 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 £1.858m projected revenue budget gap.

The expected budget deficit for the year is £0.082m. This deficit is net of a proportion of Covid Government funding intended as reimbursement for lost income. The net deficit will be repaid by way of a loan which was agreed by the West Bridgford CIL and Special Expenses Group on 25 September 2020. The Special Expenses Budget will be approved by both Cabinet and Full Council (respectively in February and March 2021) with the Council's Medium Term Financial Strategy.

Financial Monitoring – Capital

- 4.7. The updated summary of the Capital Programme monitoring statement and funding position is shown at Appendix C as at 30 September 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 £23.8m.
- 4.8. 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 £23.8m is primarily due to the following:
 - a) Bingham Leisure Hub £11.352m – £11m to carry forward to 2021/22;
 - b) Crematorium £4.917m – £4.5m carry forward to 2021/22;
 - c) Support for Registered Social Landlords (RSLs) £1.08m. Commitments total £532k for Phase II Garage Sites and a contribution of £52k to Next Steps for Rough Sleepers. £1m of the projected underspend to carry forward: £500k to 2021/22 and £500k to 2022/23;
 - d) Total carry forwards of 18.465m are requested. Details of the schemes are set out in **Appendix E**;
 - e) Asset Investment Strategy £3.828 – this is uncommitted and will be recommended to Council, as part of the MTFS 2021/22, to be removed from the Capital Programme;
- 4.9. 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 £4.4m in 2020/21. 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 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

- 4.10. The position in relation to Covid-19 was included in the quarter 1 report to Cabinet on 8 September 2020 and the paragraphs below provide an update to that position where necessary.
- 4.11. The retail and hospitality sector appeared to improve as a result of the 'Eat Out to Help Out' scheme in June. However further local lockdowns announced in October will likely further impact on consumer confidence with further lockdowns potentially resulting in closure of parts of the sector. All four of our Leisure centres have re-opened with reduced capacity in most areas with bookings for group classes above 70% of capacity. The fitness suites have seen a slower recovery with between 20% and 45% of capacity currently being used. Swimming has recommenced however there is currently no casual swimming which is having an adverse impact on income receipts. Further lockdown measures will impact on demand for the leisure centres and the Council remains in close dialogue with its leisure providers.
- 4.12. 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 £0.643m to the end of July. The recent increase in Covid cases and local measure implemented across the Country have had a further negative impact on the value of the investments. As at the end of September the improvement in the position has reduced to £0.578m. These are investments held for the long term and over time the expectation is that they will recover in value.
- 4.13. Data to 16 October 2020 shows collection rates for Council Tax has reduced by 0.9% equating to approximately £0.796m of cash not received. Business Rates are currently behind by £0.57m (2.57%), although £0.6m of this relates to a newly rated property. 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 three years and this should reduce the burden in each year, nonetheless the burden will still be there.
- 4.14. The Council has paid out £18.025m in BEIS grants equating to 90.7% of approximately 1,700 eligible businesses. This scheme has now closed. Hardship Fund allocations committing in excess of £441k in relation to Council Tax support have also been made, this is circa 2,600 payments and 86% of the £515k budget.
- 4.15. The Council commenced the discretionary grant scheme on 1 June with the criteria reviewed and expanded from 15 July 2020. The scheme has now closed. The Council had received 189 claims and paid 82 totalling £0.972m (all of the total available funds).

- 4.16. The Test and Trace scheme entitles eligible individuals to a Test and Trace Support Payment or discretionary support payment of £500 and aims to support people on low incomes who are unable to work from home if they are told to self-isolate by NHS Test and Trace and will lose income as a result. The Council went live with the scheme on 9 October 2020. The scheme will last until 31 January 2021 and Rushcliffe received funding of £30k for the main scheme and £18k for the discretionary scheme along with £24k for the set-up and administering the scheme for the four months it is in place. Additional funding can be requested only for the main scheme. At the time of writing 88 claims have been received, 27 payments made (totalling £13,500) and 29 applications rejected.
- 4.17. The Government announced in July that it would be reimbursing Local Authorities for lost income from sales fees and charges under a 'co-payment scheme'. Councils are expected to absorb 5% of the losses and can then claim 75% of remaining losses incurred. There are exclusions such as commercial income and lost income where the Council contracts a third-party provider. The first submission has been made for April to July losses and the Council has received notification of reimbursement of £0.294m for this period. Further submissions will be made in November and March with the reimbursement dependant on losses incurred.

Other budget issues

- 4.18. Development Corporation – This is covered in a separate report on this agenda. The proposals are to establish an interim vehicle of a dedicated and focussed team to develop the business case and progress development of the site. Rushcliffe's funding commitment is proposed to be £0.5m over three years which is conditional on being match funded. This funding will consist of the current balance in the Development Corporation Reserve (£0.1m) further increased by £0.2m from the NDR pool surplus anticipated for 2020/21 (see paragraph 4.2) plus an allocation of £0.2m from the Climate Change Reserve.
- 4.19. The Communities Scrutiny Group requested that the Council look at how Enviro-Crime enforcement is resourced. Officers have assessed the current levels of enviro-crime (particularly fly-tipping) and the resources available. It was identified that current resources are in insufficient in light of the increase in fly tipping incidents in the borough. Two options were considered: additional staff resources (cost of £36k) and use of an external company: Waste Investigations Support and Enforcement (WISE), which would be a cost neutral solution where the Company retains income in relation to fixed penalty notices issued. The latter solution is considered better value for money for the Council and is the recommended way forward. WISE will be engaged on a 6-month trial to undertake enviro-crime enforcement. This company guarantee their services can be provided on a cost neutral basis as their costs are recovered from fixed penalty notices. The success or otherwise of this trial will be reported to Corporate Overview Group in a future performance management report.

4.20. Conclusion

4.20.1 The financial position for revenue has improved with a manageable anticipated budget gap of £0.244m (£0.422m at Q1). This is derived from Covid-19 pressures offset by in-year efficiencies and government funding. The situation is currently fluid and will be impacted upon by tightened restrictions and subsequent government funding. As detailed in the Covid Budget Update report on 8 September the Covid risks prevail beyond this current financial year and have to be managed. It is likely that income levels will not return to pre-Covid levels for some time and therefore the Council must ensure it can support the shortfall.

4.20.2 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.

4.20.3 The position on capital is currently positive and the slippage in capital programme means that it is not anticipated to externally borrow this financial year. Further opportunities and challenges can arise during the year as demonstrated by the Tier 3 lockdown currently in place which will impact on the projected year-end position.

4.20.4 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

4.21 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.

4.22 Services impacted by the national lockdown during the quarter 1 period restarted in quarter 2. Throughout the quarter 2 period, some of the Covid-19 impacted services have not been able to operate at full capacity due to the requirements to operate a Covid secure service. Going forward, measures to combat the spread of Coronavirus will continue to have an effect on performance in quarters 3 and 4 due to the impact of national and local action to mitigate Covid-19.

EFFICIENT SERVICES				ENVIRONMENT				
Strategic Tasks				Strategic Tasks				
2	2	0	0	2	1	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	2	1	0
There are no performance exceptions this quarter.				There are no performance exceptions this quarter.				

QUALITY OF LIFE				SUSTAINABLE GROWTH				
Strategic Tasks				Strategic Tasks				
0	5	0	0	1	5	0	0	
There are no task exceptions this quarter.				There are no task exceptions this quarter.				
Performance Indicators				Performance Indicators				
1	0	3	1	5	0	3	2	6
There are no performance exceptions this quarter.				There are no performance exceptions this quarter.				

Further details and a key of symbols are shown in **Appendices G and H**.

Performance Monitoring – Operational Scorecard

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

Operational Scorecard – Performance Indicators				
24	1	4	6	3
LICO41 Percentage of householder planning applications processed within target times LINS19a Number of household waste collections missed twice or more in the last 3-month period				
These indicators have been identified as exceptions. An explanation is provided in Appendix H .				

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 and the changes in the position on lockdown. This has been clearly evidenced by the impact of Covid and highlighted in Table 1. Further Government funding should help mitigate any additional losses.
- 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 as reported in the Q1 report to Cabinet hence the need to appropriate the in-year NDR surplus to smooth deficits in later years.
- 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.

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	

7 Recommendations

It is RECOMMENDED that the Corporate Overview Group notes:

- a) the projected net effect of in-year efficiencies (£0.497m) and Covid-19 pressures (£2.355m) and Covid Government funding (£1.614m) resulting in an expected net revenue deficit for the year of £0.244m;
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- e) the 6-month trial to engage Waste Investigations Support and Enforcement to deliver enforcement of environmental crimes (following on from Communities Scrutiny Group discussions) and
- f) 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 8 September 2020 – Revenue and Capital Budget Monitoring Q1 Council 24 September 2020 – Covid-19 Budget 2020/21 and Medium-Term Financial Implications
List of appendices:	Appendix A – Revenue Outturn Position 2020/21 – September 2020 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2020/21 – September 2020 Position Appendix D – Capital Variance Programme Appendix E – Capital Slippage details Appendix F – Special Expenses Monitoring Appendix G – Corporate Scorecard Appendix H – Operational Scorecard RBC Recovery Plan