Rushcliffe Borough Council

Corporate Overview Group

Tuesday, 23 March 2021

Finance and Performance Management Quarter 3

Report of the Executive Manager – 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 2020/21.

1.2. This report presents the budget position for revenue and capital as at 31 December 2020 as reported to Cabinet on 9 March 2021 and includes the in-year variances along with variances resulting from Covid.

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. Previous estimates have been reported to Cabinet; however, further lockdowns announced on 14 October 2020, have exacerbated the negative impact on the Council's finances, albeit offset by additional government funding and these are reflected in the projections. The overall anticipated budget position is a positive budget efficiency of £0.721m. This takes into account financial challenges caused by the pandemic, additional Government funding and importantly in-year net efficiency savings.

1.5. The positive budget position will help replenish the Organisation Stabilisation Reserve, so the Council has the resources to meet a potential future Medium Term Financial Strategy (MTFS) budget deficit; and significant financial risks going forward. Such risks include the Covid legacy or Government policy changes, such as Business Rates reform. In terms of upside risk, it enables reserves to be appropriated for opportunities to support the Council's Corporate Objectives such as improving the local economy and sustainable growth.

1.6. At Quarter 3, the planned underspend on capital is £7.3m (net of carry forwards agreed in the Quarter 2 finance report). This is as a result of uncommitted funds in the Asset Investment Strategy; reprofiling of Bingham Hub expenditure based on a revised cash flow position; and an underspend on Disabled Facilities Grants. Cabinet and Council, as part of the MTFS, approved removing the remaining Asset Investment Strategy provision.

2. Recommendation

It is RECOMMENDED that the Corporate Overview Group:

a) notes the expected net revenue efficiency for the year of £0.721m;
b) notes the capital budget efficiencies of £7.3m,
c) notes the expected outturn position for Special Expenses of £0.087m deficit and
d) 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 31 December 2020 attached at **Appendix B**. For this financial year the budget gap including Covid related pressures and in-year efficiencies is expected to be a positive budget efficiency of £0.721m. This has moved from a deficit position of £0.244m projected at Quarter 2. The main reason being an increase in Government funding (income loss reimbursement, Council Tax loss reimbursement and National Leisure Recovery funding) from £1.7m (Q2) to £2.9m.

4.2 The projections assume that the national lockdown will continue for the remainder of this financial year and, therefore, represents a worst-case scenario. The Council applied for an allocation from the National Leisure Recovery Fund to alleviate some of the financial pressure of supporting the Leisure Provider (£0.21m) and we have received notification that this has been successful. The Council has received one payment to date for reimbursement of lost income and it is estimated that a further £0.376m will be claimed for the remainder of the year. Both the above are included in the projections below. 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	**1.140**
Hire of Facilities	0.209
Car Parking	0.370

	Pressure/(Saving) (£m) 2020/21
Development Control	0.069
Council Tax Summons	0.100
Impact on Commercial Properties	0.190
Other Lost Income	0.202
Additional Costs	**1.986**
Anti-social behaviour/PPE	0.089
Leisure	1.225
Waste Collection/Street Cleansing	0.171
Increase in Bad Debt Provision	0.100
Environmental Health Enforcement	0.133
Other Costs	0.102
Costs associated with specific grants	0.166
Total Covid Related Budget Pressure	**3.126**
Covid related savings	(0.270)
Furlough	(0.049)
Specific Grants	(0.166)
Government funding	(2.895)
Total additional funding/savings	**(3.380)**
Net Budget Pressure (A)	**(0.254)**
Projected In year costs/(savings)	
Staff efficiencies	(0.214)
Rent from new acquisition and lower than expected void periods	(0.182)
Garden Waste Income	(0.078)
Housing Benefit Subsidy	(0.096)
Diesel (price reduction)	(0.043)
Investment Income, saving on interest payments and identified correction of bank charges	(0.244)
Planning Appeals	0.043
Increase tanker waste disposal costs	0.055
Responsive Works	0.076
Other net savings (for example, Recycling Credits Business Rates, Postage)	(0.177)
Total projected in-year efficiency savings (B)	***(0.860)***
Net Revenue Efficiencies (A) + (B)	**(1.114)**

	Pressure/(Saving) (£m) 2020/21
Business Rates surplus	(3.769)
Nottinghamshire Business Rates Pool surplus	(0.038)
Reserve Commitments	4.200
Total Net Projected Budget Variance	**(0.721)**

4.3 The above table summarises key variances in relation to **Appendices A** and **B.** The overall position shows a £0.721m budget efficiency. This is a positive outcome at a difficult time and enables resources that can be utilised so the Council can continue to achieve its Corporate Objectives and support any future budget deficit position. One nuance that requires further explanation concerns Business Rates. A net surplus of £3.769m is anticipated for Business Rates relating to additional S31 grants to offset the Business Rates deficit as a result of the reliefs provided by Government. Furthermore, Nottinghamshire Pool Business Rates receipts of £0.438m are anticipated (giving a net budget efficiency of £0.038m, £0.4m was the original estimate in the MTFS). Consequently, £4m is being transferred to reserves. Councillors will recall, as approved by Cabinet on 10 November 2020, £0.2m will be transferred into the Development Corporation Reserve. As reported to Cabinet on 9 March, £0.3m will also be allocated from the in-year budget efficiency position of £0.7m to support the proposed master planning work with regards to Edwalton Golf Course, as approved by Cabinet on 9 March 2021.

4.4 **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 the Council has the option to withhold the VRP element to potentially use to support the budget gap created by Covid; however, for budget setting purposes this is not currently deemed necessary.

4.5 As documented at **Appendix B** some of which are highlighted in the table above**,** the financial position to date reflects a number of positive variances totalling £1.333m. These include staff efficiencies (£0.214m), additional rent from new property acquisitions (£0.182m), additional garden waste income (£0.078m), and cost savings as a result of not delivering activities across the Borough (£0.076m). There are several adverse variances totalling £3.087m. The majority of the adverse variances arise from additional payments to Parkwood – leisure services (£1.225m), lost income from community facility hire (£0.284m), agency costs on planning (£0.142m), and reduced car parking income (£0.370m).

4.6 The Council has, since the further lockdowns were announced on 14 October 2020 and 4 January 2021, administered a number of grants to support the local economy and these were referenced in the Covid update report to Cabinet in February 2021 and we will continue to report progress on the subsequent grant schemes once notified by Government.

4.7 **Appendix E** shows the Quarter 3 position on the Special Expenses budget. Budgets within the Special Expenses area have been impacted by Covid, particularly on the loss of income from hire of venues and bar sales. These projections are included in the total Covid related budget pressure of £3.155m. The expected budget deficit for the year is £0.087m. 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 due to commence in 2022/23 as part of budget setting in the next financial year. The Special Expenses Budget was approved by Cabinet at its meeting on 9 February 2021, and approved by Full Council on 4 March 2021, with the Council's Medium Term Financial Strategy.

Financial Monitoring – Capital

4.8 The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 31 December 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 £7.3m.

4.9 The revised Capital Programme of £38.371m, less agreed carry forwards of £18.465m, plus an in-year adjustment of £52k gives a revised total of £19.958m. The net expenditure efficiency variance of £7.3m is primarily due to the following:

a) Bingham Leisure Hub £1.908m as expenditure has been reprofiled;
b) Crematorium £0.417m;
c) Car Park resurfacing £0.215m;
d) Asset Investment Strategy £3.828m – this is uncommitted and will be recommended to Council, as part of the MTFS 2021/22, to be removed from the Capital Programme; and
e) Capital Contingency £0.15m not yet committed.

4.10 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 has impacted on the progress of these schemes with receipts projected to be £4.4m in 2020/21. The Abbey Road Depot has now exchanged with receipts expected in 2021/22 and 2022/23. The receipt from Hollygate Lane is now expected in 2021/22. 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

4.11 The position in relation to Covid-19 was included in the quarter 2 report to Cabinet on 10 November 2020 and more recently to Cabinet on 9 February 2021, in a specific Covid update report. The paragraphs below provide an update to that position.

4.12 Further lockdown measures were announced on 14 October 2020, with the country moving from various tiers into national lockdown since then. All non-essential shops and hospitality and leisure have been forced to close. The Council remains in close dialogue with its leisure providers throughout the pandemic and the support package and financial implications remain fluid. The Council, in conjunction with Parkwood, has recently submitted and been successful in an application to the National Leisure Recovery Fund to seek support of £0.21m toward the financial losses incurred. The projected losses to the Council currently stand at £1.225m (net of the support £1.024m).

4.13 It was reported to Cabinet on 10 November 2020, that the value of the Council's Multi Asset investments, which had dropped in value by £1.238m at the year end, had improved by £0.578m. As at the end of December 2020, the position has improved by a further £0.487m with the total value of the investment now recovered by £1.065m. Whilst it is encouraging to see a significant improvement, as expected for assets held over a long period, there is still a risk that these values can fluctuate in response to market conditions, particularly with the uncertainty brought about by Covid.

4.14 Data to 31 January 2021, shows collection rates for Council Tax have reduced by 0.9% equating to approximately £0.79m of cash not received. Business Rates are currently ahead by £0.37m (2.7%), mainly due to a large ratepayer paying in full. The aforementioned reduction 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.

4.15 The Council has received one payment to date of £0.294m from the income reimbursement scheme announced by government in July. The scheme reimburses local authorities for 75% lost income from sales fees and charges after the Council has absorbed 5% of the losses (subject to some exclusions). An estimate of £0.376m for two further submissions has been included in the projections although the final amount is dependent on total actual losses incurred to the end of March 2021. Part of the total estimated reimbursement has been allocated to the Special Expense fund to support the lost income from closure of facilities in the West Bridgford area (see paragraph 4.7).

Conclusion

4.16 The financial position in the revenue budget has improved and is now projecting a budget efficiency of £0.721m (budget deficit of £0.244m projected at Q2). Overall, Covid pressures are balanced by Government funding with in-year efficiencies, additional income from the Nottinghamshire Business Rates Pool accounting for the overall projected budget efficiency. The projections take into account that lockdown is likely to continue for the remainder of this financial year; however, Covid risks could prevail into next year and beyond with the financial impact unknown. There is an anticipated budget deficit in the Council's MTFS over the next two financial years and this positive variance enables the Council to continue to deliver first class services. It is likely that income levels will not return to pre-Covid levels for some time and the impact on the leisure contract is likely to extend beyond next year and therefore the Council must ensure it can support adverse budgetary impact.

4.17 The position on capital is currently positive and the delays in the 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 national lockdown currently in place which may still impact on the projected year-end position.

4.18 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 and the impact of BREXIT remains to be seen. 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

4.19 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.

4.20 Services impacted by the national lockdown during the quarter 1 period restarted in quarter 2. Throughout the year to date 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 and will result in levels being well below the outturn in 2019-20. These measures will also impact quarter 1 in 2021-22 as the full transition from lockdown does not take effect until 21 June 2021.

4.21 Appendix H details performance measures that have been impacted by Covid-19 and is presented as a supplement to the usual performance information. This shows measures grouped under headings of delivery, community and finance and is being used as additional tool to help monitor performance more closely, providing an early warning where a significant downtown in performance is emerging.

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	1	0	1	1	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	0	6	0	2	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 F and G**.

Performance Monitoring – Operational Scorecard

4.22 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 This indicator has been identified as an exception. An explanation is provided in **Appendix G**.				

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. This has been clearly evidenced by the impact of Covid and highlighted in Table 1.

5.3 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, 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 quarterly reports to Cabinet hence the need to appropriate the in-year business rates 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 reserves to support projects where there is 'upside risk' or there is a change in strategic direction. For example, paragraph 4.3 mentions £0.3m maybe needed for master planning work in relation to Edwalton Golf Courses. The Council continues to ensure it is financially resilient at this most difficult of times.

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:

a) notes the expected net revenue efficiency for the year of £0.721m;
b) notes the capital budget efficiencies of £7.3m,
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d) considers whether scrutiny is required for identified performance exceptions.

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Background papers available for Inspection:	Council 5 March 2020 – 2020-21 Budget and Financial Strategy Cabinet 8 September 2020 – Revenue and Capital Budget Monitoring Q1 Cabinet 10 December 2020 – Revenue and Capital Budget Monitoring Q2 Council 24 September 2020 – Covid-19 Budget 2020/21 and Medium-Term Financial Implications
List of appendices:	Appendix A – Revenue Outturn Position 2020/21 – December 2020 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2020/21 – December 2020 Position Appendix D – Capital Variance Explanations Appendix E – Special Expenses Monitoring Appendix F – Corporate Scorecard Tasks Appendix G – Performance Indicators Appendix H – Covid-19 Performance Dashboard