Rushcliffe Borough Council

Corporate Overview Group

Tuesday, 2 November 2021

Finance and Performance Management Quarter 1

Report of the Director – 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 2021/22. This is linked to the closure of accounts process and previous financial update reports and includes the in-year variances along with variances resulting from Covid.

1.2. Given the current financial climate, particularly relating to the continued impact of Covid, 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. The budget was set anticipating an adverse impact of Covid on the Council's finances. A combination of service budget efficiencies, Government funding to help mitigate against the financial impact of Covid income losses and additional Business Rates has led to an anticipated budget efficiency of £0.880m for 2021/22. This position is likely to change as further variances are identified during the year.

1.4. There are significant budget risks going forward linked to potential changes to the business rates system and Fairer Funding by central government, government policy in relation to waste collection, the potential impact of the power station closure (now 2024) and the Council's commitment to the Freeport and Development Corporation. Maintaining sufficient reserves to address significant risks remains a key objective of the Council's Medium Term Financial Strategy and is good financial practice.

1.5. The Capital Programme shows a planned underspend of £2.837m. This is as a result of carry forwards last year for Registered Housing Providers and releasing more Disabled Facilities Grants (due to pent up demand as a result of Covid) and some schemes deferred to 2022/23.

1.6. Performance updates for quarter one show progress whilst still under Covid lockdown measures that were lifted on 19 July. The recovery of services impacted by restrictions to operations will not start to show until quarter two and even then there will be a phased 'return to normal period' that maybe further impacted by future measures over the autumn winter period. On a positive note at the time of writing, all services have opened up and seen positive signs of customers returning, especially leisure centres.

2. Recommendation

It is RECOMMENDED that the Corporate Overview Group notes:

a) the expected revenue budget efficiency for the year of £0.880m;
b) the capital budget efficiencies of £2.837m;
c) the expected outturn position for Special Expenses of £5k deficit in **Appendix E**;
d) the planned us of reserves at paragraph 4.3 (primary to meet the Collection Fund deficit as a result of business rates reliefs and the grants received in the General Fund to fund the deficit)
e) the comments for performance exceptions and considers whether additional scrutiny is required – **Appendix G.**
f) the progress to date of Strategic Tasks– **Appendix F.**

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 Outturn

4.1 The Revenue Monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 June 2021, attached at **Appendix B**. For this financial year, the overall budget variance including Covid related pressures and in-year efficiencies, is expected to result in an overall budget efficiency of £0.880m. Loss of income and additional costs as a result of Covid (£0.071m) are more than offset by grant income and net efficiencies (£0.394m). One nuance that requires further explanation is Business Rates. In the current year we are anticipating a surplus of £2.338m but a significant proportion of this will need to be appropriated into the Collection Fund Reserves (£1.765m **Appendix A**) to cover next year's deficit arising as a result of additional Covid related business rates reliefs issued in the year.

4.2 Table 1 below summarises the main variations from the revenue efficiencies and Covid related pressures.

Table 1: Main items impacting on the Current Revenue budget

	Pressure/ (efficiency) 2021/22 (£m)
Covid costs/(savings):-	
Other Government Grants – Contain Outbreak Management Fund (COMF)	(0.050)
Leisure	(0.051)
Enforcement expenditure (COMF)	0.055
Waste Collection (Agency)	0.025
Hire of Facilities (mainly Gamston Comm**unity** Hall)	0.028
Rental on Commercial Properties	0.064
Total Covid related budget pressure (A)	**0.071**
Projected in year costs/(efficiencies):-	
Gresham - Additional **All-Weather** Pitch	(0.044)
Other Services	(0.012)
Interest Payments	(0.045)
Planning Fees	(0.210)
Grant Income	(0.094)
Business Rates at Commercial Properties	(0.026)
General Contingency	(0.085)
Other Income & Contributions	0.044
Other (eg Insurance premiums, staff costs)	0.078
Total projected in year savings (B)	**(0.394)**
Net Revenue Efficiencies (A) + (B)	**(0.323)**
Grant Income	(0.061)
Business Rates	(2.338)
Reserve Commitments	1.842
Total Net Projected Budget Variance	**(0.880)**

4.3 Additional pressures have been identified and these have been taken into account in the overall net anticipated transfer to reserves of £0.880m:

- a contribution towards a feasibility study into the pedestrianisation of Central Avenue in conjunction with NCC (with the costs being split equally with RBC, capped at £50k);
- a £1,000 payment (per driver) to refuse HGV drivers totalling £27k given the unusual market conditions and demand for HGV drivers. In the first instance the Council will look to claim from COMF funding.

The above along with the £1.765m business rates results in £1.842m being used from reserves.

4.4 **Appendix A** shows the original estimate for Grant Income of £2.762m. This largely comprises of government Covid grants such as COMF, Sales Fees and Charges (SFC) income reimbursement scheme, Reopening Highstreets

Safely Fund and Homelessness Funding (this has been moved to the Neighbourhoods line in the revised budget column). The table also includes a Minimum Revenue Provision (MRP) of £1.074m. This is a provision that the Council is required to make each year to cover the internal borrowing costs for the Arena, Cotgrave Masterplan and Cotgrave Phase II which will be funded by the New Homes Bonus. The MRP includes an element of Voluntary Repayment Provision (VRP). **Appendix B** gives further explanations of both positive and adverse variances, in addition to those detailed at Table 1.

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, particularly on the loss of income from hire of venues and bar sales mainly at Gamston which is currently being used as a vaccination centre. These projections are included in the total Covid related budget pressure of £0.071m. The expected budget deficit for the year is £5k. This deficit is net of a proportion of Covid Government funding. It was agreed by the West Bridgford CIL and Special Expenses Group on 25 September 2020, that the previous year's deficit (£0.087m) would be repaid by way of a loan, due to commence in 2022/23 and will be included as part of the next budget setting cycle (unless other budget efficiencies are identified).

Capital Monitoring

4.6 The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 30 June 2021. **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 £2.837m.

4.7 The original Capital Programme of £28.158m, plus agreed carry forwards of £6.533m, plus in-year adjustments of £0.911m gives a revised total of £35.602m. The net expenditure efficiency variance of £2.837m is primarily due to the following:

a) Support for Registered Housing Providers £0.692m;
b) Disabled Facilities Grant £0.218m;
c) Bingham Leisure Centre Improvements £0.100m;
d) Contingency not yet allocated £0.250m;
e) Manvers Business Park improvements £0.300m;
f) CLC changing village and roof £0.450m; and
g) KLC changing village and roof £0.470m.

The £0.692m Support for Registered Housing Providers represents the uncommitted balance of the provision available for affordable housing in the year. Officers are working on options for the commitment of this and future sums receivable.

4.8 The Council is due to receive capital receipts of £15.2m 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 impacted on the progress of these schemes last year. 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. Savings resulting from interest costs now not anticipated to be incurred are included in the projected overall revenue budget efficiency saving of £0.880m.

Covid-19 Update

4.9 The country came out of lockdown on 19 July 2021. Whilst the Council budgeted for an adverse impact on the budget, additional government funding and services continuing to perform, the Council budget remains in a relatively healthy position.

4.10 The pandemic is far from over, but it is not known whether the lifting of restrictions will be 'irreversible' with no further lockdowns. There is still uncertainty about the future so budget projections may change with time and risk.

4.11 The Governments Sales, Fees and Charges reimbursement scheme has been extended to the first quarter of this year. Current projections estimate that the total reimbursement will be £46k which is below budget by £0.124m; however, the reduced claim is reflective of better performance than anticipated on income receipts particularly relating to planning. 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 4.5). Table 2 below shows the Covid-related grants for 2021/22. It is not anticipated that there will be any further funding this year.

Table 2: Covid Related Grants

£'000	Grant
370	Covid Grant funding Tranche 5
300	Lower Tier Services Grant
102	Local Council Tax Support grant
187	Homelessness Funding
102	COMF (Contain)
46	SFC reimbursement Q1 2021/22*
156	Reopening Highstreets safely*
1,263	**Total**

*Grants estimated but not yet received

4.12 The value of the Council's Multi Asset investments fell by £1.238m at the end of 2019/20 but had recovered by £1.143m as at 31 March 2021. There continues to be fluctuations on these funds currently reporting a favourable net variance of £0.070m during the first three months of this financial year. However, this excludes the CCLA property fund which has been one of the hardest hit investments that RBC hold and is reflective of the national trends in commercial property values.

4.13 Performance in relation to collection rates of Business Rates and Council Tax will be reported in the performance section below. At the end of the first quarter, collection rates have improved compared to last year. 38.77% of Council Tax has been collected, compared to 37.93% last year (an increase of 0.84%). NNDR was significantly higher than last year (38.45% compared to 33.26% last year) mainly due to several large ratepayers paying in full. This position is likely to be adversely impacted by changes to Retail Relief (and more businesses now paying business rates) going forward, increasing the value due to be collected, in what may be difficult trading conditions.

Conclusion

4.14 The financial impact of Covid has been significant and is likely to continue into 2021/22 and beyond. Many other uncertainties prevail which also continue to present significant financial challenges. The Comprehensive Spending Review and both the business rates revaluation and the Fairer Funding reviews which were due to take place in 2020/21 and are now postponed. They were expected in 2021 but this looks increasingly unlikely. Uncertainty over resource allocations will make financial planning even more challenging.

4.15 A healthy position on reserves is necessary to insulate the Council against significant financial risks, enabling it to withstand short-term financial shocks. The Covid 19 pandemic has demonstrated how vital a healthy reserves position is to the Council's financial resilience and positively, our position remains stable which enables the Council to deliver its ambitions to improve services, and invest and grow the Borough and support its environmental objectives. 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.

There remain external financial pressures from existing issues such as the uncertainty surrounding Business Rates retention, the Fair Funding and Comprehensive Spending reviews (which have been further delayed) and the longer-term impact of BREXIT. Furthermore, there are the Council's own challenges such as meeting its own environmental objectives and upside risks as opportunities present themselves such as the Freeport and Development Corporation. 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

4.16 The impact of Covid measures on performance was still evident during quarter 1, the lifting of lockdown restrictions was implemented on 19 July 2021. The variable effects of lockdown, both negative and in some cases positive, were a result of the impact of the measures in place to combat the pandemic and are not expected to form a long-term trend. The lifting of these measures and subsequent changes in performance will begin to be known in the quarter 2 period.

4.17 A review of performance measure reported is underway and a revise list of indicators will be included for discussion and selection in the quarter 2 report. This is usually done at the start of a new Corporate Strategy period, but the pace of change and emerging tasks that brought about new strategic tasks into the scorecard is also influencing the need to review measures. There may be some indicators that are more relevant to the monitoring of the Corporate Strategy than the current indicators in the Strategic and Operational Scorecards.

4.18 The Strategic Scorecard summary table below shows that there were no exceptions to report for strategic tasks and only four performance indicators falling below target. Whilst the performance of these measures has been impacted by lockdown or changes in resident behaviours as a result of Covid, the Covid affected indicators are no longer subject to the special reporting introduced in 2020/21.

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.			

EFFICIENT SERVICES					**ENVIRONMENT**				
Performance Indicators					**Performance Indicators**				
2	0	0	3	1	0	0	2	1	0
No performance exceptions in this quarter.					Performance Exception LINS18 Percentage of household waste sent for reuse, recycling, and composting LINS23 Residual waste collected per household, in kilos Explanations are provided in appendix G.				

QUALITY OF LIFE				**SUSTAINABLE GROWTH**			
Strategic Tasks				**Strategic Tasks**			
1	5	0	0	1	7	0	0

<table>
<tr><th colspan="5">QUALITY OF LIFE</th><th colspan="5">SUSTAINABLE GROWTH</th></tr>
<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>
<tr><td>1</td><td>0</td><td>2</td><td>2</td><td>0</td><td>6</td><td>0</td><td>0</td><td>5</td><td>4</td></tr>
<tr><td colspan="5">Performance Exceptions

LICO64 Number of pavilion, community hall and playing field users

LICO66 Percentage usage of community facilities

Explanations are provided in the appendix G.</td><td colspan="5">Performance Exceptions

No performance exceptions in this quarter.</td></tr>
</table>

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

Performance Monitoring – Operational Scorecard

4.19 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>1</td><td>4</td><td>6</td><td>3</td></tr>
<tr><td colspan="5">There are four performance exceptions to report.

Performance Exceptions

LIDEG01 Percentage of householder planning applications processed within target times

LIDEG17 Percentage of planning enforcement inspections carried out in target time

LIFCS61 Percentage of calls answered in 40 seconds

LINS38 Robberies per 1,000 population

These indicators have been identified as exceptions. Explanations are 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 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 which is due to close in 2024. Furthermore, changes in central government policy influences business rates received and their timing, for example policy changes on small business rates relief. As was experienced in 2020/21, Covid is likely to have a large impact on the Business Rates position (as a result of additional reliefs) as reported above hence the need to appropriate the in-year Business Rates surplus to smooth deficits in later years.

5.4 There is a risk that central government policy changes may result in a negative financial impact on the Councils budget. For example, Government are currently considering waste reforms as part of the Environment Bill which could potentially see the Council providing garden waste collections to residents for free, having a significant impact on the Council's income although DEFRA propose the plans would include covering all costs to Councils. The Council continues to assert its position through consultation responses and will continue to lobby Government for a favourable outcome.

5.5 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. The Covid pandemic has demonstrated how critical our reserve levels were in ensuring the Council could withstand the financial shocks and we continue to ensure we remain 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.

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

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For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 Email: plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council 4 March 2021 – 2021-22 Budget and Financial Strategy Cabinet 7July 2021 – Financial Outturn Report
List of appendices:	Appendix A – Revenue Outturn Position - 2021/22 – June 2021 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2021/22 – June 2021 position Appendix D – Capital Variance Explanations Appendix E – Special Expenses Monitoring 2021/22 Appendix F – Corporate Scorecard Tasks Appendix G – Performance Indicators