



Corporate Overview Group

Tuesday, 1 February 2022

Finance and Performance Management Quarter 2

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. This report presents the budget position for revenue and capital as at 30 September 2021. This report provides an update to the report to Cabinet in December 2021 and includes the in-year variances along with variances resulting from Covid-19.
- 1.2. Given the current financial climate, and the recovery from Covid-19 lock down measures, 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. However, a combination of service budget efficiencies, Business Rates and Government funding have helped mitigate against the financial impact of Covid income losses. Ultimately the budget efficiencies identified are a reflection of the positive 'bounce back' of the local economy to Covid. We cannot be complacent though. One thing Covid has taught us is that at any given time the situation can quickly change.
- 1.4. At quarter 2, a budget efficiency of £0.673m (net of reserve commitments) is anticipated although this position could change as further variances are identified during the year. The increase from Quarter 1 is mainly due to an expected Business Rates Nottinghamshire Pool surplus of £0.622m and the potential non-utilisation of £0.25m in relation to Edwalton Golf Course (a further report is due to Cabinet in February 2022).
- 1.5. The report proposes the use of £0.1m in budget efficiencies from 2021/22 to boost the Strategic Growth Board budget in 2022/23 to support businesses recover from Covid (a separate report is to be presented to the Strategic Growth Board).
- 1.6. Given the Council's capital challenges going forward it is proposed to utilise at least £1m of the expected budget efficiencies towards vehicle replacement, with a vehicle replacement reserve proposed. This will be recommended in the forthcoming Medium Term Financial Strategy reports to Cabinet and Full Council in 2022. Any remaining budget efficiencies will be appropriated to the Organisation Stabilisation Reserve.

- 1.7. Going forward there are significant budget risks such as potential changes to the business rates system (now not expected in 2022/23), Fairer Funding and government policy in relation to waste collection. In addition, there is the potential impact of the power station closure (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.
- 1.8. The Capital Programme currently shows a planned underspend of £10.2m largely due to slippage in two major schemes (Bingham Hub and Crematorium) and uncommitted grant monies available for Registered Housing Providers.
- 1.9. As a result of this the report will formally carry forward Capital Provisions totalling £8.420m. Of which £8.295m to 2022/23 Capital Programme and £125k to 2025/26 Capital Programme.
- 1.10. The report will also accelerate £40k from the 2022/23 Capital Programme to 2021/22 to meet Play Area Commitments.

2. Recommendation

It is RECOMMENDED that the Corporate Overview Group notes:

- a) the expected revenue budget efficiency for the year of £0.673m incorporating the potential appropriation of £1m to a Vehicle Replacement Reserve (to be included in the MTFS report to Full Council in 2022);
- b) the use of £0.1m in budget efficiencies from 2021/22 to boost the Strategic Growth Board budget in 2022/23 to support the community recovery from Covid (paragraph 4.4);
- c) the capital underspend of £10.204m of which £8.420m is to be carried forward: £8.295m to 2022/23 Capital Programme and £0.125m to 2025/26 Capital Programme;
- d) the acceleration of £40k capital provision for Play Areas from 2022/23 to 2021/22 to meet commitments;
- e) the expected outturn position for Special Expenses of £10.2k deficit;
- f) the planned use of reserves at paragraph 4.2;
- g) the progress to date of Strategic Tasks– **Appendix F**; and
- h) the comments for performance exceptions and considers whether additional scrutiny is required – **Appendix G**.

3. Reasons for Recommendation

- 3.1. To demonstrate good governance in terms of scrutinising the Council's on-going performance and financial position and compliance with Council Financial Regulations.

4. Supporting Information

Financial Monitoring – Revenue Monitoring

- 4.1 The Revenue Monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 September 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 a budget efficiency of £0.673m. Loss of income and additional costs as a result of Covid (£0.129m) are more than offset by grant income and net efficiencies (£0.845m). In the current year we are anticipating a surplus of £3.113m on Business Rates (including a Nottinghamshire pool surplus of £0.622m) but a significant proportion of this will need to be put into reserves (£1.765m) to cover future year's Business Rates deficit. Given capital pressures in relation to future vehicle replacement (a combination of growth in the Borough, generally rising costs, the commitment to the carbon neutral agenda and declining resources) it will be recommended to Full Council (in the MTFS report) to appropriate £1m from 2021/22 budget efficiencies and create a Vehicle Replacement Fund.
- 4.2 Table 1 below summarises the main variations from revenue efficiencies and Covid related pressures. It should be noted that since the quarter 1 report, the Council has been awarded an extra £34k homelessness prevention grant. The reserves commitment total of £3.120m includes £1.765m relating to business rates deficit anticipated next year; £1m proposed Vehicle Replacement Reserve; £0.25m underspend for the Edwalton Golf Course feasibility study; £0.1m Strategic Growth Boards (paragraph 4.4) and £5k contribution to setting up the Bingham Improvement Board (reported to December Full Council).

Table 1: Main items impacting on the Current Revenue budget

	Pressure/ (Saving) 2021/22 (£m)
Covid costs/(savings):-	
Waste Collection (Agency)	0.039
Licence Income	0.037
COMF Grant income	(0.088)
COMF Enforcement Expenditure	0.088
Room Hire Gamston	0.012
Rental on Commercial Properties	0.041
Total Covid related budget pressure (A)	0.129
Projected in year costs/(savings):	
Waste Collection - Hire of Transport	0.030
Waste Collection - HGV Market Supplement	0.027
Agency Staff - Planning	0.210
Interest Payments	(0.085)
Planning Fees	(0.420)
Grant Income (Homelessness Prevention)	(0.058)
Edwalton Golf Course (EGC)	(0.070)
General Contingency	(0.134)
Econ Dev Feasibility Study	0.050
Edwalton GC Feasibility Study	(0.250)
Other minor variances	(0.145)
Total projected in year savings (B)	(0.845)
Net Revenue Efficiencies (A) + (B)	(0.716)
Grant Income	0.036
Business Rates	(3.113)
Reserve Commitments	3.120
Total Net Projected Budget Variance	(673)

- 4.3 Cabinet (9 March 2021) agreed to the provision of £300k for EGC Feasibility. £50k for technical risk assessment and £250k for further master planning work. Current projections show the intention to spend the £50k in 2021/22 which leaves the £250k for master planning work forming part of the overall revenue budget efficiencies. A further report will be presented to Cabinet in January 2022 when we will know more about whether some or all of the £250k will be required.
- 4.4 Given the impact of Covid and the need to help revitalise the local economy it is recommended that £0.1m be allocated from predicted underspends at the

end of the year to support and enhance the work of the Strategic and Local Growth Boards in 2022-23. It is suggested that this is accessible to other areas across the Borough, such as Ruddington. In addition to the above, a separate allocation has been made of £50k towards a feasibility study for Central Avenue, approved by Cabman and discussed in the Quarter 1 report. This is a project that has been identified as a priority by the West Bridgford Growth Board and is separately identified in Table 1.

- 4.5 **Appendix A** shows the original estimate for Grant Income of £2.762m (revised to £2.599m), Collection Fund £4.045m and also includes a Minimum Revenue Provision (MRP) of £1.074m. **Appendix B** gives further explanations of both positive and adverse variances, in addition to those detailed at Table 1.
- 4.6 **Appendix E** shows the Quarter 2 position on the Special Expenses budget which has also been affected by Covid in Q1, mostly income from hire of venues and bar sales mainly at Gamston which was, until September, being used as a vaccination centre. These projections are included in the total Covid related budget pressure of £0.129m. The expected budget deficit for the year is £10.2k which is net of a proportion of SFC grant and reimbursement for closure of Gamston. It was agreed by the West Bridgford Community Infrastructure Levy and Special Expenses Group on 25 September 2020 that the previous year's cumulative deficit (£0.087m) would be repaid by way of a loan. Other alternatives are currently being explored and will be included as part of the budget setting process.

Capital Monitoring

- 4.7 The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 30 September 2021. **Appendix D** provides further details about the progress of the, any necessary re-phasing and highlights efficiencies.
- 4.8 The original Capital Programme of £28.158m has been supplemented by a net brought forward of £6.533m and in-year adjustments of £0.911m giving a revised total of £35.602m. The net expenditure efficiency position of £10.2m is primarily due to the following:
- a) Bingham Leisure Hub £18.2m – £2m to carry forward to 2022/23;
 - b) Crematorium £7m – £3m to carry forward to 2022/23;
 - c) Support for RSLs: £1.1m – Commitments total £420k of which £237k will be released in 21/22. £0.875m of the projected underspend to carry forward to 2022/23;
 - d) Total carry forwards of £8.420m are requested: £8.295m to 2022/23 and £125k to 2025/26;
 - e) Acceleration of £40k from the 2022/23 Capital Programme to 2021/22 to meet commitments on Play Areas.
- 4.9 The Council was 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-19 impacted on the progress of these schemes with receipts projected to be £7.9m in 2021/22 (Hollygate Lane and a portion of the Depot receipt now expected in 2022/23). 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 £0.673m.

Covid-19 Update

- 4.10 The country came out of lockdown earlier this year (19 July 2021) and 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.
- 4.11 With the economy slowly starting to recover and bounce back, uncertainty still remains about the future so budget projections may change with time and risk.
- 4.12 The Governments Sales, Fees and Charges reimbursement claim has been submitted at £81k. This is lower than originally anticipated but is reflective of better performance 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 4.6). 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)
81	SFC reimbursement Q1 2021/22*
156	Reopening Highstreets safely*
1,298	Total

*Grants estimated but not yet received in full

- 4.13 At Q1 it was reported that the fair value of the Council's diversified funds had recovered against the losses resulting from Covid of £1.238m. The position at Quarter 2 shows that these assets have fully recovered and are now valued at £1.262m which exceeds March 2020 values. At the end of July, a further £2m was invested in Kames and Investec (£1m in each). These funds will continue to fluctuate in value but are being held long term.

Conclusion

- 4.14 The financial position in the revenue budget is positive, projecting a net budget efficiency of £0.673m. Covid risks could prevail in the future such as further restrictions imposed as we enter the winter period with the financial impact unknown. The Council must ensure it can support any adverse budgetary impact.
- 4.15 The position on capital is currently positive and, although some provisions have been re-phased, no major delays are anticipated on the completion of larger schemes. It is also anticipated that there will be no need to externally borrow this financial year. Challenges can arise during the year, such as sourcing materials and inflated costs which may still impact on the projected year-end position and this will continue to be reported throughout the year. Given the growth in the Borough, rising costs, the desire to be carbon neutral and reducing capital resources, there are particular risks with regards to the replacement of the council's vehicle fleet it makes sense to ensure a vehicle replacement reserve is created to help mitigate against such risks.
- 4.16 There remain external financial pressures from existing issues such as the uncertainty surrounding Business Rates retention, the Fair Funding and Comprehensive Spending reviews, which although have now been delayed further still present a significant risk. The longer-term impact of BREXIT is yet to be seen as the negative effects of Covid has made assessing the impact of BREXIT difficult. 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











- 4.17 The impact of Covid measures on performance was still evident during quarter 2, despite the lifting of lockdown restrictions 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. Although these are not expected to form a long-term trend, the impact of the pandemic is still having an impact on some services. Despite this, services have been provided and performance has held up in most cases. Some temporary staff have been required to cover absences due periods of isolation and this is likely to continue under the number of Coronavirus infections in the community have reduced and absence has returned to normal levels.
- 4.18 A review of performance measures due for this report is delayed and will now be included with the quarter 3 monitoring report. 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.

4.19 There were eight performance indicators in total reported as exceptions in quarter 1, of which six are an exception in quarter 2. These indicators will remain below target for the remainder of the year and a revised comment will be provided in the outturn report at quarter 4. These indicators are:

- 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 (cumulative)
- LINS18 Percentage of household waste sent for reuse, recycling and composting
- LINS39 Robberies per 1,000 population
- LINS72b Percentage usage of community facilities

4.20 The Strategic Scorecard summary table below shows that there were no exceptions to report for strategic tasks and only five performance indicators falling below target.






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.				
Performance Indicators				Performance Indicators				
 2	 1	 2	 0	 1	 1	 1	 0	 0
Performance exceptions: LIFCS16 Percentage of residents believing the council provides value for money LIFCS63 Percentage of residents satisfied with the variety of ways they can contact the Council Explanations are provided in Appendix G .				Performance Exception LINS18 Percentage of household waste sent for reuse, recycling, and composting Explanations are provided in Appendix G .				
QUALITY OF LIFE				SUSTAINABLE GROWTH				
Strategic Tasks				Strategic Tasks				
 1	 5	 0	 0	 1	 7	 0	 0	

QUALITY OF LIFE					SUSTAINABLE GROWTH				
There are no task exceptions this quarter.					There are no task exceptions this quarter.				
Performance Indicators					Performance Indicators				
 2	 0	 1	 2	 0	 5	 0	 1	 5	 4
Performance Exceptions LINS72b Percentage usage of community facilities Explanations are provided in Appendix G .					Performance Exceptions LIDEG03 Percentage of non-major applications dealt with in 8 weeks or agreed period Explanations are provided in Appendix G .				

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. Nine performance exceptions are reported in this quarter.

Operational Scorecard – Performance Indicators				
 19	 2	 9	 5	 3
There are nine 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				
LINS05 Percentage of residents satisfied with the cleanliness and appearance of parks and open spaces				
LINS19a Number of household waste collection (residual, dry and garden) missed twice or more in a 3-month period				
LINS25 Number of households living in temporary accommodation				
LINS26a Number of homeless applications made				

LINS31a Percentage of applicants within Bands 1 and 2 rehoused within 26 weeks

LINS38 Robberies per 1,000 population

These indicators have been identified as exceptions. Explanations are 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 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 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 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 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:

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Background papers available for inspection:	Council 4 March 2021 – 2021-22 Budget and Financial Strategy Cabinet 7 July 2021 – Financial Outturn Report
List of appendices:	Appendix A – Revenue Outturn Position - 2021/22 – June 2021

	<p>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</p>
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