



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

Signed off by	Head of Corporate Policy, Projects and Performance, Chief Finance Officer
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To	Overview and Scrutiny Committee Executive Committee Council
Date	Thursday, 16 March 2023 Thursday, 23 March 2023 Thursday, 30 March 2023
Executive Member	Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy, and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Quarter 3 2022/23 performance report
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Recommendations	
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That the Overview and Scrutiny Committee:

- (i) **Note the Key Performance Indicators performance for Q3 2022/23 as detailed in the report and in Annex 1 and make any observations to the Executive;**
- (ii) **Note the Key Performance Indicators to be reported on in 2023/24 as detailed in Annex 1.1 and make any observations to the Executive; and**
- (iii) **Note the Budget Monitoring forecasts for Q3 2022/23 as detailed in the report and at Annexes 2 and 3 and the progress update on the Financial Sustainability Programme at Annex 4 and make any observations to the Executive.**

That the Executive:

- (i) **Note the Key Performance Indicator performance for Q3 2022/23 as detailed in the report and Annex 1;**
- (ii) **Approve the Key Performance Indicators to be reported on in 2023/24 as detailed in Annex 1.1; and**
- (iii) **Note the Budget Monitoring forecasts for Q3 2022/23 as detailed in the report and at Annexes 2 and 3 and the progress update on the Financial Sustainability Programme at Annex 4.**

That Council:

- (iv) **Approve the recommended £4.46m increase in the Capital Programme for investment in housing and parking assets, funded from Section 106 and Strategic Community Infrastructure Levy resources, that were approved during the quarter.**

Reasons for Recommendations

For the Council's performance to be reviewed and to ensure that appropriate KPI reporting and budget monitoring arrangements are in place.

Executive Summary

This report provides an overview of the Council's performance for Q3 2022/23, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring. It also includes a progress update on the Financial Sustainability Programme

The Overview & Scrutiny Committee, Executive and Council have the authority to approve their respective recommendations.

Statutory Powers

1. Following the abolition of Best Value Performance Indicators (BVPI) in 2008 and the National Indicator Set (NIS) in 2010, there is no statutorily imposed framework for local authorities to manage performance.

2. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This monitoring report is part of that process.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

Background

4. Each quarter the Overview and Scrutiny Committee and Executive receive an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.
5. KPIs are corporate performance measures and are set in order to demonstrate performance against key corporate objectives.
6. In Q3 of each year, KPIs for the year ahead are also set via this report.
7. Quarterly budget monitoring is a key financial control mechanism that demonstrates that the Council is fulfilling its responsibilities for managing public funds.

Key Information

Key Performance Indicators – Q3 2022/23

8. Ten KPIs are reported on in Q3 2022/23, the full detail of which is provided in Annex 1.
9. Of the ten KPIs reported on, eight are within target or within the agreed tolerance. Two indicators are off target and outside of their tolerance and are therefore red rated.
10. The two KPIs that are off target (KPI 3 and KPI 10) are the same as those off target and discussed in Q2 reporting. Although these performance indicators continue to remain outside of target and tolerance, there are no new causes of concern arising from these. A detailed description of these KPIs as of Q3 reporting is noted below:
11. KPI 3 – Staff Turnover. Levels of staff turnover have remained in excess of target in Q3, with turnover at 18% as of the end of Q3. A combination of lower than usual turnover during the pandemic and a particularly buoyant labour market have led to a release of pent-up demand for a move in job. A cross-section of exit interviews have noted that 'career change' was a leading cause amongst those seeking new employment. This increase in turnover is being managed, with workloads carefully monitored and balanced with resources redeployed if and where required.
12. KPI 10 – Recycling. Please note that this measure is reported one quarter in arrears, with Q2 performance reported in Q3. Performance for Q2 has been comparable to those seen in previous years, with recycling levels for Q2 in both 2021/22 and 2022/23 sitting around 54%, which is below target and outside of tolerance. Q2 saw a particularly dry summer (drought) which has had an impact on garden waste tonnage collected, with collection levels lower than would be expected with normal weather conditions. Additional decreases in paper and food tonnages respectively have also impacted on the total rates.

Key Performance Indicators – 2023/24

13. Annex 1.1 sets out the KPIs to be reported on in 2023/24.
14. The 10 KPIs reported on in 2022/23 will continue through into the next year with contextual updates to properly reflect the situation as of the start of the new year. Wording and contextual measures for these KPIs have been reviewed and updated respectively with the associated Heads of Services.
15. These KPIs have are considered to be reflective of the Councils' corporate objectives and as such have been agreed to continue through to next year with minor contextual updates and additions.
16. Key updates to these KPIs include:
 - Confirmation of KPI 12's (Complaints) reported indicator as: "Number of accepted Stage 1 complaints". Additionally, the contextual measures have also been updated and confirmed with Head of Service.
 - There have also been minor updates to the wording and contextual measures reported in 2023/24s KPIs to reflect the position of the Council at the start of the financial year.

Revenue Budget Forecast

17. The 2022/23 Original Revenue Budget approved by Council in February 2022 was £19.980m.
18. At 30 September the forecast outturn for Services and Central Budgets is £19.113m against a management budget of £20.062m, including £0.081m of unspent budget carried forward from 2021/22, resulting in an overall forecast net underspend of £1.530m (7.6%).

Table 1: REVENUE BUDGET MONITORING at 30 December 2022	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Forecast Outturn £m	Forecast Year-end Variance £m
Service Budgets	18.022	(0.043)	17.980	17.355	(0.625)
Central Budgets	1.958	0.124	2.082	1.177	(0.905)
Revenue Budget Forecast at 30 December	19.980	0.081	20.062	18.532	(1.530)

19. The total forecast outturn of £18.532m is £0.581m lower than the previous forecast at 30 Sep. The significant movements are :
 - Treasury Management - £0.234m lower forecast due to reduced borrowing requirement and improved interest rates;
 - Supporting Families - £0.200m lower forecast as the backdated Surrey County Council funding contribution was higher than originally forecast;
 - Commercial & Investment team - £0.149m lower forecast as this budget is unlikely to be used in full in 2022/23;
 - Waste & Recycling - £0.133m lower forecast as increased income is now expected from the sale of waste containers and increased commercial waste volumes;

- Revenues, Benefits & Fraud - £0.169m higher forecast due to lower Housing Benefit receipts and higher software and staff costs;
- Human Resources - £0.141m higher forecast due to increased use of temporary resources.

20. The outturn forecast includes a number of pressures and opportunities that have been taken into account when setting the 2023/24 revenue budget. The most significant include:

- Waste & Recycling - £0.300m extra income from Garden Waste collections;
- Car Parking - £0.217m extra income from increased charges and demand.

Other examples are detailed at Annex 2

Service Budgets

21. The 2022/23 Original Budget for Services approved by Council in February 2022 was £18.022m.

22. At 30 December the full year outturn is forecast to be £17.355m against a Management Budget of £17.980m resulting in an underspend of £0.625m (3.5%).

23. The key variances are:

Organisation:

- Property & Facilities Energy Costs - £0.339m overspend due to higher costs of electricity and gas;
- Property & Facilities - £0.139m overspend due to lower than budgeted rental income and higher rates costs;
- Legal Services - £0.117m underspend due to vacancies.

Place

- Refuse & Recycling - £0.628m underspend due to increased income from a higher volume of garden waste subscriptions & lower waste disposal costs;
- Car Parking - £0.306m underspend due to higher than expected income from pay & display car parks;
- Building Control - £0.102m underspend due to a projected surplus rather than the loss that was anticipated when the budget was approved

People

- Revenues, Benefits & Fraud - £0.633m overspend due to net impact of lower subsidy and higher Housing Benefit costs partially offset by lower net staff costs and higher fees & charges income;
- Harlequin - £111k underspend driven by higher income from amateur shows and lower staff costs due to vacancies.

24. Further detail is provided at Annex 2.

Central Budgets

25. The Original Budget for Central budgets approved by Council in February 2022 was £1.958m

26. At 30 September the forecast outturn is £1.117m against a Management Budget of £2.082m resulting in an underspend of £0.905m (43.5%).
27. This underspend is mainly a result of higher net interest receivable on treasury investments than originally expected. Further detail is provided at Annex 2.

Investment Income

28. Forecast income from property rents at Quarter 3 is £4.251m compared to the £4.316m that was received in 2021/22. This represents 21.3% of the net revenue budget for 2022/23.

Government Funding Distribution

29. Following on from grant distribution arrangements during the COVID-19 pandemic, the Government continues to require local authorities to act as its agent in distributing new funding streams to local residents. The sums distributed up to Quarter 3 are summarised at Annex 2, Section 2.1.
30. While some additional administration funding has been provided, coordination of these duties remains challenging and places additional demands on capacity in the Revenues, Benefits & Fraud and Finance teams. Also on the service teams that administer the funding streams.

Capital Programme Monitoring

31. At 30 December, the Capital Programme Budget was £72.10m, including £36.98m of approved carry-forward capital allocations from 2021/22
32. The forecast outturn position is £31.99m which is £40.11m (56%) below the approved Programme for the year. The variance is driven by £39.86m slippage and a net underspend of £0.25m.
33. The main reasons for the slippage at the end of Quarter 3 were:
 - Housing Delivery Programme (£30.0m slippage) – these capital funds have been allocated to fund investment in new affordable housing. There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed;
 - Beech House (£3.0m slippage) with expenditure now expected in 2023/24, subject to business case approval; and
 - Merstham Recreation Ground (£1.36m) slippage with construction expenditure now expected in 2023/24.
34. The forecast also includes the latest position for the Marketfield Way Development (The Rise). The Programme is scheduled to be complete during 2023/24; at that stage the final outturn position will be confirmed and reported to Executive.

In-Year Capital Programme Approvals

35. Council is asked to approve an increase of £4.46m in the Capital Programme to reflect planned investment in housing and parking assets, funded from Section 106 and Strategic Community Infrastructure Levy (CIL) resources, that were approved during the quarter:

- £4.00m for purchasing Temporary & Emergency accommodation;
- £0.36m for contributions to works at Stirling House and Mitchell Court;
- £0.10m for works at New Pond Farm; and
- £0.375m expenditure on Preston parking improvements.

36. Further detail is provided at Annex 3.

Financial Sustainability Programme (FSP) Update

37. Taking into account the forecast funding gap that the Council is facing, the parameters within which it can operate, and building on experience to date, in November 2021 the Executive agreed to pursue a Financial Sustainability Programme.
38. The Medium-Term Financial Plan presented to the Overview and Scrutiny Committee and Executive in July 2022 set out the latest financial forecasts and explained the approach that is being taken with respect of the Programme. These forecasts were updated in November 2022 as part of budget-setting for 2023/24.
39. The Programme comprises the projects and activities that are being deployed to address the Council's financial sustainability challenges over coming years and is key to overcoming them.
40. An update on Financial Sustainability Programme activity in Quarter 3 of 2022/23 is available at Annex 4.

Options

41. The Overview and Scrutiny Committee has two options:
- **Option 1:** note the report and make no observations to the Executive.
 - **Option 2:** note the report and make any observations to the Executive.
42. The Executive has two options:
- **Option 1:** Note the report and make no observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Chief Finance Officer.
 - **Option 2:** Note the report and make any observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Chief Finance Officer.
43. The Council has two options:
- **Option 1:** Approve the recommended additions to the Capital Programme
 - **Option 2:** Not approve the recommended additions; this would prevent the planned investment from proceeding.

Legal Implications

44. There are no legal implications resulting from this report.

Financial Implications
45. There are no additional financial implications arising from this report.
Equalities Implications
46. There are no equalities implications arising from this report.
Communication Implications
47. There are no communications implications arising from this report.
Environmental Sustainability Implications
48. There are no environmental sustainability implications arising from this report.
Risk Management Considerations
49. There are no risk management implications arising from this report.
Consultation
50. The report has been reviewed by the Council's Corporate Governance Group. There are no other consultation implications arising from this report.
Policy Framework
51. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.
Background Powers
None

ANNEXES

- 1 KPI Dashboard Q3 2022/23
- 1.1 2023/24 Key Performance Indicators
- 2 Q3 2022/23 Revenue Budget Monitoring
- 3 Q3 2022/23 Capital Budget Monitoring
- 4 FSP Update Q3