



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

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TO	Executive
DATE	Thursday, 17 September 2020
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance, Portfolio Holder for Corporate Direction and Governance

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Quarter 1 (Q1) 2020/21 performance report
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RECOMMENDATIONS
<p>That the Executive note:</p> <ul style="list-style-type: none">(i) The Key Performance Indicator performance for Q1 2020/21 summarised in the report and at Annex 1.(ii) The revenue full year outturn forecast variance at the end of Q1 2020/21 of £1.68m (6.5%) lower than budget.(iii) The potential financial implications to the Council in respect of the COVID-19 pandemic, as set out in the report.(iv) The full year Capital Programme forecast at the end of Q1 of £30.48m (24%) below the approved Programme for the year.

REASONS FOR RECOMMENDATIONS

For the Council's performance to be reviewed.

EXECUTIVE SUMMARY

This report provides an overview of the Council's performance for Q1 2020/21, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring.

Of the ten KPIs reported in Q1, six are on target or within the agreed tolerance. Three KPIs are off target (therefore red rated) and we are unable to report on one. Additional detail is provided in the report below as well as at annex 1.

The Revenue Budget full year outturn forecast variance (excluding COVID-19 expenditure and/or loss of income) at the end of Q1 for Service budgets is £0.38m (2.5%) higher than the management budget; Central budgets are reporting £2.06m (21.7%) lower than budget, resulting in an overall forecast of £1.68m (6.5%) lower than budget.

The Revenue Budget for 2020/21 that was approved in February 2020, was agreed before the impacts of the COVID-19 pandemic on the UK became apparent. It does not therefore consider the significant additional financial impacts that are now faced during 2020/21 on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates. The potential financial implications are set out in the annexes to this report. The situation continues to be monitored closely and use of budget contingencies and Reserves may be necessary to offset any costs or income losses that are not funded by Government.

The full year Capital Programme forecast at the end of Q1 of £30.48m (24%) below the approved Programme for the year. The variance is as a result of £30.10m slippage and a £0.38m net underspend.

The Overview and Scrutiny Committee considered this report on 10 September 2020. The agenda pack for this Executive meeting was published before the Overview and Scrutiny Committee met, meaning that any observations/recommendations from the Committee will be tabled at the meeting of the Executive.

The Executive has the authority to approve the above 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 report is part of that process.
3. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.

4. 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

5. Each quarter the Overview and Scrutiny Committee and Executive receives an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.
6. KPIs are service level performance measures and are set in order to demonstrate performance against key corporate objectives.
7. A cross-party member working group was convened in the last financial year in order to help develop the indicators for 2020/21. The performance indicators for 2020/21 were approved by the Executive at its meeting on 25 June 2020.
8. A new reporting template has also been developed for KPI reporting. The template – available at annex 1 – includes, where necessary, additional information to place performance within a wider context.
9. In addition to quarterly performance reports, in Q4 of each year the Committee receives the Council's annual corporate plan performance report.
10. Risk management is now reported to the Audit Committee in advance of the Executive. The Q1 risk management will be considered by the Audit Committee on 9 September 2020.
11. 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 – Q1 2020/21

12. Ten performance indicators are reported on in Q1 2020/21, the full detail of which is provided in annex 1.
13. Of the ten indicators, six are on target or within the agreed tolerance.
14. Three indicators are red rated:
 - KPI 6 – Net housing completions
 - KPI 7 – Net affordable housing completions
 - KPI 10 – Recycling performance (Q4 2019/20)
15. Housing completions (KPI 6 and 7) are off target and outside of tolerance primarily due to the slowdown in the sector as a result of the COVID-19 pandemic. Despite this there are currently over 2,000 units under construction within the borough, with over 300 of these at an affordable rate.
16. The Council's recycling performance (KPI 10) is also off target. Performance is reported one quarter in arrears, with Q4 2019/20 performance reported as part of Q1 2020/21 reporting. Against a target of 57%, 51.4% was achieved. This is primarily due to a reduction in garden waste materials collected at the kerbside. The latter

notwithstanding, the final year's recycling rate of 54.2% is the Council's second-best reported rate.

17. We have been unable to report on one performance indicator:

- KPI 8 – Performance in Local Environmental Quality Surveys

18. We have been unable to report on this indicator due to resources being focused on responding to the COVID-19 crisis.

Finance indicator – 2019/20

19. At Q4 2019/20 the Council was due to report on the finance performance indicator: 'business income expressed as a percentage of the Council's gross budget'. The indicator measures receipts of all business income including fees and charges, commercial income and sponsorship against budget targets. It excludes grant funding.

20. This data was not available for the Q4 report but is now confirmed. Against a target of 20.51%, the Council achieved 22.86%. This indicator is therefore green rated.

Revenue Budget Monitoring

21. The 2020/21 Original Revenue Budget approved by Council in February 2020 is £24.46m. At the end of Q1 the projected full year outturn is £24.22m against a management budget of £25.90m (including £1.44m one-off funding from the Corporate Plan Delivery Fund (CPDF) Reserve and Feasibility Studies (Commercial Ventures) Reserve) resulting in an overall net underspend of £1.68m (6.5%). As set out in the table below.

Table 1: Revenue Budget Monitoring Quarter 1 2019/20	Original Budget £m	Total Variations £m	Management Budget £m	Year End Outturn £m	Year End Variance £m
Service Budgets	14.900	1.503	16.403	16.783	0.380
Central Budgets	9.560	(0.060)	9.500	7.440	(2.060)
Total	24.460	1.444	25.903	24.223	(1.680)

Service Budgets

22. The 2020/21 Original Budget for Services approved by Council in February 2020 is £14.90m. At the end of Q1 the projected full year outturn is £16.78m against a management budget of £16.40m resulting in an overspend of £0.38m (2.5%).

23. The £0.38m overspend is mainly as a result of:

- £0.50m overspend in Finance, which is mostly attributable to the costs of interim staff covering vacant posts and additional support for the closure of accounts and advising on development projects. Permanent staff recruitment has now been completed with three of the permanent staff already in post and two expected to commence in August and October. The Head of Finance post is still covered on an interim basis.

Other overspends within Finance relate to £0.06m increased cost of financial software and £0.02m transactional related charges from the Council's banking provider. These pressures will be addressed during 2021/22 Service and Financial Planning.

- £0.32m combined overspend in Benefits Team and Benefits Paid/Subsidy Received. The Head of Service currently expects around £0.22m of pressures to arise directly as a result of COVID-19 [this is reported separately within the COVID-19 section in Annex 2]. A £0.10m reduction in Housing Benefit subsidy is expected due to an increase in private supported accommodation in the borough, for which the Council is not fully reimbursed by the government. The subsidy rate on all Housing Benefit expenditure is expected to be 99.3% of net expenditure, less than the usual rate of 99.6% that was received in the years leading up to 2019/20.
- £0.16m of Printing and Software related cost pressures are expected to continue from 2019/20. This budget is being reviewed as part of the 2021/22 Service and Financial Planning process.
- Services carried out for other local authorities and some private entities are expected to make a net loss in 2020/21 as the service continues to build its contract base. This loss is currently forecast at £0.17m of which £0.08m is directly related to COVID-19 [reported separately within the COVID-19 section in Annex 2] and £0.09m relates to the underlying trading position. Losses are expected to reduce as more work is brought on stream and additional contracts are confirmed.
- £0.08m overspend in Land Charges: Levels of income from Land charges are subject to seasonal variation. There is the expectation that income levels will increase as the year progresses, but current forecasts indicate this may be optimistic.
- £0.06m overspend in Refuse and Recycling due to expected overspend on temporary staff amounting to approximately £0.06m. COVID-19 has resulted in £0.05m of additional expenditure and £0.04m of reduced income in this service area [reported separately within the COVID-19 section in Annex 2].
- £0.06m underspend in Electoral Services: As elections will no longer take place in 2020/21 due to COVID-19, the unspent budget will be carried forward to 2021/22.
- £0.06m underspend in Greenspaces due to several vacant operative posts. It is anticipated that these vacancies will be filled in a few months. COVID-19 is likely to result in around £0.09m of lost income [reported separately within the COVID-19 section in Annex 2].
- £0.17m underspend in Projects and Assurance due to three vacant posts

- £0.15m underspend in Building Control due to £0.12m underspend on salaries (vacancies and maternity leave) offset by £0.18m of Consultancy cost to cover these posts and £0.20m underspend relating to the provision in the budget for a partnership loss that is not currently expected to be drawn upon this year.
- Car Parking - No variance is expected in the underlying Car parking service area, however COVID-19 is expected to have a material adverse impact on the income receipts this year. Currently an expected loss of £1.6m is predicted and reported separately within the COVID-19 section in Annex 2.

24. Further details are provided at Annex 2.

Central Budgets

25. The 2020/21 Original Budget for Central items approved by Council in February 2020 is £9.56m. At the end of Q1 the projected full year outturn is £7.44m against a management budget of £9.50m resulting in an underspend of £2.06m (21.7%).

26. This underspend is mainly as a result of

- £0.85m forecast underspend in Treasury Management: This is due to the net effect of reduced income on-lending and investments. Includes interest on the second loan to Greensand Holdings Limited (for the purchase of land at Horley).
- £1.25m forecast underspend in Budget Contingencies and New Posts Budget: There are no plans to use these budgets at this time. Any shortfall in Government funding support for COVID-19 expenditure or income losses (Annex 2) or other significant unbudgeted costs will result on a call on this budget in 2020/21.

27. Further details are provided at Annex 2.

COVID-19 Budget Impacts

28. The Revenue Budget for 2020/21 that was approved by Council in February 2020, was agreed before the impacts of the COVID-19 pandemic on the UK became apparent. It does not therefore consider the significant additional financial impacts that are now faced during 2020/21 on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates.

29. In July 2020 the Government announced additional support for councils experiencing income losses. This is subject to further validation as the details of how the funding will be allocated but is expected to result in further funding support that will offset up to 70% of income losses.

30. The potential financial implications for this Council are set out at Annex 2. The situation continues to be monitored closely and use of budget contingencies and Reserves may be necessary to offset any costs or income losses that are not funded by Government.

31. Further details on the potential impacts of COVID-19 on Council finances are presented in the Medium Term Finance Strategy 2021/22 which was reported to Executive on 27 July 2020.

Capital Budget Monitoring

32. The Council approved a Capital programme budget for 2020/21 of £96.10m in February 2020. At Q1, the Capital programme budget is £125.46m (including £29.49m of approved carry-forward from 2019/20). The forecast full year expenditure is £94.98m which is £30.48m (24%) below the approved Programme for the year. The variance is as a result of £30.10m slippage and a £0.38m net underspend.

33. The £0.38m net underspend is mainly as a result of:

- £0.23m of Disabled Facilities Grant (DFG). COVID-19 has had a big impact on the number of referrals for DFG works, with these stopping during the early part of lockdown. Works in properties were also suspended for several weeks, due to contractors suspending their entire operations and vulnerable clients unwilling to allow works in their homes. Work is now underway again, but a lower than budget spend over the year is expected.
- £0.04m underspend of Handy Person Scheme. COVID-19 has resulted in fewer applications being received and progressed for Small Works Grants and Loans than might otherwise be expected.

34. The £30.10m forecast slippage is mainly due to:

- £8.43m forecast slippage against the planned spend on the Marketfield Way. Slippage is due to the extended period it has taken to conclude the build contract and in securing all necessary consents.
- £3.0m forecast slippage against the planned spend on the Beech House, London Road. Negotiations with tenant (AIG) are still ongoing, slightly delayed by the COVID-19 pandemic. Current assumption is a revised £2.1m major works to be carried out in 2021/22 but this is subject to a review by Knight Frank on the viability of the proposal. Property Services are reviewing the overall deal and will recommend the final sum to the Commercial Ventures Executive Sub-Committee once review completed.
- £4.23m forecast slippage against the planned spend on the Cromwell Road Development. Spend profile changed following contract signature - slightly behind original profiled schedule.
- £2.33m forecast slippage against the planned spend on Unit 1 Pitwood Park Tadworth. Spend profile changed following contract signature - slightly behind original profiled schedule.

- Housing Delivery is forecasting a £9.74m slippage against the £10m Capital allocation in 2020/21. The £0.26m forecast expenditure this year relates to the procurement of the design team to include professional services such as quantity surveyor, project manager, architect, civil, structures and building services consultants together with a wide range of technical consultants, procurement of supporting surveys and documentation required for the planning application and future development of the site.

35. Further details are provided at Annex 3.

Overview and Scrutiny Committee – 10 September

36. The Overview and Scrutiny Committee considered this report on 10 September 2020.
37. The agenda pack for this Executive meeting was published before the Overview and Scrutiny Committee met, meaning that any observations/recommendations from the Committee will be tabled at the meeting of the Executive.

OPTIONS

38. The Executive has two options:
 Option 1: note the report and make no observations/comments.
 Option 2: note the report and many observations/comments to the Head of Projects and Performance and/or Head of Finance.

LEGAL IMPLICATIONS

39. There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

40. There are no additional financial implications arising from this report.

EQUALITIES IMPLICATIONS

41. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

42. There are no communications implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

43. There are no risk management implications arising from this report. The annual budget report and supporting strategies include full risk assessments of budget proposals.

OTHER IMPLICATIONS

44. There are no other implications arising from this report.

CONSULTATION

45. The performance report has been reviewed by the Council's Corporate Governance Officer Group and the Overview and Scrutiny Committee.

46. There are no other consultations implications arising from this report.

POLICY FRAMEWORK

47. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.

BACKGROUND PAPERS

None.