



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

SIGNED OFF BY	Interim Head of Finance
AUTHOR	David Brown, Finance Manager, Luke Harvey, Project & Performance Team Leader, Pat Main, Interim Head of Finance
TELEPHONE	Tel: 01737 276519, Tel: 01737 276063
EMAIL	David.Brown@reigate-banstead.gov.uk, Luke.Harvey@reigate-banstead.gov.uk, Pat.Main@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee Executive
DATE	Overview and Scrutiny Committee, Thursday, 9 September 2021; Executive, Thursday, 16 September 2021
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 1 Performance Report 2021/22
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RECOMMENDATIONS
That the Overview and Scrutiny Committee: (i) Note Key Performance Indicator (KPI) performance for Q1 2021/22 as detailed in the report and at Annex 1 and make any observations to the Executive;

- (ii) **Note the Budget Monitoring forecasts for Q1 2021/22 as detailed in the report and at Annex 2 and make any observations to the Executive;**

That the Executive:

- (iii) **Note Key performance Indicator performance for Q1 2021/22 as detailed in the report and at annex 1**
- (iv) **Note the Budget Monitoring forecasts for Q1 2021/22 as detailed in the report and at Annex 2**

REASONS FOR RECOMMENDATIONS

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

EXECUTIVE SUMMARY

This report provides an overview of the Council's performance for Q1 2021/22, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring.

Of the ten KPIs reported on in Q1, eight are on target or within tolerance. Two indicators are off target.

Service and Central budgets are currently forecast to be in line with the Revenue Budget for 2021/22 that was approved in February 2021. The approved budget included separate forecasts for the ongoing financial impacts of the COVID-19 pandemic and this report includes updated forecasts based on the current position.

The impacts of the pandemic continue to be monitored closely and, while additional expenditure has continued to be contained within the funding provided by Government, use of Earmarked Reserves is likely to be necessary to offset forecast income losses if additional Government funding is not provided. Further details are provided in this report and at Annex 2.

The Capital Programme forecast for the year is £56.29m which is £84.79m (60%) below the approved Programme for the year. The variance is as a result of £84.28m slippage and a net underspend of £0.51m. Further details are provided in this report and at Annex 3.

The Overview and Scrutiny Committee and Executive 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 service level performance measures and are set in order to demonstrate performance against key corporate objectives.
6. 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

7. Ten KPIs are reported on in Q1, the full detail of which is provided in annex 1.
8. Of the ten KPIs reported on, eight are on target or within the agreed tolerance. Two indicators are off target.
9. Those that are off target:

- **KPI 2 – Business rates collection.** The recent recalculation of Retail Rate Relief (Covid-19 related) led to a number of first quarter instalments being set back to 1 August, resulting in this quarter's target not being met. Rates have been recalculated for the remainder of the year; we are therefore expecting collection to catch-up and improve in subsequent quarters.

There was £166k held in suspense at the end of the quarter, which, if included in the totals collected, would have brought the collection rate to within tolerance. A suspense account is used in instances where payment for business rates has been received but the payer is yet to be identified, thereby preventing allocation of the monies received to an account. Work is underway to allocate these balances.

- **KPI 10 – Recycling (reported one quarter in arrears).** Achieving the target of 60% is a stretch target, set within Surrey's Joint Waste Management Strategy, to which the Council is a signatory. Covid-19 continues to impact on tonnages and the composition of household waste. Despite this indicator being off target, however, Q4 of 2020/21 was the best result recorded for a Q4 by the Council. Q4 performance has helped to recover some of the losses from the impact of Covid-19 earlier in the year. Preliminary tonnages for 2020/21 show an approximate 2,500 net tonnage increase in paper and card, mixed recycling and food sent for reprocessing. However, this unfortunately was not enough to offset the increase in refuse and fly tipping, as well as the lost garden waste tonnage from the suspended service in Q1 of 2020/21.

Whilst the target for this indicator is a stretch target, the Council is actively taking steps to increase the borough's recycling performance by introducing the full

kerbside collection service to more flats and introducing measures to prevent contamination at existing facilities. Since April 2021 an additional 500 flats have been added to the service at a time of unprecedented pressure from increased tonnages of recyclates and residual waste. In illustrating this positive direction of travel, in June 2021 the monthly recycling rate exceeded 60% for the first time.

Revenue Budget Forecast

10. The 2021/22 Original Revenue Budget approved by Council in February 2021 was £17.395m.
11. At 30 June the forecast outturn for Services and Central Budgets is £17.674m against a management budget of £17.696m, including one-off funding from Reserves, resulting in an overall net underspend of £0.023m (0.1%).

Table 1: REVENUE BUDGET MONITORING AT 31 JUNE 2021	Original Budget £m	In-Year Adjustments¹ £m	Management Budget £m	Forecast Outturn £m	Forecast Year-end Variance £m
Service Budgets	16.240	0.301	16.541	16.517	(0.024)
Central Budgets	1.155	0.000	1.155	1.157	0.002
Revenue Budget Forecast at 30 June	17.395	0.301	17.696	17.674	(0.022)
Income losses due to ongoing COVID-19 impacts	0.000	0.000	0.000	2.319	2.319
Government Funding to offset Income Losses	0.000	0.000	0.000	(0.465)	(0.465)
Revenue Budget Forecast at 30 June Including COVID-19 Income Losses	17.395	0.301	17.696	19.528	1.832

Note: in-year budget adjustments reflect the drawdown of Earmarked Reserves during the year and amounts carried forward from the prior year to fund approved expenditure.

Service Budgets

12. The 2021/22 Original Budget for Services approved by Council in February 2021 was £16.240m.
13. At 30 June the full year outturn is forecast to be £16.517m against a management budget of £16.541m resulting in an underspend of £0.024m (0.1%).
14. The key variances are:
 - Organisation:
 - Electoral Services £0.177m underspend due to lower than expected election costs and review of long term contracts .
 - ICT £0.065k overspend due to increased maintenance costs.

Place:

- Refuse & Recycling £0.158m overspend due to higher staff costs.

People

- Revenues, Benefits & Fraud £114k underspend due to lower staff costs partially offset by lower commercial income.

Further details of Service budget variances are provided at Sections 1 and 2 of Annex 2.

COVID-19 Expenditure and Funding

15. The Revenue Budget for 2021/22 that was approved by Council in February 2021 did not include specific budgets for ongoing expenditure relating to the Council's response to the pandemic but it did provide an outline of the types of spending that were likely to be incurred and assumptions regarding how they would be funded based on the information available at the time.
16. The latest forecast for additional expenditure and funding during 2021/22 are summarised below. This confirms that expenditure and associated funding are currently forecast to balance. These forecasts are however based on current assumptions regarding national and local recovery following the pandemic and may change. Some of the forecast Government funding is also subject to final confirmation. The majority of pandemic funding is received direct from the Government but some continues to be paid via Surrey County Council

Table 2: COVID-19 FORECAST ADDITIONAL EXPENDITURE & FUNDING at August 2021	Forecast Expenditure £m	Forecast Funding £m
Homelessness Prevention	0.230	
Welfare Response	0.228	
'Welcome Back' Initiatives	0.166	(0.166)
Additional Capacity – Revenues & Benefits, Communications, Data Insight, Finance	0.428	(0.184)
ICT Support costs	0.086	
Environmental Services/Waste Team	0.073	
Cultural, Sports, Leisure	0.031	
Surge Testing Funding	0.026	(0.026)
Contain Outbreak Management Funding		(0.274)
Government COVID-19 Funding Allocation 2021/22		(0.638)
Forecast Expenditure and Funding 2021/22	1.268	(1.288)

COVID-19 Income Losses

17. The main area for concern relates to ongoing income losses as a consequence of the pandemic. At 30 June the forecast total income loss is £1.854m after taking account of forecast Government funding for losses to 30 June (only).

Table 3: COVID-19 FORECAST INCOME LOSSES AND FUNDING at August 2021	Forecast Income Loss £m
Car Parking	1.720
Leisure Services (management fee waived, lower football income)	0.282
Harlequin (lower ticket sales, hire and catering income)	0.155
Property & Facilities (lower income from commercial properties)	0.051
Planning Policy (lower fee income)	0.048
Revenues & Benefits (lower commercial income)	0.040
Environmental Licencing (lower premises/taxi licencing & MOT income)	0.023
Forecast Income Loss	2.319
Government Funding (Q1 Losses Only)	(0.465)
Net Forecast Income Loss 2021/22	1.854

18. The net forecast shortfall can be funded on a one-off basis through drawing on the £2.0 million Earmarked Reserve that was set aside at the end of 2020/21 in anticipation of continued income losses.
19. Looking forward beyond 2021/22 there remain concerns that ongoing income losses (in particular relating to car parking) will add significantly to the forecast budget gap over the medium term as there is no current prospect of further Government funding for the majority of these pressures beyond the end of June 2021.
20. The ongoing unfunded impacts will have to be accommodated within future budget-setting decisions and will result in a further call on Reserves until sustainable solutions are implemented. This will have to be addressed as a priority during budget-setting for 2022/23 for services there is no prospect of income streams returning to pre-pandemic levels.
21. As previously-reported, over the medium term, the main options for mitigating the financial impacts of COVID-19 include:
 - Continue to lobby Central Government for additional funding in recognition of the residual impacts of income losses on district Councils and their ability to deliver services.
 - Look to make offsetting savings and efficiencies where possible before calling on Reserves.
 - Make use of Earmarked Revenue Reserves to close the gap. This has implications for the projects and services and other potential risks that were intended to be funded from these resources.
22. As a final resort it would be necessary to apply for permission from Government to capitalise some of the costs and financial impacts to enable the Council to borrow and fund them on a long-term basis. This would place the Council in the spotlight as being at risk of financial failure.
23. Further updates on forecast impacts on costs and income and how they might be funded will continue to be included in the quarterly budget monitoring reports throughout 2021/22.

Central Budgets

24. The 2021/22 Original Budget for Central budgets approved by Council in February 2021 was £1.155m.
25. At 30 June the forecast outturn is £1.157m against a management budget of £1.155m resulting in an overspend of £0.002m (0.18%).
26. This overspend is mainly as a result of small adjustments to the forecast.
Further details are provided at Annex 2.

Capital Programme Monitoring

27. At 30 June 2021, the Capital Programme budget was £141.08m (including £99.456m of approved carry-forward capital allocations from 2020/21).
28. The forecast outturn position is £56.29m which is £84.79m (60%) below the approved Programme for the year. The variance is as a result of £84.28m slippage and a net underspend of £0.51m.
29. Slippage at 31 March will be carried forward to the Programme for 2022/23 onwards. The main reasons for forecast slippage at the end of Quarter 1 were:
 - Housing Delivery Programme (£20.0m 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.
 - Commercial Investments Programme (£63.97m slippage) - these capital funds have been allocated to fund investment in new developments and commercial assets & activities to deliver a sustainable net income stream. There are no specific developments or asset purchases planned at this time. Forecasts will be updated when new business cases or investment opportunities are developed.
30. The forecast net underspend is mainly as a result of:
 - Disabled Facilities Grant £0.242m lower expenditure due to COVID-related delays to works.
 - ICT Disaster Recovery £0.200m lower expenditure due to activity being funded from elsewhere in the capital programme.

Further details are provided at Annex 3.

OPTIONS

31. The Overview and Scrutiny Committee has two options:
Option 1: Note Q1 2021/22 KPI and budget performance and make no observations/comments.
Option 2: Note Q1 2021/22 KPI and budget performance and make any observations to the Executive.

32. The Executive has two options:

Option 1: Note the Q1 2021/22 KPI and budget performance and make no observations/comments.

Option 2: Note the Q1 2021/22 KPI and budget performance and many observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

36. There are no communication implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

37. There are no risk management implications arising from this report.

38. The annual budget report and supporting strategies include full risk assessments of budget proposals.

OTHER IMPLICATIONS

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

CONSULTATION

40. The performance report has been reviewed by the Council's Corporate Governance Group.

41. There are no other consultation implications arising from this report.

POLICY FRAMEWORK

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

BACKGROUND PAPERS

None.