

SIGNED OFF BY	Interim Head of Finance
AUTHOR	David Brown, Finance Manager Pat Main, Interim Head of Finance Luke Harvey, Project & Performance Team Leader
TELEPHONE	Tel: 01737 276063 Tel: 01737 276519
EMAIL	David.Brown@reigate-banstead.gov.uk Pat.Main@reigate-banstead.gov.uk Luke.Harvey@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee Executive
DATE	Thursday, 17 March 2022 Thursday, 24 March 2022
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 Performance Report 2021/22
----------------	--------------------------------------

RECOMMENDATIONS
<p>That the Overview and Scrutiny Committee:</p> <p>(i) Note the Key Performance Indicator performance for Q3 2021/22 as detailed in the report and Annex 1 and make any observations to the Executive;</p>

- (ii) **Note the Key Performance Indicators to be reported on in 2022/23 as detailed in Annex 1.1 and make any observations to the Executive;**
- (iii) **Note the Budget Monitoring forecasts for Q3 2021/22 as detailed in the report and at Annexes 2 and 3 and make any observations to the Executive.**

That the Executive:

- (i) **Note the Key Performance Indicator performance for Q3 2021/22 as detailed in the report and Annex 1;**
- (ii) **Approve the Key Performance Indicators to be reported on in 2022/23 as detailed in Annex 1.1.**
- (iii) **Note the Budget Monitoring forecasts for Q3 2021/22 as detailed in the report and at Annexes 2 and 3.**

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 Q3 2021/22, including Key Performance Indicator (KPI) reporting as well as revenue and capital budget monitoring.

The report also details the KPIs to be reported on for 2022/23.

Of the ten KPIs reported on in Q3, seven are on target or within tolerance. Three indicators are off target

Underlying Service and Central budgets are currently forecast to be £0.674m (3.8%) lower than 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 set aside for the purpose will be necessary to offset forecast income losses. Further details are provided in this report and at Annex 2.

The Capital Programme forecast for the year is £44.13m which is £96.95m (68.7%) below the approved Programme for the year. The variance is as a result of £93.36m slippage and a net underspend of £3.59m. 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 corporate 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 – Q3 2021/22

7. Ten KPIs are reported on in Q3 2021/22, the full detail of which is provided in Annex 1.
8. Of the ten KPIs reported on, seven are on target or within the agreed tolerance. Three indicators are off target, outside of their tolerance and are therefore red rated.
9. Of those that are off target:
 - KPI 1 – Council Tax collection. The non-achievement of the target is due to the impacts of Covid-19 and delays in recovery action as the courts were closed earlier in the year. Measures to improve collection performance are being actioned, including implementing process efficiencies and workload reviews, as well as recruiting additional staff.
 - KPI 2 – Business rates collection. The Covid-19 pandemic has had an impact upon the collection of business rates within the borough, due to rate recalculations arising from business rates relief and the wider economic situation. However, there has been a sustained increase in collection rates over the course of the financial year. Performance is expected to return to target levels as wider economic conditions improve, moving more towards the normal total collection rate by the end of Q4.
 - KPI 7 – Affordable Housing Completions. Affordable housing completions this quarter continue to be off target, however these units are often delivered in batches. With a significant number of housing development projects such as the

Horley North West Sector, RNIB and Quarryside Business Park expected to reach completion later in the year, the associated increase in affordable housing completions is expected to bring completions in line with the target.

Key performance indicators – 2022/23

10. Annex 1.1 sets out the KPIs to be reported on in 2022/23.
11. There are two new KPIs proposed for 2022/23:
 - Handling of complaints – information on complaints has previously been provided as a contextual indicator. However the Council is upgrading its complaints handling system and so the service expects to be in a position to be able to report on key metrics associated with complaints.
 - Sustainability – reduction in the Council's carbon footprint compared to the 2019/20 baseline.

Revenue Budget Forecast

12. The 2021/22 Original Revenue Budget approved by Council in February 2021 was £17.395m.
13. At 30 December the forecast outturn for Services and Central Budgets is £17.133m against a management budget of £17.807m, including one-off funding from Reserves, resulting in an overall net underspend of £0.674m (3.8%).
14. In addition, there are forecast continued income losses of £1.156m (net) following the COVID-19 pandemic that will have to be funded this year through a call on the Reserve that has been set aside to mitigate this risk.

Table 1: REVENUE BUDGET MONITORING at 31 Dec 2021	Original Budget £m	In-Year Adjustments¹ £m	Management Budget £m	Forecast Outturn £m	Forecast Year-end Variance £m
Service Budgets	16.240	0.412	16.652	15.934	(0.718)
Central Budgets	1.155	0.000	1.155	1.199	0.044
Revenue Budget Forecast at 31 Dec	17.395	0.412	17.807	17.133	(0.674)
Income losses due to ongoing COVID-19 impacts	0.000	0.000	0.000	1.511	1.511
Government Funding to offset Income Losses in Q1	0.000	0.000	0.000	(0.354)	(0.354)
Revenue Budget Forecast at 31 Dec Including COVID-19 Income Losses	17.395	0.413	17.808	18.290	0.482

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

15. The 2021/22 Original Budget for Services approved by Council in February 2021 was £16.240m.

16. At 31 December the full year outturn is forecast to be £15.934m against a management budget of £16.652m resulting in an underspend of £0.718m (4.3%).

17. The key variances are:

Organisation:

- Electoral Services - £0.253m underspend due to lower than expected election costs and review of long term contracts.
- Land Charges - £0.192m underspend driven by higher than expected revenue due to Stamp Duty holiday.

Place:

- Planning Policy - £0.309m underspend due to lower staff costs because of vacancies.
- Fleet - £0.189m underspend driven primarily by lower fuel costs compared to the budget forecast.

People

- Revenues, Benefits & Fraud - £0.399m overspend due to lower DWP subsidy and higher Housing Benefit overpayment, partially offset by lower staff costs due to vacancies and higher commercial income.

Corporate

- Management Team - underspend of £0.250m in anticipation of implementation of the new senior management structure

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

COVID-19 Expenditure & Funding

19. 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 and income losses that were likely to be incurred and assumptions regarding how they would be funded based on the information available at the time.

20. 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 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 30 Sept 2021	Forecast Expenditure £m	Forecast Funding £m
Welfare Response	0.299	
Financial Management & Monitoring	0.166	
Revenues & Benefits Team - additional temporary staff	0.134	
Communications/Contact Centre/Data & Insight Team - additional capacity	0.118	
ICT support costs	0.104	
Homelessness Prevention	0.103	(0.023)
'Welcome Back' Expenditure & Funding	0.100	(0.100)
Environmental Services/Waste Team - additional capacity	0.098	
Revenues & Benefits - in-house overtime, software etc	0.080	
Other expenditure (including Elections)	0.058	(0.039)
Surge Testing	0.026	(0.019)
Cultural, Sports, Leisure	0.019	
New Burdens Funding		(0.092)
Test & Trace Administration Funding		(0.102)
Contain Outbreak Management Funding		(0.274)
Government COVID-19 Funding Allocation 2021/22		(0.638)
Forecast Expenditure and Funding 2021/22	1.306	(1.287)
Net Expenditure / (Income)	0.019	

COVID-19 Income Losses

21. The main area for concern relates to ongoing income losses as a consequence of the pandemic. At 31 December the forecast total income loss is £1.157m after taking account of forecast Government funding for losses to 30 June (only).

Table 3: COVID-19 FORECAST INCOME LOSSES AND FUNDING at 30 June 2021	Forecast Income Loss £m
Car Parking	1.052
Leisure Services (management fee continued to be waived until September 2021; lower pitch income)	0.137
Planning Policy (lower fee income)	0.178
Property & Facilities (lower income from commercial properties)	0.051
Revenues & Benefits (lower commercial income)	0.040
Environmental Licencing (lower premises/taxi licencing & MOT income)	0.028
Harlequin (lower ticket sales, hire and catering income)	0.025
Forecast Income Loss	1.511
Government Funding (Q1 Losses Only)	(0.354)
Net Forecast Income Loss 2021/22	1.157

22. 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.

23. These forecasts are based on the third quarter position and remain subject to review as recovery continues.
24. As detailed in the Budget report 2023/24 to Executive in January 2022, looking forward there remain concerns that ongoing income losses (in particular relating to car parking) add significantly to the forecast budget gap over the medium term as there is no prospect of further Government funding for these pressures.
25. The ongoing unfunded impacts have therefore had to be accommodated the 2022/23 budget and result in a further call on Reserves until sustainable solutions are implemented.
26. 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; and
 - 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.
27. 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. This course of action is not anticipated to be required for this authority.
28. 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

29. The 2021/22 Original Budget for Central budgets approved by Council in February 2021 was £1.155m.
30. At 31 December the forecast outturn is £1.199m against a management budget of £1.155m resulting in an overspend of £0.043m (3.76%).
31. This overspend is mainly as a result of lower net interest receivable on treasury investments than was originally forecast.
32. Further details on Central Budget forecasts are provided at Annex 2.

Investment Income

33. Forecast income from property rents at Quarter 3 is £4.256m compared to the £4.568m that was received in 2020/21. This represents 24.5% of the net revenue budget for 2021/22.

Capital Programme Monitoring

34. At 31 December 2021, the Capital Programme budget was £141.08m (including £99.46m of approved carry-forward capital allocations from 2020/21).
35. The forecast outturn position is £44.13m which is £96.48m (68.7%) below the approved Programme for the year. The variance is driven by £93.36m slippage and a net underspend of £3.59m.
36. The main reasons for forecast slippage at the end of Quarter 3 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 (£63.98m 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.
37. Slippage at 31 March would typically be carried forward to the Programme for 2022/23 onwards, however the Budget Report for 2022/23 that was approved by Executive in January 2022, included a recommendation that the remaining sums allocated for investment in the Housing Delivery Programme and Commercial Investments will in future be excluded from the reported Capital Programme going forward. This is because there are no firm plans at present for spending these allocations and their relative scale compared to the rest of the Programme means that variance reporting against budget is distorted. Going forward the funds will remain allocated in principle for future investment but will not be brought into the approved Programme until specific business cases are approved.
38. The forecast net underspend is mainly as a result of:
- Housing Delivery Programme - £2.838m lower than budgeted expenditure upon successful completion of the Cromwell Road and Pitwood Park housing schemes.
 - ICT Disaster Recovery - £0.200m lower expenditure due to investment funded from elsewhere in the Capital Programme.
 - Disabled Facilities Grant - £0.370m lower expenditure due to a lower level of referrals in 21/22.
39. Further details are provided at Annex 3.

OPTIONS

40. 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.
41. The Executive has two options:

- **Option 1:** note the report and approve the KPIs to be reported on in 2022/23 as set out at Annex 1.1.

This is the recommended option.

- **Option 2:** note the report and do not approve the KPIs for 2022/23.

This is not the recommended option as it will delay the Council having KPIs in place for the new financial year.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

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

47. The annual budget report and supporting strategies include a full risk assessment of budget proposals.

OTHER IMPLICATIONS

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

CONSULTATION

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

50. 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 PAPERS

None.