

<b>Signed off by</b>	Head of Corporate Policy, Projects and Performance, Interim Head of Finance
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<b>To</b>	Overview and Scrutiny Committee Executive Committee Council
<b>Date</b>	Overview and Scrutiny Committee: Thursday, 15 June 2023 Executive: Thursday, 22 June 2023 Council: 20 July 2023
<b>Executive Member</b>	Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy and Resources

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);
<b>Subject</b>	Quarter 4 2022/23 performance report

<b>Recommendations</b>
<p><b>That the Overview and Scrutiny Committee:</b></p> <ul style="list-style-type: none"> <li>(i) Note the Key Performance Indicators performance for Q4 2022/23 as detailed in the report and in Annex 1 and make any observations to the Executive;</li> <li>(ii) Note the Revenue budget outturn for 2022/23 and recommended budget-carry-forwards as detailed in the report and at Annex 2 and make any observations to the Executive;</li> <li>(iii) Note the Capital Programme outturn for 2022/23 as detailed in the report and at Annex 3 and make any observations to the Executive.</li> </ul> <p><b>That the Executive:</b></p> <ul style="list-style-type: none"> <li>(i) Note the Key Performance Indicator performance for Q4 2022/23 as detailed in the report and Annex 1;</li> <li>(ii) Note the Revenue budget outturn for 2022/23 as detailed in the report and at Annex 2 and approve the recommended budget carry-forwards to 2023/24;</li> <li>(iv) Note the Capital Programme outturn for 2022/23 as detailed in the report and at Annex 3 and recommend the additional capital schemes that were approved during the year totalling £4.038 million to Council for inclusion in the Programme.</li> </ul> <p><b>That the Council:</b></p> <ul style="list-style-type: none"> <li>(i) Approve additional capital schemes that were approved during the year totalling £4.038 million for inclusion in the Programme.</li> </ul>
<b>Reasons for Recommendations</b>
For the Council's performance to be reviewed and to ensure that appropriate KPI reporting, and budget monitoring arrangements are in place.
<b>Executive Summary</b>
This report provides an overview of the Council's performance for Q4 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
<b>The Overview &amp; Scrutiny Committee and Executive Committee have the authority to approve their respective recommendations.</b>
<b>Statutory Powers</b>

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 – Q4 2022/23**

7. 11 KPIs are reported on in Q4 2022/23, full detail of which is provided in Annex 1.
8. Of the 11 KPIs reported on, 10 are on target or within the agreed tolerance. One indicator is off target and outside of its tolerance and is therefore red rated. A detailed description of this KPI as of Q4 reporting is noted below:
9. KPI 3 – Staff Turnover. Levels of staff turnover have remained in excess of target in Q4, with turnover at 19% as of the end of Q4. 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. Although this performance indicator continues to remain outside of target and tolerance, there are no new causes of concern arising from these.
10. Please note, that although the updates provided in this document and the associated annexes relate to Q4 2022/23, we have updated the Portfolio Holder responsibilities to align with the upcoming arrangements for the 2023/24 year.

### **Revenue Budget Provisional Outturn**

11. The 2022/23 Original Revenue Budget approved by Council in February 2022 was £19.980 million.

12. At 31 March the full year provisional outturn for Services and Central Budgets was £18.301 million against a management budget of £20.062 million, resulting in an overall net underspend of (£1.761m) (8.8%).

<b>Table 1: REVENUE BUDGET MONITORING AT 31.3.23</b>	<b>Original Budget £m</b>	<b>In-Year Adjustments £m</b>	<b>Management Budget £m</b>	<b>Year-end Outturn £m</b>	<b>Year End Variance £m</b>
Service Budgets	18.023	(0.043)	17.980	17.826	(0.154)
Central Budgets	1.957	0.124	2.082	0.475	(1.606)
<b>Total</b>	<b>19.980</b>	<b>0.081</b>	<b>20.062</b>	<b>18.301</b>	<b>(1.761)</b>

### Service Budgets

13. The 2022/23 Original Budget for Services approved by Council in February 2022 was £18.023 million.
14. At 31 March 2023 the full year outturn was £17.826 million against a management budget of £17.980 million resulting in an underspend of £0.154 million (0.9%).
15. The key variances leading to the underspend are:

#### Organisation

- Property & Facilities Energy Costs - £0.393 million overspend due to higher costs of electricity and gas;
- Property & Facilities - £0.388 million overspend due to lower than budgeted rental income and higher rates and property maintenance costs;
- Legal Services - £0.170 million underspend due to vacancies.

#### Place

- Refuse & Recycling - £0.702 million underspend due to increased income from a higher volume of garden waste subscriptions & lower waste disposal costs;
- Car Parking - £0.515 million underspend due to higher than expected income from pay & display car parks;
- Environmental Health & JET – £0.140 million underspend due to successful court actions against landlords and higher income from EV charging points.

#### People

- Revenues, Benefits & Fraud - £0.824 million 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 - £0.147 million underspend driven by higher income from amateur shows and lower staff costs due to vacancies.

### Management Team

- £0.124 million underspend driven by lower cost of restructured team.

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

### **Central Budgets**

17. The 2022/23 Original Budget for Central Budgets approved by Council in February 2022 was £1.957 million.
18. At 31 March the outturn was £0.475 million against a management budget of £2.082m resulting in an underspend of £1.606 million (77.1%).
19. This underspend is mainly as a result of lower Treasury Management costs and a lower Minimum Revenue Provision requirement.
20. Further details are provided at Sections 1 and 2 of Annex 2.

### **Proposed Revenue Budget Carry-Forwards to 2023/24**

21. Revenue budgets are approved on an annual basis and there is no automatic carry over of unused budgets into the following year. However, circumstances sometimes arise beyond the control of the budget manager, where expenditure slips from the planned year to the next or funding has been received that could not be spend and needs to be carried forward for use in the next year.
22. This report therefore seeks approval from Executive to increase the previously approved service budgets for 2023/24, funded from the relevant budget carry-forward from 2022/23.
23. Proposed carry-forwards total £0.141 million and are included in this report to ensure transparency of decision-making; the details are set out at Annex 5.

### **Investment Income KPI**

24. Total income from property rents in 2022/23 was £4.218 million compared to the £4.316 million that was received in 2021/22. This represents 21.0% of the net revenue budget for 2022/23.

### **Government Funding Distribution**

25. 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.

26. 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 allocations

### **Capital Programme Monitoring**

27. At 31 March 2023, the Capital Programme budget was £79.958 million (including £36.983 million of approved carry-forward capital allocations from 2021/22).
28. The outturn position is £21.155 million which is £55.803 million (69.8%) below the approved Programme for the year. The variance is as a result of £55.713 million slippage and a net underspend of £0.090 million
29. The slippage is mainly due to:
- £20.000 million on the Housing Delivery Programme
  - £13.784 million on Property Rolling Programmes
  - £5.575 million on the Marketfield Way project
  - £3.000 million on Beech House
  - £1.465 million on Merstham Recreation Ground
  - £1.022 million on the Fleet Replacement Programme

The budgets will be carried forward to the Programme for 2023/24 onwards.

30. Further details are provided at Annex 3.

### **In-Year Capital Programme Approvals**

31. Council is asked to approve an increase of £4.038m in the Capital Programme to reflect planned investment in housing and parking assets, funded from Government Grants and prudential borrowing, that were approved during the quarter:
- Accommodation for Refugees (Local Authority Housing Fund) - £3.318 million
  - Purchase of commercial units at 14/16/18 Reading Arch Road - £0.720 million.

### **Financial Sustainability Programme (FSP) Update**

32. 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.
33. 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 and January 2023 as part of budget-setting for 2023/24.

34. 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.
35. An update on Financial Sustainability Programme activity in Quarter 4 of 2022/23 is available at Annex 4.

## Options

1. 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.
2. 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.
3. Council has two options:
  - **Option 1:** Approve additional capital schemes that were approved during the year for inclusion in the Programme. This is the recommended option.
  - **Option 2:** Reject additional capital schemes that were approved during the year for inclusion in the Programme. This is not the recommended option

## Legal Implications

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

## Financial Implications

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

## Equalities Implications

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

<b>Communication Implications</b>
7. There are no communications implications arising from this report.
<b>Environmental Sustainability Implications</b>
8. There are no environmental sustainability implications arising from this report.
<b>Risk Management Considerations</b>
9. There are no risk management implications arising from this report.
<b>Other Implications</b>
10. There are no other implications arising from this report
<b>Consultation</b>
11. The report has been reviewed by the Council's Corporate Governance Group. There are no other consultation implications arising from this report.
<b>Policy Framework</b>
12. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.
<b>Background Powers</b>
13. None