

POLICY AND PERFORMANCE SCRUTINY PANEL

Monday, 23 November 2020

CABINET

Thursday, 26 November 2020

CORPORATE PERFORMANCE AND FINANCIAL MONITORING

Report of the Corporate Director Support Services – Chief Financial Officer

Recommendation(s)

For Policy and Performance:

- (1)** It is recommended that the Policy and Performance Scrutiny Panel note the performance of the Council for the first half of the year and the financial position of the Council (including the forecast for the year) making any necessary recommendations to Cabinet based on this data and information.

For Cabinet:

It is recommended that Cabinet:

- (2)** note the performance of the Council for the first half of the year and the Council's financial position including the forecast for the year and consider any recommendations from Policy and Performance Scrutiny Panel;
- (3)** note the likely Sales, Fees and Charges compensation from central government due to Eastleigh Borough Council initially estimated at £2.1m;
- (4)** note the allocation of £180,000 to Parish and Town Councils to compensate for losses incurred due to COVID-19;
- (5)** note the performance of the Capital Investment Programme, and financial outlook in Appendix C;
- (6)** Recommend to Council to approve the changes to the Prudential Indicators in Appendix D;
- (7)** note the performance of treasury management, and financial outlook in Appendix E;

- (8) approve expenditure of £1,300,000 in 2020/21 and 2021/22 for the disabled Facilities Grant Programme to be funded from government grant and housing capital receipts;
- (9) note the Key Financial Risks Register as detailed Appendix F.

Summary

This report presents the Council's financial and performance position up to the second quarter (Q2) of 2020/21 and highlights significant and emerging financial and performance issues. Key Performance Indicators (KPIs) for service areas are outlined in Appendix A of the report.

Capital expenditure for the first half of the financial year of 2020/21 was £21.3m compared to the rolling budget for the year of £132m

Statutory Powers

Local Government and Housing Act 1989, Sections 41 and 42 Local Government Act 1972, Section 151

Strategic Implications

1. Regular monitoring and management of the Council's performance, including financial performance is key to ensuring delivery against strategic objectives set out in the Council's corporate plan 2015-2025, and contributes to the management of corporate risk. The report details budget variances compared to the Budget agreed in February 2020. The report also details key performance indicators which allows monitoring of performance trends. The financial and service performance impact of COVID-19 pandemic is reflected throughout the report. Individual variances are being actively managed by service managers with the support of the finance team and the overall position reflects a positive position for the Council despite the global pandemic.

Introduction

2. This report includes information and analysis on the Council's financial performance and use of resources for the first half of the financial year 2020/21, in comparison to the budget set by Council on 20 February 2020.
3. The revenue position for the first half of 2020/21 includes the in-year costs of COVID-19 as well as "business as usual" variances, however it should be noted that the report was written before the announcement of the new lockdown measures announced at the end of October. Due to the current levels of uncertainty across the Country, both operationally and financially the variances in this report are subject to a reasonable degree of uncertainty, however the forecast position reflects a high level financial review, and

therefore if lockdown ends as planned on the 2nd December 2020, the forecasts should not be materially impacted.

4. The report contains, in the Appendices, details of the following:

Appendix	Description
A	Revenue Monitoring variances
B	Council Strategy Scorecard Summary
C	Community Investment Programme Monitoring
D	Prudential Indicators
E	Treasury Management Half Yearly Report
F	Risk Assessment
G	MTFP

Revenue Monitoring

5. The table below shows the summarised General Fund Monitoring statement by Portfolio. Details of the revenue forecast variances are shown at Appendix A.

Portfolio Name	Original Budget £'000	Rolling Budget £'000	Forecast Outturn £'000	Forecast Variance £'000 (adverse)/ favourable
Area Committees	1,139	1,205	1,205	0
Skills & Business	22	199	833	(634)
Environment	5,214	5,659	6,033	(374)
Health	1,812	2,020	2,920	(900)
Planning & Property	(3,772)	(4,292)	(5,085)	793
Social Policy	235	368	623	(255)
Transport	(1,161)	(1,140)	126	(1,266)
Position on Services	3,489	4,019	6,655	(2,636)
Non-Service-Related Items	(3,442)	(3,712)	(2,930)	(782)
Government funding			(3,681)	3,681
Net Position	47	307	44	263

Government Grants to Support COVID-19 Recovery

6. During the pandemic the Council has received additional grant funds to support the recovery efforts and to support services. There have been a number of specific grants as such as Town Centre Recovery (£118,000), Community Support Fund (£84,000), COVID Marshall Fund (£48,000), Furlough Funding (£140,000), Track and Trace new burden (£26,000). In addition to this there are two further grants as detailed below:
7. COVID Support Grant (£1.6M) – This is a non-ring-fenced grant used to mitigate increased costs and non-fees and charges income losses.
8. Sales, Fees and Charges Fund (£2.1M) – A specific fund to support services where income has been reduced as a result of the pandemic. The services eligible for this funding have to meet certain criteria and a quarterly claim must be made. The material services being claimed for are Car Parking, Arts and Places Leisure Eastleigh with the claim for the first 4 months totalling approximately £990,000 (not as yet received). As losses have to be directly attributable to the service being closed or restricted by COVID it is anticipated the level claimed will reduce throughout the year, but it is important to note that this is a very movable figure and has been estimated prudently.
9. The £3.7M general grants have been included in the forecast outturn for the year as a general amount rather than allocated to any one particular service as this enables the Council to more efficiently monitor losses and costs across the services.
10. The Council has been working with Parish and Town councils to ensure that all tiers of local government are supported by Central Government grants which have been allocated. The Leader wrote to Parish and Town Councils to determine what level of losses and direct costs were being incurred. The Secretary of State requested that funding was passported on to the Parish and Town Councils which Eastleigh is honouring. This has resulted in a grant of approximately £180,000 being paid to Parish and Town Councils to enable them to continue to provide vital services to the community. This equates to 65% of losses incurred which is the same level of compensation Eastleigh has been afforded by Central Government to the end of October 2020. The Council believes it is the only council in Hampshire supporting Parish Councils in this way.

Performance Monitoring

11. Performance monitoring covers the first 6 months of financial year running from April 2020 to September 2020. Appendix B shows a balance scorecard for Key Performance Indicators (KPIs). The KPIs are organised into five

strategic themes: Environment; Economy; Health and wellbeing; Housing and development; and Organisation. Overall the performance is strong, with robust delivery of services in most areas. However, COVID 19 has understandably had an impact on some performance. On the environment side waste services have been affected, food waste could not be collected as our collection method was not COVID safe, and there has been an increase in residual waste as a result of the closures and subsequent limited opening of the Household Waste Recycling Centres (HWRCs). The food waste collection service is recommencing in November and at the time of writing the report Hampshire County Council have stated that the HWRCs will remain open during the second lockdown so our performance in this area should continue to go up again.

12. Within the Economy area there has been a significant drop in the collection of Non-Domestic Rates due to the impact of COVID measures on businesses. This has also affected occupancy at the Business Centre (Wessex House). The economic situation is likely to worsen significantly and therefore an improvement in these areas is not anticipated for some time. The Economy and Business service are working to support businesses to minimise the impact as far as possible, including administering Government business grants.
13. Performance on the Health and Wellbeing side has also been affected by COVID 19, particularly in relation to participation levels due to the closure of venues and wellbeing activities such as the theatres, Places Leisure Eastleigh and the Health Works programme. The completion of Disabled Facilities Grants has also been directly affected by COVID as a result of a freeze on all building works between mid-April and May.
14. Work had commenced to increase participation where possible to do so in a COVID safe way. The team at The Point have run outdoor activities in Eastleigh Town Centre and Places Leisure had re-opened with visitor numbers increasing month on month. However, the second lockdown has meant that the leisure centre has had to close again. In regard to the delivery of Disabled Facilities Grants, whilst the rules of the second lockdown allow for construction work to continue, as well as enabling necessary work inside private homes this needs to be done in line with COVID safety measures which significantly limits the work that can be done, therefore we expect to see performance in this area remain low.
15. The Point staff are organising a COVID safe Christmas event, which adheres to social distancing and other COVID safety requirements. This will be able to go ahead in December subject to the lifting of the second lockdown and the rules returning to what they were pre-lockdown.

Efficiency & Improvement

16. There will be a need to refresh efficiency and improvement plans in light of COVID-19. The current savings in the approved Medium-Term Financial Plan

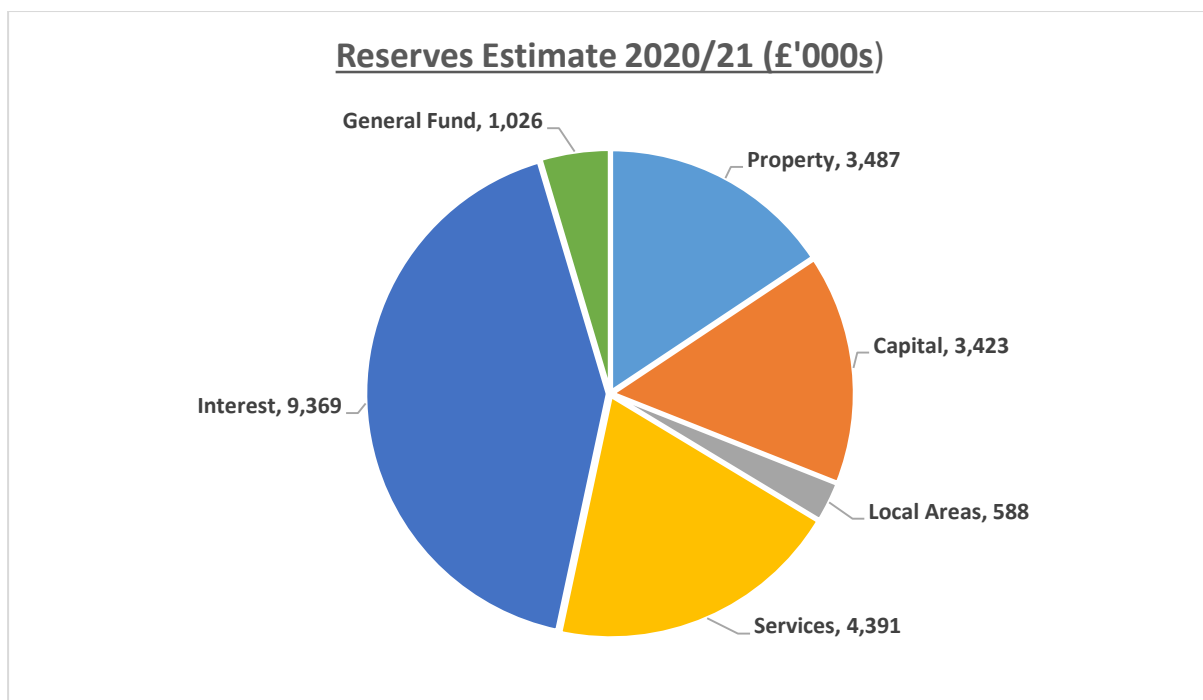
are unlikely to be delivered and the impact of this is shown in full in the recommended position for review. As part of the annual cycle, services will be developing robust delivery plans which will put forward alternative deliverable savings in preparation for the efficiency programme to restart. The efficiency and improvement programme is proposed to formally re-start 2023/24.

Medium Term Financial Plan

17. In February 2020 the Council set a Revenue Budget with a net draw on the General Fund of £167,000, in line with the approved Medium-Term Financial Plan (MTFP).
18. However, since the Budget was set, the emergence of COVID-19 has fundamentally changed the financial position for the foreseeable future. During this financial year, the Council has forecast approximately £1.5M of additional expenditure for the financial year and has forecast income to fall by approximately £4.2M for the year, where services such as leisure and parking were closed. A gradual return of most income streams is anticipated, although it is unlikely that usage levels will return to those previously budgeted for, particularly for the Car Parking Service, in this financial year. The full details of all variances can be found at Appendix A
19. Details of all the forecast variances for 2020/21 and the impacts going forward across the life of the plan are included in the updated MTFP shown at Appendix G. This continues to show a balanced position with prudent and healthy levels of reserves; however, the ongoing position will continue to be closely monitored particularly around Property and Borrowing.

General Fund and Reserves

20. Appendix G details the MTFP position and demonstrates that the General Fund balance is maintained at the minimum balance of 10% of Net Cost of Services for the life of the plan taking account of all estimates relating to COVID-19. In addition, other earmarked reserve balances remain healthy as detailed below:



Community Investment Programme

21. The Community Investment Programme (CIP) has a rolling budget of £132m for 2020/21. The budget has increased since originally set by £62m since originally set which is primarily due to new schemes being approved by Cabinet in year. Scheme budgets have been re-profiled as more information has come forward from project managers to better align expenditure with delivery timescales.
22. As at 22nd October, £21m has been spent, representing 28% of the original budget and only 16% of the rolling budget. It is forecast that expenditure will increase in line with the rolling budget as the year progresses, due to large schemes completing before the end of the financial year. The progress of CIP schemes is reported to relevant boards regularly as part of the highlight reports completed by Project Managers for each scheme. As with Service Managers, Project Managers are asked to identify forecast spend for the year in order that total CIP budgets can be monitored effectively and also profiled into the most appropriate financial year. This is an iterative process, with adjustments to budgets between financial years being made as and when reported to the relevant boards.
23. Cabinet is asked to recommend to Council to approve the changes to the Prudential Indicators Appendix D. CIPFAs prudential frameworks main objectives is to ensure that capital investment plans of local authorities are affordable and sustainable, and that treasury management decisions are taken in accordance with good financial practice. Prudential indicators are set by the council to ensure these objectives can be met.

Community Investment Approval DFG Programme

24. The Disabled Facility Grant (DFG) works are funded primarily through the Better Care Fund (BCF) programme which aims to improve the lives of some of our most vulnerable residents, giving them a better quality of life. The projects undertaken through the DFG programme play a vital role in the prevention of hospital admissions and tackling bed-blocking through the adaptations within their own homes.
25. Each year since the BCF programme started the Council has topped up the BCF amount to the region of £150k due to the importance of the work the DFG programme delivers helping to achieve Corporate Objectives. The BCF amount has increased year on year and as such the contribution the Council has had to top up has reduced.
26. The Council received £1,163,139 in Better Care Fund Grant in 2019/20 and spent an additional £128,409 from Housing Capital Receipts.
27. The Council have received the same amount of £1,163,139 in Better Care Fund Grant in 2020/21, and budget a further £136,861 to be funded from Housing Capital Receipts. It is anticipated a similar amount will be received in 2021/22.
28. Cabinet are asked to approve expenditure on the DFG Programme of £1,300,000 in both 2020/21 and 2021/22 to be financed from the Better Care Fund Grant and Housing Capital Receipts.
29. Cabinet is also asked to recommend to Council to approve the changes to the Prudential Indicators Appendix G.

Treasury Management mid-year report

30. The Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) requires the Authority to approve treasury management semi-annual and annual reports.
31. Appendix D provides the Treasury Management Half Yearly Report on the performance of Treasury Management for the first 6 months of 2020/21.

Chief Financial Officer's statement

32. As the Council's Statutory Finance Officer, the Chief Financial Officer is required to advise the Council on all pertinent financial matters including the level of balances and to alert Councillors to any concerns she may have regarding the financial well-being of the Council.

33. The financial monitoring process is a very important element of the Council's financial arrangement as it assesses how effective the day to day management of budgets is been throughout the year. Any unforeseen overspends and underspends can distort the Council's financial position and financial planning process.
34. The COVID-19 pandemic has brought into sharp focus the need for accurate and detailed financial planning. The success of the Council's approach to financial management has enabled the identification and reporting of financial pressures and also the early identification of potential savings. Undoubtedly this is a testing time for the economy and that includes local government, although Eastleigh Borough Council is well placed to sustainably manage financially into the future.
35. A key element of the financial process is accurate budgeting and forecasting. Historically there are underspends in revenue budgets, and it is important that these are identified by service managers as soon as they are foreseen. This is particularly important now that there are additional budgetary pressures and also as the nature of some services change due to the impacts of COVID-19. There are continued efforts to improve identification of budget variances and ensure these are reflected within the rolling budget. The aim is to ensure greater accountability of budget holders and therefore improved financial management. As explained in the financial summary, training and additional support is being rolled out across the Service Leads and Senior Managers to improve financial controls and to assist with more accurate forecasting.
36. The revenue monitoring report shows a forecast outturn position highlighting a forecast favourable net position £263,000.

Risk Assessment

37. The purpose of the financial monitoring process is to give Members the assurance that the Council's finances are performing broadly in line with the Budget. This report is integral to the risk management process in respect of the Council's finances. A full risk assessment in respect of the Council's current and future financial position is included within the Provisional Outturn, Medium Term Budget Strategy and Budget reports that are submitted to Cabinet and Council. Appendix E contains the Risk Assessment.

Equality and Diversity Implications

38. The Equality Act is not relevant to the decision in this report because the decision does not relate to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people. Therefore, it is considered that for this decision the Equality Duty does not need to be addressed and an Equality Impact Assessment (EqIA) has not been carried out.

39. **Climate Change and Environmental Implications**

There is no direct impact, positive or negative, to climate change or the environment. However, effective financial monitoring enables the delivery of the Council's Strategic Objectives of which include supporting the Climate Change Programme.

Conclusion

40. The Corporate Financial Monitoring Statement, as well as providing a comprehensive snapshot of the Council's finances, provides the opportunity to advise Councillors of significant financial issues that may impact on the Council's finances. The overall revenue position at 30 September 2020 shows a forecast favourable position of £263,000.
41. The significant performance areas outlined within this report, together with the overview of service KPIs, give Councillors an opportunity to understand current performance and risks impacting the delivery of services to customers. Whilst the organisation is continuing to deliver a dynamic range of services there are some performance areas needing attention and rectification of these issues is important in ensuring the Council is continuing to meet customer need.

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Corporate Director Support Services – Chief Financial Officer

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Appendices Attached: 8

LOCAL GOVERNMENT ACT 1972 - SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

* List Background Papers or state None.