

POLICY AND PERFORMANCE SCRUTINY PANEL

Thursday, 15 July 2021

CABINET

THURSDAY, 29 JULY 2021

FINANCE AND PERFORMANCE PROVISIONAL OUTTURN FOR THE YEAR 2020/21

Report of the Corporate Director – Chief Financial Officer

Recommendation(s)

For Policy and Performance:

- (1) Note the Finance and Performance Provisional Outturn report for 2020/21 and make recommendations to Cabinet as appropriate.**

For Cabinet:

It is recommended that Cabinet:

- (2) Note the financial performance of the General Fund and Community Investment Programme (CIP) as at 31 March 2021.**
 - (3) Note the Council's operational performance**
 - (4) Note the Treasury Management Outturn Position as at 31st March 2021 (Appendix E)**
 - (5) Recommend to Council to approve the changes to the Prudential Indicators (Appendix D)**
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Summary

This report presents the Council's financial and performance position for 2020/21. The Council is reporting a favourable variance for the year of £347,000 compared to the rolling budget after Budget Management items of £30,000 have been carried forward. The details provided within the report are subject to external audit and could change.

Capital expenditure for 2020/21 was £51.145m in-line with the rolling budget.

The report also includes information on service performance and key performance

indicators. The understanding of both elements of monitoring enables a full picture of the Council for 2020/21.

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 performance report includes information and analysis on the Council's financial performance and use of resources to the end of the financial year 2020/21. The report also includes detail on service performance measures shown in Appendix B
3. It should be noted that all of the amounts in this report are subject to audit by the Council's external auditor – EY. In accordance with statutory requirements the 2020/21 Statement of Accounts were prepared and published online on the 11th June 2021. However, due to resource constraints EY are unable to make the timescale for the Audit of the accounts and this has been delayed from July to October 2021.
4. Reporting the total expenditure and income measured against the approved budget for both the General Fund and Capital helps to advise Members of service performance, performance against grant budgets and performance of CIP schemes. In turn these assist with the planning process for the Medium Term Financial Plan. Portfolio Leads have received information specific to their areas of responsibility and are encouraged to discuss any issues with service managers.
5. For 2020/21 the net General Fund expenditure was £347,000 lower than the rolling budget (Appendix A).
6. The report contains, in the Appendices, details of the following:

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

Revenue Monitoring

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

Budget	Original Budget £'000	Rolling Budget £'000	Provisional Outturn £'000	Outturn Variance £'000
Portfolio Name				
Area Committees	1,139	680	530	150
Skills & Business	43	214	815	(601)
Environment	4,743	4,392	4,539	(147)
Health	2,071	2,464	2,475	(11)
Planning & Property	(4,960)	(5,439)	(7,220)	1,781
Social Policy	1,467	1,385	1,985	(600)
Transport	(1,013)	(986)	(429)	(558)
Position on Services	3,489	2,710	2,695	15
Non Service Related Items	(3,442)	(2,322)	(2,684)	362
Net Position	47	387	10	377
Approved Budget Management Items				(30)
Net Underspend				347

Budget Management

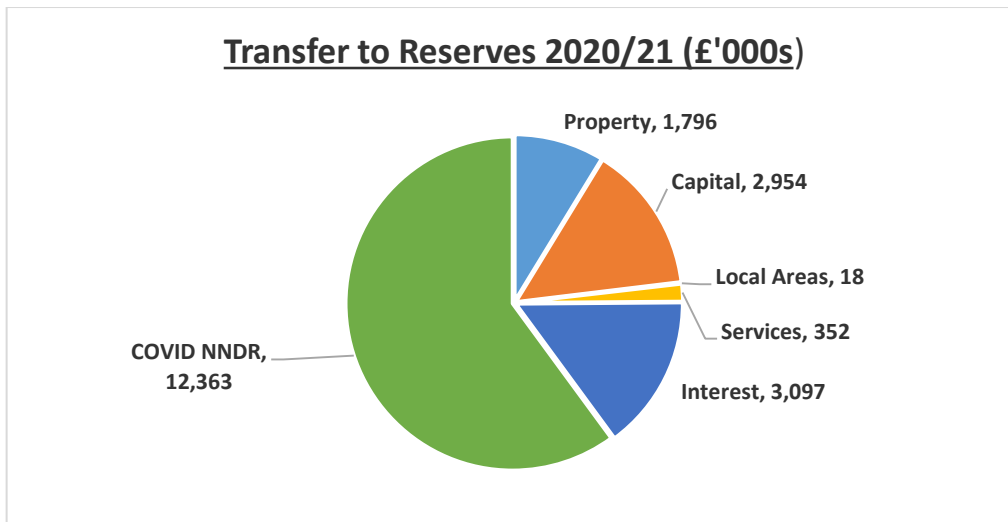
8. Cabinet have previously approved the carry forward of training budgets. Members are asked to note a budget management item of £30,000 relating to training budgets which were unable to be spent in 2020/21.

Covid-19 Grant Funding

9. The Council is due to receive a total of £5.094M in grants for 2020/21. A £1.596M general grant has been received to help mitigate the impact of COVID-19 generally across the Council. The Fees & Charges grant claim for the year totalled £2.096M and is included within the service variances in Appendix A. The Council has also received specific grants such as the re-opening of the high street project (£50,000), furlough and track and trace funding (£157,000), and funding for the Eastleigh Support Hub (£293,000). These are being spent in line with government guidelines.
10. The Council has also received a further £35.211m in grants that have been paid out as support grants to local businesses.

Earmarked Reserves

11. The Council's earmarked reserves are held for specific purposes. In 2020/21 the opening balance of Earmarked Reserves was £22.1M. The normal operation of Council business includes movements on earmarked reserves, including spending existing reserves or placing new funding aside for use in future years. There were contributions to reserves of £23.9M and withdrawals from reserves of £3.3M during the year resulting in a net increase in earmarked reserves of £20.6M. The level of earmarked reserves further supports the forward planning of the Council. This approach to financial management will help to deliver the Council's corporate priorities during the short to medium term whilst mitigating / managing risks. The chart below shows the total net transfer to reserve for each reserve category in 2020/21. The chart contains a noteworthy transfer of £12.4M for the additional Section 31 grants from Government to help support cash flow during the Covid-19, as well as a net increase of £1.8M to the investment property reserve to place funding aside for any potential future risks. The Section 31 grant will be repayable to Government via the Business Rates Collection Fund over the next three years.



Efficiency & Improvement

12. Services are being delivered in uncertain times and therefore the resources are being focused based on priority. Once the situation becomes more stable, hopefully during 2021/22, the service planning process will inform a revised Continuous Improvement Strategy which will then be regularly monitored and delivered. Appendix A highlights service areas that have been able to make efficiencies during 2020/21. These underspends will be the first areas to review in the revised efficiency plan.
13. The impacts of global economic uncertainty will make the focus on delivering efficient services more important than ever as financial pressures will continue. Furthermore, as the pandemic draws to a close the Council may need to refocus resources on new priorities which arise locally from the Covid19 impacts. Any strategic refocussing will be brought to Cabinet as appropriate during the coming months. A tight control on spending will enable the Council to react more quickly to any such changes.

Medium Term Financial Plan

14. Cabinet should note that an updated MTFP has been produced, showing the effect of the Outturn position on the medium-term finances of the Council, see Appendix G. This reflects the additional transfers to reserves above the budgeted position as shown in paragraph 11. This revised statement demonstrates that the Council remains in a strong financial position and is well prepared for any further unforeseen changes.

Performance Monitoring

15. Performance monitoring covers the financial year running from April 2020 to March 2021. Appendix B shows a scorecard for Key Performance Indicators (KPIs). The KPIs are organised into five strategic themes: Environment; Economy; Health and wellbeing; Housing and development; and Organisation.

16. Overall performance has been good considering the constraints on services due to the COVID19 pandemic (e.g. inability to access residents' homes or open indoor arts and leisure venues during the period) and changes to resident and business behaviour (e.g. increased domestic waste, non-payment of non-domestic rates). The Council has adapted well to such constraints e.g. Health and Wellbeing and Arts and Culture teams adapting provision and delivering programmes in different ways. Support to businesses has been an area of high performance due to the administration of COVID19 government grants.
17. Significant changes to the waste service were introduced towards the end of the year, and repeated missed bin collections are being actively addressed. Underperformance in some areas due to increased workloads and/or difficulties in recruiting appropriately skilled staff in the employment market is considered a priority and is being addressed. The case management methodology for handling Councillor and resident enquiries is also a focus of internal work to improve response times and customer experience.
18. Council services continue to adapt, improve and plan ahead, anticipating likely levels of demand albeit with significant levels of ongoing uncertainty for some services. Where pressures have been identified, work is being done to analyse resource requirements by understanding capacity and reviewing skillsets.

Community Investment Programme (CIP)

19. Financing of capital expenditure during the year relied on the use of prudential borrowing. Total expenditure of £51.145M was incurred in 2020/21. Of the total capital expenditure approximately 66% has been financed from borrowing with the majority of schemes being repaid through business cases. The rest of the expenditure was predominantly funded through Capital Grants, from the Homes England LAAC Grant for One Horton Heath. A further breakdown can be seen on the following page.

		<u>£'000</u>
Prudential Borrowing		33,908
External Resources:	New Homes Bonus	1,512
	Other Grants	13,778
	Developers' Contributions	1,420
Internal Resources	Revenue Contributions to Capital	208
	Capital Receipts	262
	Local Area Committees	57
Total Capital Expenditure in the year		<u>51,145</u>

20. Appendix C provides a summary of the CIP budgets and actuals to the end of March 2020 across the programme boards.
21. Net income generation from the 2020/21 CIP investment portfolio was £9M, consisting of £13.5M of additional income against a cost of borrowing of £4.5M. This does not include income from the Council's housing programme which is detailed separately in this report.
22. It should be noted that the CIP rolling budget is regularly monitored throughout the financial year, and any slippages in spend are moved to future years as they become apparent.

Treasury Management

23. The Council has a very successful and active capital programme generating a large revenue surplus. The majority of the programme is financed by prudential borrowing which means it brings an element of risk which the Council needs to manage. CIPFA's Treasury Management Code sets out guidance which the Council needs to follow to ensure prudence. Appendix E gives a detailed review of the Annual Treasury Management outturn for 2020/21 showing the continuing success of the investment programme.
24. The overall level of borrowing for the Council increased by £18.4M during 2020/21 due to the increase in capital spend, offset by the repayment of debt through a minimum revenue provision (MRP) and the use of internal borrowing.
25. The Treasury Management group meets twice a year alongside regular meetings of Finance staff to review current Treasury practices. The Council is also advised by the treasury advisers Arlingclose, who provides the Council with frequent Treasury Updates, as well as attending meetings of the Treasury Group and of Council staff and providing regular training days and workshops.

Chief Financial Officer's statement

26. The outturn each year is a very important element of the Council's financial calendar as it represents the culmination of financial planning and budgeting. 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 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.
27. The provisional outturn position shows a favourable variance of £347,000. Appropriate amounts have been set aside as provisions to meet future liabilities as they occur. It is very important to keep the Council's finances under scrutiny to ensure the most effective use of resources particularly as we develop the future efficiency strategy. The Council is showing a balanced budget over the Medium Term, and maintenance of appropriate levels of reserves including the General Fund Balance. This position is very healthy compared to other authorities, as widely reported most are significantly drawing on reserves to meet budget.
28. The pressures on the Council for 2020/21 have been great and the decision was taken to pause the drive for planned efficiencies. As the pandemic impacts ease this will need to be reprioritised with a continued close focus on ensuring value for money from the services, partnerships and capital projects which the Council provides for its communities.
29. The Council will need to be aware of changes arising from the pandemic with new ways of working and living. These changes may impact on the demand for services which the Council provides. It will be important to ensure that resources are managed flexibly to be able the Council to rise to any changes effectively and the Council is well placed to be do this.

Risk Assessment

30. 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 F contains the Risk Assessment.

Equality and Diversity Implications

31. 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.

Climate Change and Environmental Implications

32. 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 and Environmental Emergency Programme.

Conclusion

33. The provisional outturn report for 2020/21 provides a comprehensive analysis of the Council's finances and gives the opportunity to advise Members of significant issues that may impact on the Council's finances. The details contained within this report are subject to external audit and therefore may change. If any significant change is necessary, this will be reported to Members.
34. The performance details contained within the report, 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 service performance. The Council continues to effectively deliver a dynamic range of services however there are some performance areas needing attention and rectification of these issues is important in ensuring the Council is continuing to meet customer need.
35. The overall revenue position at 31st March 2021 shows a favourable variance of £347,000 against the rolling 2020/21 budget despite the challenges of the pandemic.

SARAH KING
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Appendices Attached: 7

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.