

POLICY AND PERFORMANCE SCRUTINY PANEL

Thursday, 10 February 2022

CABINET

Thursday, 17 February 2022

CORPORATE PERFORMANCE REPORT

Report of the Chief Financial Officer

Recommendation(s)

For Policy and Performance:

- (1) It is recommended that the Policy and Performance Scrutiny Panel note the performance and financial position of the Council for the first three quarters of the year making any recommendations to Cabinet as appropriate.**

For Cabinet:

It is recommended that Cabinet:

- (2) note the performance of the Council for the first three quarters of 2021/22 and the Council's forecast financial position for the year and consider any recommendations from Policy and Performance Scrutiny Panel.**
 - (3) note the performance of the Community Investment Programme (Appendix C).**
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Summary

This report presents the Council's financial and operational performance position for the third quarter (Q3) of 2021/22, including a forecast of the financial position for the full year against that budgeted. The report also highlights significant and emerging financial and performance issues. Key Performance Indicators (KPIs) for service areas are outlined in Appendix A of the report. KPIs and financial variances are commented on in Appendices E-M.

The financial monitoring for the third quarter of 2021/22 is forecasting total net favourable variances against the budget of £315,000 based on best estimates in a changing landscape. This position will be reflected in the Budget and Medium-Term Financial Plan (MTFP).

Capital expenditure up to the third quarter of financial year 2021/22 was £45m compared

to the rolling budget for the year of £65M.

Statutory Powers

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

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, delivery of actions in the Corporate Action Plan 21/22, and contributes to the management of corporate risk. The report details budget variances compared to the rolling budget. The report also details key performance indicators which allows monitoring of performance trends. Individual variances and performance measures are being actively managed by service managers with the support of the Finance team.

Introduction

2. This report brings together the context of the Council's strategic ambitions, its performance working towards them, and the financial implications and challenges of both. This ensures greater transparency and presents a full picture of the overall position.
3. Performance overall is good considering the challenging environment, changes in the labour market, and customer demand. The £315,000 net underspend position across the whole Council is positive overall although there have been challenges with performance in a few areas, e.g. Waste collection. Where challenge areas have been identified action has been taken to mitigate impacts and improve performance in the short and longer term.
4. Further detail on operational delivery is included within the Executive Summary Reports [Appendices E-M].
5. The report contains, in the Appendices, details of the following:

| Appendix | Description |
|-----------------|---------------------------------------------------------------------|
| A | Council Strategy Scorecard [Detail for P&P, Summary for Cabinet] |
| B | Portfolio Variance Report |
| C | Community Investment Programme (CIP) Monitoring |
| D | Financial Risk Assessment |
| E | Finance and Housing Executive Summary Report |
| F | Assets and Project Delivery Executive Summary Report |
| G | Governance Executive Summary Report |

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|---|-----------------------------------------------------|
| H | Customer Care Executive Summary Report |
| I | Organisational Development Executive Summary Report |
| J | Planning and Economy Executive Summary Report |
| K | Environment Executive Summary Report |
| L | Health and Wellbeing Executive Summary Report |
| M | Neighbourhood Services Executive Summary Report |

Strategic Overview

6. The gradual easing of lockdown restrictions, alongside the longer-term solution of the national vaccine rollout, has allowed for a degree of return to pre-Covid delivery although uncertainty and some restrictions still exist. This report has been produced with the current expectation that service levels will stabilise and return to pre-pandemic levels, with the safety of staff and residents the key priority. The Council is starting to look forward beyond recovery and is working to understand what the future demand for services will be in the context of changed customer behaviour, changes to national legislation, changes in relationships with other local authorities, and other changes in the economy e.g. the employment market.
7. Performance overall is good considering the fluctuating patterns of customer behaviour and demand. These levels of uncertainty are likely to continue into 2022/23 and services are already planning on the basis of the best possible predictions of demand.
8. A considerable amount of management effort is now involved in service improvement (Case Management, Waste Services, recruitment), maintaining performance, and addressing critical external threats (e.g. changes in demand and in the labour market). At the same time the Council is embedding a new leadership structure, performance and planning processes, developing proposals for longer term home/office working, and pressing forward with its ambitions on Housing delivery, management and lettings. Strategic and service planning for 2022/23 has begun to address this set of challenges and complex demands across the Council's various activities. It will be important for the Council to improve and further develop its approach to prioritising and planning during 22/23 and beyond.
9. Delivery of the Council's Community Investment Programme is similarly challenging, with the pressure of increased construction and labour costs and the ongoing need to embed Climate and Environment Emergency (declared 2019) considerations into projects.
10. The [Corporate Action Plan \(CAP\) 2021/22](#) sets out the key outward-facing actions the Council has embarked upon; progress at Quarter 3 delivering this Plan is good overall. Many actions are due to be completed during the whole year and on track to do so. Many of these are referenced in the Executive Summary Reports appended to this report. A separate report for Policy and Performance Committee in December showed progress against each CAP

action at the mid-year (Q2) stage. (Actions in Local Area Action Plans for 2021/22 are reported to Local Area Committees).

Service Performance

11. Performance monitoring covers the first three quarters of 2021/22, running from April 2021 to December 2021. Appendix A shows a scorecard summary for Key Performance Indicators (KPIs). The KPIs are organised into five strategic themes: Environment; Economy; Health and Wellbeing; Housing and Development; and Organisation.
12. Due a delay in the External Audit sign-off of the 2021/22 Statement of Accounts (completed January 2022) the General Fund balance could not be confirmed until this time. The final sign-off of the Collection Fund and Capital Financing meant that an additional £2.8M can be recognised in the General fund balance. This increase is to fund the NDR Exceptional balance and increased contribution to the Interest Reserve (para 25).
13. Service managers have reviewed their financial and service performance for the first 3 quarters and used this information as a basis for forecasting financial performance for the full year. The aggregate of these forecasts estimates an underspend against the approved budget for 2021/22 of £315,000 compared to £99,000 as at Quarter 2.
14. The financial performance of all services has been discussed with service managers and significant variances, including transfers to and from reserves, are explained in the Executive Summary Reports in Appendices E-M. During the year the financial performance will continue to be monitored and where estimates become more certain, these will be reported to Cabinet if budgetary changes are necessary.

15. The table below shows the summarised General Fund statement by Portfolio:

| Portfolio Name | Original Budget £'000 | Rolling Budget £'000 | Forecast £'000 | Outturn Variance £'000 |
|----------------------------------|----------------------------------|---------------------------------|---------------------------|-----------------------------------|
| Area Committees | 1,464 | 1,304 | 1,304 | 0 |
| Skills & Business | (238) | (187) | (230) | 43 |
| Environment | 6,165 | 6,602 | 7,063 | (462) |
| Health | 2,524 | 2,671 | 2,425 | 246 |
| Planning and Property | (6,921) | (6,987) | (9,952) | 2,965 |
| Social Policy | 3,106 | 3,305 | 2,493 | 812 |
| Transport | (114) | (64) | 202 | (266) |
| Position on Services | 5,988 | 6,644 | 3,306 | 3,338 |
| Non-Service Related Items | (5,987) | (6,329) | (500) | (5,829) |
| Increased General Fund (para 12) | - | - | (2,806) | 2,806 |
| Net Position | 1 | 315 | - | 315 |

16. The continued impact of COVID-19 during the quarter has been more significant than the previous quarter due to the emergence of the Omicron COVID variant. Some services (in particular Direct Services) were impacted by absences which increased the pressure on existing resource and the need for alternate resource considerations. Similarly, the Council continued to divert resource toward the Afghan resettlement scheme in order to assist with the national emergency. Despite the pressures, core services have been maintained, and the Council continues to plan ahead based on its best assessment of the position.

17. Like many other employers, the current position of the job market has continued to affect the Council's ability to recruit and, as such, a review of recruitment is in progress to address this key priority for the Council. Recommendations are being developed and action has been taken during the quarter to help the position. The review is focused upon the following themes: Attract, Recruit and Retain and where necessary, targeted recruitment campaigns have been initiated. The use of social media for recruitment is also being championed to reach a wider audience. The Council continues to focus on improving its retention position to reduce the need for recruitment and to support the career development of existing staff.

18. The paragraphs below outline the most notable matters affecting individual services since Quarter 2, resulting in a positive change from previous quarter against services totalling £122,000, with the portfolio identified in bold:

19. The refurbishment of Eastleigh Business Centre (**Skills and Business**) is no longer expected within this current financial year, so the predicted reduction of income has been removed in this forecast. This has resulted in an

improvement of £163,000 between Q2 and Q3. A working group has been established to consider the future development of Eastleigh Business Centre.

20. A £1.3m IT (**Planning and Property**) capital programme was agreed in 2019 for 5 years. The implications of these capital developments then create an additional revenue cost in terms of licences, it has now been forecast that an extra (£350,000) needs to be costed to software applications revenue budget on an ongoing basis. These costs are primarily associated with Amazon Web Services, Microsoft Office 365 and remote working. There is further work to complete to review the ongoing implications of remote working and numbers of licences being issued.
21. The overall forecast variance for Neighbourhoods Services after the parking income shortfall is accounted for is £273,440 (**Transport**) unfavourable. This is mainly caused by the operational costs of running the Council's Fleet with prices of spare parts across all types of vehicles\plant increasing by between 11% and 70% due to supply issues, increasing haulage industry costs following the reopening of economic sectors and the permitting of cross state travel resulting in an adverse forecast variance of £68,000. In addition, the price of HVO fuel has increased in line with other fuel price increases since we initially started its use and therefore the pricing has been increased. This has resulted in a forecast variance of £70,000, although we will continue to seek a competitive price in line with the market. There has also been an increase in our insurance premium of £30,000, and there is a shortfall in the external income for MOTs of £33,000 due to the pandemic.
22. Parking Services (**Transport**) is forecasting an under recovery in income beyond the estimated impact by a further (£22,000), now totalling (£403,000). The Parking Working Group, which includes relevant Portfolio Holders, has been set up to review performance and identify any actions to mitigate future income losses.
23. The Climate and Environmental Emergency continues to be a priority for the Council. The reserve funding drawn down has been utilised to better establish the foundations of the Council's aspirations and to make progress across the action plan. Progress has continued and the additional staff time and resources has started to move actions assessed as red, to amber. A tender process has been completed for three electric refuse vehicles and the installation of electric vehicle charging points in Eastleigh car parks will continue during quarter 4.
24. Planning policy (**Planning and Property**) has required less consultancy work for the Local Plan, partially due to a push to bring the work in-house, resulting in an underspend against the budget of £247,000.
25. As detailed in paragraph 12 the General Fund balance increased by £2.8M to a total of £3.8M. This has been transferred from the General Fund to the Income and Expenditure account to recognise an increased transfer to the Interest Reserve and funding of the exceptional covid balance relating to NNDR. This is recognised by an increase overspend in non-Service related items from Quarter 2 to Quarter 3 to a total of £5.8M.

Medium-Term Financial Plan (MTFP) and Budget Report

26. The ongoing impacts of the above have been considered and addressed during the budget planning process and included within the MTFP.
27. A revised budget and MTFP has been produced and will be reported to Cabinet and Council in February 2022 for approval.

General Fund and Reserves

28. The General Fund balance is maintained at the minimum balance of 10% of Net Cost of Services for the life of the plan. In addition, other earmarked reserve balances are considered to be at the appropriate levels as further detailed in the Budget Report.

Community Investment Programme

29. The Community Investment Programme (CIP) has a rolling budget of £65m for 2021/22. Appendix C provides an overview of the current CIP position.
30. For the period to the end of December £45m has been spent, representing 69% of the rolling budget. It is forecast that expenditure will continue to rise in line with the rolling budget as the year progresses.
31. Capital expenditure throughout the year has been predominantly incurred on Housing and Infrastructure. With the Housing expenditure consisting of:
 - £9.5m for the purchase of additional land at the Solar Park within the One Horton Heath Development (OHH).
 - £6.5m expenditure on the infrastructure works at OHH, which includes the completion of the £20.8m funding from Homes England for the LAAC grant.
 - £5m for the purchase of homes at Stoneham phase 5.
 - £3.5m for the ongoing construction works at Fanfare Place.
 - £1m on Disabled Facilities Grants to residents within the borough.
32. Capital expenditure on Infrastructure is predominantly made up of the £16.8m purchase of Chalcroft Solar Park Ltd within the OHH development.
33. The progress of CIP schemes is reported to relevant boards monthly 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

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 or through the financial monitoring process.

Corporate Continuous Improvement Strategy

34. The Council continues to strive to achieve financial resilience through innovation and the identification of efficiencies without cutting or reducing the quality of services. The budget report and MTFP contain more detail as to how this is planned to be achieved, with budgets set and monitored for 2022/23 and the medium term accordingly.
35. The ongoing achievement of the Continuous Improvement Programme, which seeks to deliver both financial and non-financial efficiencies, will be reported quarterly to Cabinet from next financial year.

Chief Financial Officer's Statement

36. As the Council's Statutory Finance Officer, the Chief Financial Officer is required to advise the Council on all pertinent financial matters and to alert Councillors to any concerns they may have regarding the financial well-being of the Council.
37. Financial monitoring is required to be timely and accurate so the identification of variances from forecast levels of expenditure to budgeted levels of expenditure are known. This identification allows the Council to utilise underspent, or reallocate financial resources accordingly, in order to continue to meet service level standards.
38. The performance monitoring process is a very important element of the Council's financial arrangements as it assesses how effective the day-to-day management of budgets has been throughout the year. Any unforeseen overspends and underspends can distort the Council's financial position and financial planning process.
39. Linking the financial monitoring with operational context highlights the outputs the Council achieves from its resources, allowing assessment of efficiency and effectiveness. Understanding this is key to ensuring greater value for money through informed service planning and prioritisation of resources.
40. 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.

41. The Council continues to manage finances well and maintains a healthy level of reserves despite the impacts of the pandemic. However, with the uncertainties in the future economic landscape it is important that the Council continues to closely monitor financial performance. Expenditure must be contained within budgets and the Continuous Improvement Strategy needs to be developed to be achievable and realistic to ensure continued financial stability.

Risk Assessment

42. The purpose of the performance monitoring process is to give Councillors and the public the assurance that the Council's finances and performance are performing broadly in line with the Budget and service targets. 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 D contains the Financial Risk Assessment. Risks pertaining to the delivery of Council services are monitored through the use of a risk register at a service and corporate level. All risks captured are mitigated against and the effectiveness of the mitigation is monitored regularly in conjunction with the Council's Strategic Risk Management Group.

Equality and Diversity Implications

43. 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

44. 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

45. This report, as well as providing a comprehensive snapshot of the Council's finances, provides the opportunity to advise Councillors of significant performance issues that may impact on the Council's finances. The forecast

overall revenue position at 31 December 2021 suggests a forecast favourable position of £315,000 for the full year.

46. The significant performance areas outlined within this report, together with the overview of service KPIs and financial information contained within the appendices, give Councillors an opportunity to understand current performance and risks impacting the delivery of services to customers. Whilst the Council is continuing to deliver a comprehensive 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 needs.

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Appendices Attached: 13

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.

None.