

**3rd Quarter Finance, Performance and Risk Monitoring
Report 2020/21**

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| Final Decision-Maker | Policy & Resources Committee |
| Lead Head of Service | Mark Green, Director of Business Improvement |
| Lead Officer and Report Authors | Ellie Dunnet, Head of Finance Paul Holland, Senior Finance Manager (Client) Carly Benville, Senior Business Analyst Russell Heppleston, Deputy Head of Audit Partnership |
| Classification | Public |
| Wards affected | All |

Executive Summary

This report sets out the 2020/21 financial and performance position for the Council, including services reporting directly into the Policy & Resources Committee (PRC) as at 31st December 2020 (Quarter 3). The primary focus is on:

- 2020/21 Revenue and Capital budgets;
- 2020/21 Key Performance Indicators (KPIs) that relate to the delivery of the Strategic Plan 2019-2045;
- Corporate Risk Register

The combined reporting of the financial and performance position enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues in their proper context, reflecting the fact that the financial and performance-related fortunes of the Council are inextricably linked. The report for this quarter has a particular focus on the impact the Covid-19 pandemic has had on the Council's financial position and performance.

Budget Monitoring

With regard to revenue, at the Quarter 3 stage, the Council has incurred net expenditure of £3.454m against a profiled budget of £8.637m, representing an underspend of £5.183m. For the services reporting directly to PRC, net expenditure of -£2.574m has been incurred against a profiled budget of £3.281m, representing an underspend of £5.855m. These underspends arise largely from the timing of government grants and do not reflect the underlying financial position. The forecast outturn position for the Council at year-end is a projected overspend of £0.136m.

With regard to capital, at the Quarter 3 stage, the Council has incurred overall expenditure of £16.006m against a budget allocation within the Capital

Programme of £28.509m. It is anticipated that there will be slippage of £6.946m at year end. Expenditure for services reporting directly to PRC of £10.657m has been incurred against the budget at the end of Quarter 3, with forecast year end expenditure of £12.759m.

Performance Monitoring

A number of targets were missed due to the impact of Covid-19, although there were improvements in a number of other areas.

Corporate Risk Update

The risk register is forward looking and seeks to capture uncertainties on the horizon, in addition to addressing key risks directly linked to the delivery of our priorities. The risk profile has been updated to reflect the impact and uncertainties resulting from Covid-19, lockdown restrictions and the challenges facing our residents and local businesses. The risk register (appendix 3) details how the Council is responding to these risks and undertaking necessary preparations and actions to reduce likelihood and impact where possible to do so.

Purpose of Report

The report enables the Committee to consider and comment on the issues raised and actions being taken to address budget pressures, performance issues and corporate risks as at 31st December 2020.

This report makes the following Recommendations to the Committee:

1. That the Revenue position as at the end of Quarter 3 for 2020/21, including the actions being taken or proposed to improve the position, where significant variances have been identified, be noted.
2. That the Capital position at the end of Quarter 3 be noted;
3. That the Performance position as at Quarter 3 for 2020/21, including the actions being taken or proposed to improve the position, where significant issues have been identified, be noted.
4. That the Risk Update, attached at Appendix 3 be noted.
5. That the release of £92,000 from earmarked reserves to progress business rates retention pilot projects, and retention of £96,641 for projects which will remain on hold, as detailed in Appendix 7 be agreed.
6. That the proposed reallocation of unspent funding from the business rates retention pilot as set out in paragraph 2.8 be agreed.
7. That the uncollectable Non-Domestic Rates (NDR) listed on Appendix 5 be approved for write-off.

8. That the irrecoverable housing benefits payments listed on Appendix 6 be approved for write-off.

| Timetable | |
|------------------------------|--------------------|
| <i>Meeting</i> | <i>Date</i> |
| Policy & Resources Committee | 10 February 2021 |

3rd Quarter Financial Update & Performance Monitoring Report 2020/21

CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|--|--|---|
| <p>Impact on Corporate Priorities</p> | <p>This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's Medium-Term Financial Strategy which is linked to the Strategic Plan and corporate priorities.</p> <p>The Key Performance Indicators and strategic actions are part of the Council's overarching Strategic Plan 2019-45 and play an important role in the achievement of corporate objectives. They also cover a wide range of services and priority areas.</p> | <p>Director of Finance and Business Improvement (Section 151 Officer)</p> |
| <p>Cross Cutting Objectives</p> | <p>This report enables any links between performance and financial matters to be identified and addressed at an early stage, thereby reducing the risk of compromising the delivery of the Strategic Plan 2019-2045, including its cross-cutting objectives.</p> | <p>Director of Finance and Business Improvement (Section 151 Officer)</p> |
| <p>Risk Management</p> | <p>This is addressed in Section 4 of this report.</p> | <p>Director of Finance and Business Improvement (Section 151 Officer)</p> |

| Issue | Implications | Sign-off |
|------------------|--|--|
| Financial | <p>Financial implications are the focus of this report through high level budget monitoring. Budget monitoring ensures that services can react quickly enough to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.</p> <p>Performance indicators and targets are closely linked to the allocation of resources and determining good value for money. The financial implications of any proposed changes are also identified and taken into account in the Council's Medium-Term Financial Strategy and associated annual budget setting process. Performance issues are highlighted as part of the budget monitoring reporting process.</p> | Senior Finance Manager (Client) |
| Staffing | <p>The budget for staffing represents a significant proportion of the direct spend of the Council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.</p> <p>Having a clear set of performance targets enables staff outcomes/objectives to be set and effective action plans to be put in place.</p> | Director of Finance and Business Improvement (Section 151 Officer) |
| Legal | <p>The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Committee to remain aware of issues and the process to be taken to maintain a balanced budget.</p> <p>There is no statutory duty to report regularly on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. One of the purposes of the Key Performance Indicators is to facilitate the improvement of the economy, efficiency and effectiveness of Council services. Regular reports on Council performance help to demonstrate best value and compliance with the statutory duty.</p> | Principal lawyer (Corporate Governance), MKLS |

| Issue | Implications | Sign-off |
|------------------------------------|--|--|
| Privacy and Data Protection | The performance data is held and processed in accordance with the data protection principles contained in the Data Protection Act 2018 and in line with the Data Quality Policy, which sets out the requirement for ensuring data quality. There is a program for undertaking data quality audits of performance indicators. | Policy and Information Team |
| Equalities | There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change should one be identified. | Equalities and Corporate Policy Officer |
| Public Health | The performance recommendations will not negatively impact on population health or that of individuals. | Public Health Officer |
| Crime and Disorder | There are no specific issues arising. | Director of Finance and Business Improvement (Section 151 Officer) |
| Procurement | Performance Indicators and Strategic Milestones monitor any procurement needed to achieve the outcomes of the Strategic Plan. | Director of Finance and Business Improvement (Section 151 Officer) |

1. BACKGROUND AND INTRODUCTION

- 1.1 The Medium-Term Financial Strategy for 2020/21 to 2024/25 - including the budget for 2020/21 - was approved by full Council on 26th February 2020. This report updates the Committee on how its services have performed over the last quarter with regard to revenue and capital expenditure against approved budgets.
- 1.2 The report particularly focuses on the impact of the Covid-19 pandemic on the financial position and performance of the service areas that fall under this committee, and provides some further detail around particular areas of concern.
- 1.3 This report also includes an update to the Committee on progress against its Key Performance Indicators (KPIs), and an update covering corporate risks.
- 1.4 Attached at **Appendix 1**, is a report setting out the revenue and capital spending position at the Quarter 1 stage. Attached at **Appendix 2**, is a report setting out the position for the KPIs for the corresponding period. Attached

at **Appendix 3**, is a report providing an update on corporate risks, in response to the committee's previous request for regular updates on this subject. Attached at **Appendix 4** is an update on the Business Rates Retention Pilot schemes. Attached at **Appendix 5** are details of NNDR write-offs.

Business Rates Retention Pilot Projects

- 2.1 During 2018/19, the council participated in a 100% retention pilot for business rates which resulted in additional business rates growth funding being retained.
- 2.2 Projects with a total value of £1,317,000 were identified and it was agreed by this committee that these would be funded through the council's share of the Financial Sustainability Fund, which was created through the additional business rates income retained through the pilot.
- 2.3 At the end of the 2019/20 financial year, £616,000 had been spent, and a further £132,350 had been committed.
- 2.4 Due to the financial uncertainty facing the council at the beginning of this financial year, this committee agreed to defer its decision regarding uncommitted allocations for the remaining spend. With the exception of projects for which there were existing contractual commitments, this meant that projects for which a carry forward of resources had been requested were put on hold.
- 2.5 The Council is now close to finalising its Medium Term Financial Strategy for 2021/22, and this does not propose that the remaining funding from the business rates pilot be utilised to support the revenue budget. It is therefore appropriate for the committee to return to its decision regarding the 'on hold' projects at this time.
- 2.6 Following consultation with officers leading on the previously agreed projects, recommendations for the future of each of these projects has been captured within Appendix 4 to this report and summarised below:
 - 4 projects, with a combined total value of £92,000 can be progressed immediately.
 - 3 projects, with a combined total value of £96,641 cannot be progressed immediately but the funding should be retained so that this work can be resumed at a later date.
 - 2 projects, with a combined total value of £52,573 cannot be progressed at this stage due to limitations on availability of staff and Covid-19 restrictions which affect the feasibility of original plans. It is recommended that this funding be released.
 - £15,000 unspent budget from the Housing Delivery Partnership project be reallocated to offset the underspend on the Local Plan Review budget, referred to in Appendix 1 to this report. The Housing Delivery Partnership (Affordable Housing Supplementary Design Guide) project was completed during 2019/20. Total costs were £25,000 against a budget of £40,000.

2.7 It should be noted that the following projects have also continued to progress during 2020/21 due to contractual commitments that we already in place at the start of the financial year:

- Data analytics for inclusive growth
- Arterial Route Improvements
- Climate Change Commission
- Go Green, Go Wild
- Conservation Area Plans

2.8 If the committee agrees to the recommendations set out in paragraph 2.6, there will be residual funding of £365,000 to be reallocated. It is recommended that:

- The remaining budget be used to fund the shortfall on the Mall Bus Station Redevelopment capital project. This project is being funded through a separate allocation of funds retained through the business rates pilot, the Housing and Commercial Growth Fund. However, a funding shortfall has been identified on this project and it is therefore recommended that any residual funding from the Financial Sustainability fund be used to supplement this project budget.
- Any residual unspent budget be allocated to general reserves.

3. AVAILABLE OPTIONS

Option 1

3.1 The committee could agree the recommendations relating to business rates pilot projects as set out within Appendix 4 and paragraph 2.8. This option is recommended as it enables projects which support the council's strategic priorities to be progressed.

Option 2

3.2 The committee could amend the proposed allocation of the remaining funding from the business pilot. This option is not recommended as the proposals support the progression of projects which have previously been agreed by this committee.

Option 3

3.3 The committee could choose to defer the decision regarding the business rates pilot projects. This option is not recommended as it would prevent the progression of projects which have previously been agreed by this committee.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 In relation to the business rates pilot projects, the preferred option is option 1 for the reasons set out above.

- 4.2 In considering the current position on the Revenue budget, the Capital Programme, KPIs and Corporate Risks at the end of December 2020, the Committee can choose to note this information or could choose to take further action.
 - 4.3 The Committee is requested to note the content of the report and agree on any necessary action to be taken in relation to the budget position and/or the KPIs and Corporate Risks position.
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5. RISK

- 5.1 The Council agreed a balanced budget for both revenue and capital income and expenditure for 2020/21 in February 2020. However, the Covid-19 pandemic has had a significant impact since then. Corporate risks have been re-appraised, as reported to the Policy and Resources Committee at its meeting in June 2020. As a result, a regular quarterly review of the corporate risk register is now included as an appendix to this report.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The KPIs update ("Performance Monitoring") is reported to service committees quarterly: Communities, Housing & Environment Committee, Economic Regeneration & Leisure Committee and the Strategic Planning & Infrastructure Committee. Each committee will receive a report on the relevant priority action areas. The report is also presented to the Policy & Resources Committee, reporting on the priority areas of "A Thriving Place", "Safe, Clean and Green", "Homes and Communities" and "Embracing Growth and Enabling Infrastructure".
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The Quarter 3 Budget & Performance Monitoring reports are being considered by the relevant Service Committees during February 2021, including this full report to the Policy & Resources Committee on 10th February 2021.
- 7.2 Details of the discussions which take place at Service Committees regarding financial and performance management will be reported to Policy and Resources Committee where appropriate.
- 7.3 The Council could choose not to monitor its budget and/or the Strategic Plan and/or make alternative performance management arrangements, such as the frequency of reporting. This is not recommended as it could lead to action not being taken against financial and/or other performance during the year, and the Council failing to deliver its priorities.
- 7.4 There is significant uncertainty regarding the Council's financial position beyond 2020/21, arising from the impacts of the Covid-19 crisis and the

Council's role in responding to this. Future finance reports to this committee will ensure that members are kept up to date with this situation as it develops.

8. REPORT APPENDICES

- Appendix 1: Third Quarter Budget Monitoring 2020/21
 - Appendix 2: Third Quarter Performance Monitoring 2020/21
 - Appendix 3: Third Quarter Corporate Risks Update 2020/21
 - Appendix 4: Business Rates Retention Pilot schemes update
 - Appendix 5: NNDR write-offs
 - Appendix 6: Overpaid Housing Benefit write-off
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9. BACKGROUND PAPERS

None.