

Name of Committee:	Cabinet		
Committee Date:	6 September 2023		
Report Title:	2023-24 Quarter 1 Budget Monitoring & Performance Report		
Responsible Councillor:	Councillor Bowdell, portfolio holder for Finance		
Cabinet Lead:	Councillor Bowdell, portfolio holder for Finance		
Status:	Non-Exempt		
Urgent Decision:	No	Key Decision:	No
Appendices:	Appendix A – 23/24 Q1 Detailed service level financial forecast breakdown. Appendix B – 23/24 Q1 Performance summary Appendix C – 23/24 Q1 Provisional capital monitoring financial breakdown and forecast.		
Background Papers:	None		
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Report Number:	HBC/034/2023		

Corporate Priorities:

The financial performance of the authority's budget has an overarching impact on all corporate priorities and the Council's ability to deliver against them.

Executive Summary:

The Quarter one forecast outturn shows an estimated forecast deficit of £1.7m. This forecast is based on as "as is" basis. There are several measures planned that will bring this forecast down, but they are yet to be triggered, hence the forecast shows the position as if we carried on at current spending and activity levels for the remainder of the year.

One example is our investment income. We have forecast the income we are guaranteed to receive. However, if we reinvest all of our available funds at current market rates we have scope to bring in an additional £600k.

We have a total of approximately up to £1.3M in mitigations yet to be actioned.

This should give members some comfort that the position will not end up quite as bad as the current forecast, but equally that planned action needs to be progressed as soon as possible to reduce the overspends.

Recommendations:

Cabinet is requested to note:

- A. The revenue forecast outturn for Q1 2023/24 (Appendix A)
- B. Q1 2023/24 performance information (Appendix B)
- C. Q1 2023/24 Capital Programme monitoring (Appendix C)

1.0 Introduction

- 1.1 This paper is submitted to Cabinet to note the financial and performance position of the Council as at quarter one of the 2023/24 financial year.

2.0 Background

- 2.1 It is a recognised requirement of Havant Borough Council's governance procedures that a report on the financial performance of the authority is presented to Cabinet on a quarterly basis.
- 2.2 Havant Borough Council has been through a significant transformation programme in exiting from its partnership with East Hants District Council. Quarter 1 of the 2023/24 financial year is the first real opportunity to assess the true financial impacts of this change on a business-as-usual basis.
- 2.3 There are still some financial impacts of the change process present, but these are starting to return to more normal and sustainable levels as the year progresses.

3.0 Revenue Budget

Directorate	Service Head	Sum of Annual Budget	YTD Budget (P3)	YTD Actual (P3)	YTD Variance (P3)	Full Year Forecast (FOT)	FOT Variance to Annual Budget Over/(Under)
Coastal Partnership	Coastal Partners	£422,298	£105,582	£711,854	£606,272	£422,296	£0
Coastal Partnership Total		£422,298	£105,582	£711,854	£606,272	£422,296	£0
Commercial	5 Councils Staff and Contract	£1,630,983	£407,752	-£517,141	-£924,893	£1,745,318	£114,335
	Digital	£1,530,371	£382,594	£298,853	-£83,741	£1,487,543	-£42,828
	Environmental Services	£4,684,754	£1,171,191	-£153,471	-£1,324,662	£4,680,795	-£3,959
	Procurement	£144,124	£36,031	£42,700	£6,669	£179,661	£35,537
	Property	-£1,045,485	-£261,369	-£67,252	£194,117	-£508,621	£536,864
Commercial Total		£6,944,747	£1,736,199	-£396,312	-£2,132,511	£7,584,696	£639,949

Internal Services	Corporate Support	£168,130	£42,033	£42,637	£604	£166,440	-£1,690
	Democratic	£574,774	£143,695	£145,613	£1,918	£657,552	£82,778
	Elections	£326,040	£81,512	£228,033	£146,521	£328,347	£2,307
	Emergency Planning	£69,463	£17,368	£31,889	£14,521	£86,777	£17,314
	Executive Office	£1,096,891	£274,223	£282,870	£8,647	£1,072,451	-£24,440
	Facilities	£445,674	£111,421	£118,190	£6,769	£473,132	£27,458
	Finance	£57,796	£320,815	£262,671	-£58,144	-£173,682	-£231,478
	Human Resources	£327,967	£81,992	£71,916	-£10,076	£339,504	£11,537
	Legal	£472,696	£118,175	£134,606	£16,431	£497,393	£24,697
	Mayoral	£102,607	£25,654	£27,118	£1,464	£110,439	£7,832
	Strategy Unit	£956,906	£239,233	£204,012	-£35,221	£881,284	-£75,622
Internal Services Total		£4,598,944	£1,456,121	£1,549,553	£93,432	£4,439,636	-£159,308
Place	Building Control	£78,532	£19,635	£29,986	£10,351	£91,975	£13,443
	Climate	£40,000	£10,000	£0	-£10,000	£36,000	-£4,000
	Environmental Health	£1,083,291	£270,827	£238,937	-£31,890	£1,094,647	£11,356
	Licensing	-£12,494	-£3,122	£27,438	£30,560	£80,343	£92,837
	Planning	£580,105	£145,030	£184,157	£39,127	£651,211	£71,106
Place Total		£1,769,434	£442,370	£480,519	£38,149	£1,954,176	£184,742
Regeneration and Communities	Communities	£623,647	£155,914	-£184,351	-£340,265	£577,967	-£45,680
	Enforcement	£444,586	£111,148	£110,067	-£1,081	£361,412	-£83,174
	Housing	£803,991	£201,002	-£298,344	-£499,346	£1,824,905	£1,020,914
	Parking	-£1,655,028	-£413,756	-£142,956	£270,800	-£1,593,140	£61,888
	Regeneration & Economic	£414,029	£103,508	£183,060	£79,552	£546,068	£132,039
Regeneration and Communities Total		£631,225	£157,816	-£332,525	-£490,341	£1,717,212	£1,085,987
Net Cost of Services at P3		£14,366,648	£3,898,088	£2,013,089	£1,884,999**	£16,118,016	£1,751,370
<i>Pay inflation (in reserves)*</i>		£1,266,352					
Total		£15,633,000	£3,898,088	£2,013,089	-£1,884,999	£16,118,016	£485,016

*From the agreed cabinet budget (in Feb'23) of £15.6m, 5% pay inflation monies are currently sitting in reserves. They will be released after allocation is received in Dec'23.

** year to date actuals in some areas include income for the whole year come in Q1 hence the underspend of £1.8m

- 3.1. Further detail against individual service areas is contained within **Appendix A.**

Significant variances

Analysis on full year **Forecast** spend within the service areas provided as below:

3.2. **Coastal**

There is no significant full year forecast variances to report within Coastal Partners. Underspend on staffing is due to current vacancies and although the year-to-date position at Period 3 is showing a variance, fee income will reflect from Q2. Staff are fee earning and the services is looking to achieve balance outturn position at 2023/24 year-end.

3.3. **Commercial**

5 councils – full year overspend variance forecasted at £114k as a result of pay budget changes and costs on GIS system of 90k.

Procurement – forecast projects annual overspend of £36k, contract negotiations underway.

Property annual forecast spend projections are:

- Utilities inflation and rate increase £189k
- Rental income pressure is £37k against a challenge of £82k. The trend has been positive but too early to forecast.
- Staff costs were £138k underspend but set against agency fees of £389k. Includes significant work on Regen.
- Professional fees include unbudgeted £79k on valuation fees.
- Insurance charges include unbudgeted £15k.
- Investments, Lorry Park income delayed, forecasted at £60k, negotiations looking positive and may yield more.

3.4. **Internal Services**

Finance – there is a projected increase in income for 2023/24 within Treasury Management of £1.44m because of increased investment activity and improved returns because of higher interest rates (budget rebase paper to move investment income from finance to corporate portfolio underway).

Elections – additional pressure has arisen due to unforeseen equipment and printing costs, to address requirements from the Elections Act, which were not fully covered by New Burdens. Cost pressures will also arise

from the continuing provisions of the Elections Act, which will also not be fully covered by new burdens. Officers continue to monitor the position closely.

3.5. Place

Planning – Full year position is estimating an overspend variance of £185k mainly due to agency staff use during the year and a projected decrease in Planning fee income. Fee income is dependent on planning applications received and the current forecast is lower than the budget set. Officers will continue to be closely monitor the position over the coming months.

3.6. Regeneration and Communities

Communities - Service is looking to deliver balanced outturn position at the end of the year.

Housing - Temporary accommodation and homelessness demand for housing is increasing. Nightly costs for accommodation are also increasing. Subsidiary loss for housing benefit also has an effect. Service is looking to reduce the overspend by year end by improving housing model for temporary accommodation. Also grant income to cover costs is expected in the year.

3.7. Staffing

A review of staffing budgets has indicated a forecasted underspend of £415k at year end. Staffing budgets are being closely monitored with the underspend being driven by vacancies and delays in appointing to new structures across several service areas. The impact of the forecast underspend in staffing budgets mitigates the forecasted service overspends.

Directorate	Account Code Description	Annual Budget	YTD Budget (P3)	YTD Actual (P3)	YTD Variance (P3)	Full Year Forecast	Full Forecast Variance to Budget Over/(Under)
Coastal Partnership	01. Direct Staffing	£4,110,501	£1,027,628	£1,131,967	£104,339	£4,110,501	£2
Commercial	01. Direct Staffing	£1,442,140	£360,540	£260,347	-£100,193	£1,076,728	-£365,412
Internal Services	01. Direct Staffing	£3,872,574	£968,153	£967,232	-£921	£3,851,393	-£21,181
Place	01. Direct Staffing	£2,738,727	£684,687	£604,894	-£79,793	£2,509,128	-£229,599
Regeneration and Communities	01. Direct Staffing	£2,011,356	£502,842	£555,351	£52,509	£2,212,676	£201,320
Grand Total		£14,175,298	£3,543,850	£3,519,791	-£24,059	£13,760,426	-£414,870

3.8. Capital

The Council approved its 2023/24 Capital budget in February 2023.

Current capital projects are:

- (a) £1.65m for the demolition of Bulbeck Road Development
- (b) £80k for new capital spend on Springwood Play Park funded by UKSPF.
- (c) £100k in relation to Changing Places - Accessible Toilets
- (d) £100k Garden Waste Program
- (e) 80k Open Space & Play Area improvement.
- (f) £1.6m (revised circular received for 1.9m) – Disabled facilities Grant.
- (g) £425k Hayling Island Beach management
- (h) £456K Langstone repairs and FCERM

3.9. The revised Q1 2023/24 capital monitoring report is detailed in Appendix C.

3.10. Performance

A summary of the quarter's key performance indicators is included in Appendix B.

3.11. Following the Housing service review, an improved suite of KPIs is now being reported which provide increased detail on temporary accommodation placements and Hampshire Home Choice waiting lists. The figures for Q1 indicate that pressure on the service remains high, with 5 households remaining in B&B for longer than the central government guideline of 6 weeks maximum. This reflects national trends (record numbers of households in temporary accommodation reached in March).

3.12. Response times for information requests are all within target. There were 7 complaints upheld by the Local Government Ombudsman last financial year which is a significant increase from previous years (0 in 2019-20, 1 in 2020-21 and 2 in 2021-22). The Customer Service Focus Group will be looking at the details of these to identify any trends and further service improvements require.

3.13. Sickness rates were very low for Q1 (average of less than 1 sick day per FTE) – possibly as a result of under-reporting. Around a quarter of the sick days taken in Q1 were for anxiety/stress/depression – a notable increase compared to previous quarters where this was a much lower percentage of the overall sickness absence – however this was limited to 5 individuals.

3.14. Vacancy rates and debt levels across investment property portfolio remain low. Further detail around the performance of the portfolio will be included

in future reporting after the implementation of the property asset management system.

- 3.15. The number of complaints received for Environmental Services is beginning to increase again, with 166 received in Q1 (increased from 120 in Q4 and 92 in Q3). However, there has been a reduction in complaints in the first month of Q2 as a result of work undertaken by the Client Team. We are working on improvements to the way complaints are recorded and reported to allow for increased oversight and analysis – a revised dashboard is coming soon.
- 3.16. Planning decision metrics for almost all types of applications are within target, however the % of applications validated within 3 working days of receipt remains well below target, as does the % of discharge of conditions. The Planning team are looking at resourcing options to ensure these metrics are improved. Building Control metrics are all within target. No metrics are currently reported for the Environmental Health service – discussions with the service manager continue to find out what can be reported in the short term before the implementation of the Acolaid replacement system.

4.0 Conclusion

- 4.1 Whilst the headline figure of a £1.7M overspend looms concerning, the level of known mitigations, and the time remaining in the financial year, means the Council is more than capable of making significant reductions in the current forecast.
- 4.2 Senior Officer and heads of service are already working at pace to reduce spend and to put known and new mitigations into place to bring us as close to a break-even position as possible.
- 4.3 Close monitoring of the Council's budget will take place on an ongoing basis with monthly reports taken to the Executive Leadership Team for scrutiny and review.

5.0 Implications and Comments

5.1 S151 Comments

There are no resource implications from this report. The financial implications are mostly explained within the body of the report. The key additional take home from this is that if the forecast overspend isn't reduced before the year-end, then we will potentially be using a large part of our general fund reserves. We would still have £8M of earmarked reserves.

5.2 Financial Implications

Finance continues to monitor budgets regularly so that any issues are

quickly highlighted, and mitigations put in place.

5.3 Monitoring Officer Comments

This paper is submitted to Cabinet to provide a strategic overview of performance for Q1 2023/24 and, in part, relates to priorities in the Council's Corporate Strategy. Monthly updated reports are taken to Management Team and Cabinet Briefing; whole performance reports more formally to Cabinet for noting and for recommendation to full Council as and when appropriate and required.

5.4 Legal Implications

None arising from this report.

5.5 Equality and Diversity

None arising from this report.

5.6 Human Resources

In re-setting the 2023/24 revenue budget, relevant allocations were made across all service areas to ensure that staffing budget provision matched with proposed and approved organizational structures.

5.7 Information Governance

None arising from this report.

5.8 Climate and Environment

Revenue budget has remained in place in order to continue work on delivering the Havant Borough Council Climate and Environment Strategy and action plan.

6.0 Risks

6.1 Budgets and performance will continue to be routinely monitored to ensure that any risk to delivery is highlighted early and mitigations agreed. A revised budget risk register was presented as part of the revised MTFS that was approved in November 2022. We will continue to closely monitor, and report any changes, against this register.

7.0 Consultation

7.1 The information has been shared with Management Team and discussed with individual Executive Heads and relevant budget holders.

8.0 Communications

8.1 Information on performance is provided on the Council website.

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	28 th July 2023
Executive Head:	Matthew Goodwin	2 nd August 2023
Monitoring Officer:	Jo McIntosh	28 th July 2023
Section151 Officer:	Steven Pink	28 th July 2023