

Name of Committee:	Cabinet		
Committee Date:	6 th March 2024		
Report Title:	Quarter 3 Financial Report & Budget Monitoring		
Responsible Officer:	Steven Pink – Chief Finance Officer & S151 Officer		
Cabinet Lead:	Councillor Bowdell – Cabinet Lead for Finance		
Status:	Non-Exempt		
Urgent Decision:	Yes / No	Key Decision:	Yes/ No
Appendices:	Appendix A – Q3 (M9) Budget Monitoring Dashboard Appendix B – Q3 (M9) Performance Dashboard & Corporate Priorities Update Appendix C – Q3 (M9) Capital Programme Monitoring Appendix D – Q3 (M9) Prudential Indicators		
Background Papers:	None		
Officer Contact:	Name: Steve Pink Email: steven.pink@havant.gov.uk		
Report Number:	HBC/85/2024		

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 anticipated overall outturn position is a £1.5M operational overspend. However, after inclusion of the in-year corporate contingency fund, the net revenue budget overspend is £0.8m.

The deficit has increased from Quarter 2 by £597k. The Council has been facing unprecedented costs pressures across the service areas, including temporary housing (£877k), Parking Service (£237k), Planning and Licensing Service (£407k), 5 Council contract (£130k), Property Services (£883k) and Human Resources (£104k) this has been offset by the additional income generated through the treasury management policy (the interest on investments has exceeded the budget by approx. £1M). In addition there have been some other favourable variances across some of the service areas. The overspend will be transferred to the General Fund Reserve at year-end.

In summary some of the anticipated overspend has been driven by legacy costs arising from the exit of the partnership with East Hampshire District Council and from the unavoidable operational costs and contractual increases to become a stand-alone Council. The budget for 2024/25 has incorporated the legacy and unavoidable cost issues where appropriate. Work will continue with the services to look for efficiencies going forward to bridge the budget gap for future years and to protect the reserves during the Medium-Term Finance Strategy (MTFS) period.

It should also be noted that the forecast estimates on a prudent basis, and that a number of key lines may perform better than forecast. For example, the investment income has scope to deliver an additional £120k depending upon market rates and daily cash balances.

Please refer to Appendix A for the specific outturn position against each Directorate and for a more detailed variation analysis for each service area.

Recommendations:

Cabinet is requested to note:

1. Q3 2023/24 The Revenue Forecast Outturn (Appendix A)
2. Q3 2023/24 Performance Information (Appendix B)
3. Q3 2023/24 Capital Programme Monitoring (Appendix C)
4. Q3 2023/24 Prudential Indicators (Appendix D)

1.0 Introduction

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

2.0 Background

- 2.1 It is a recognised requirement of the Council's governance procedures that a report on the financial performance of the Council is presented to Cabinet on a quarterly basis.
- 2.2 The Council has been through a significant transformation programme in exiting from its partnership with East Hampshire District Council (EHDC). Quarter 3 of the 2023/24 financial year allows us to develop our understanding of the changing landscape since becoming a stand-alone Local Authority once again. Especially considering the operational and contractual implications.
- 2.3 There are still some financial impacts of the change process present, but these are better understood and being reviewed constantly by management to mitigate the financial risks where possible.

3.0 Revenue Budget Monitoring

- 3.1 Based on financial data up to 31st December 2023 (month 9, or the end of Quarter 3). The Council's forecast outturn position for the year ending 31st March 2024 is anticipating an operational overspend of £1.5M.
- 3.2 After inclusion of the in-year corporate contingency fund, the total overspend is reduced to £0.8m. This fund is part of the Council's £15.6m revenue budget agreed at Full Council in February 2023 for the 2023/24 financial year. It was set up to deal with in-year pressures mostly relating to the nationally agreed pay award (both for directly employed staff and for the impact upon staff employed by Norse).
- 3.3 Further amounts may need to be transferred by virement from the fund to the operation budget lines to cover some of these emerging pressures. This would reduce the operational overspend but the total overspend would remain the same £0.8m.
- 3.4 The table below shows the forecast by Executive Service area.

Directorate	Sum of Annual Budget	Sum of YTD Actual	Sum of Full Year Forecast (FOT)	Forecast Over (-)/Underspend	Movement
Coastal Partnership	445,504	1,069,481	371,671	-73,833	↑
Commercial	6,992,793	8,451,998	7,962,785	977,448	↓
Internal Services	4,768,211	4,684,948	3,940,775	-827,436	↓
Place	2,008,631	1,897,977	2,364,540	355,909	↓
Housing & Communities	1,494,085	476,922	2,388,291	894,206	↓
Regeneration	-843,465	-3,919	-595,020	248,445	↓
Grand Total	14,865,759	16,577,406	16,433,041	1,574,738	↓
Corporate Reserves (in-year pressures)	768,572	0	-768,572	-768,572	↑
Total	15,634,331	16,577,406	15,664,469	806,166	↑

3.5 The next table shows the forecast by spend category.

Spend Category	Sum of Annual Budget	Sum of YTD Actual P6	Sum of Full Year Forecast (FOT)	Sum of Forecast Variance
Direct Staffing	15,299,924	10,931,847	14,710,043	-589,881
Staffing Costs	-46,241	1,218,801	1,487,595	1,533,836
Premises Costs	1,702,637	1,786,845	2,156,117	453,480
Vehicle Costs and Travel	130,010	58,448	107,564	-22,446
Income	-47,340,188	-29,828,969	-42,834,373	4,505,815
Contract Payments and recharges	19,392,344	12,299,196	15,296,521	-4,095,823
Supplies and Services	6,760,752	6,113,757	8,788,899	2,035,603
Statutory Payments	23,956,904	16,574,672	21,952,916	-2,003,988
Recharge Income	-4,032,383	-2,577,190	-4,032,241	142
Depreciation	0	0	0	0
Movement to Reserves	-958,000	0	-1,200,000	-242,000
Premises Costs - Utilities	0	0	0	0
Total	14,865,759	16,577,406	16,433,041	1,574,738

3.6 Further detail on the breakdown of the forecast by Executive and Service area can be found in the Budget monitoring dashboard in Appendix A. This dashboard is now produced monthly and reported to the Executive Leadership Team and key Cabinet Leads to ensure greater awareness and so that any urgent action can be taken as soon as identified.

4.0 Capital Programme

4.1 The Council approved its 2023/24 Capital budget in February 2023. Current capital projects Include:

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

4.2 Further detail on the monitoring of capital spend can be found in Appendix C

5.0 Aged Debt

5.1 Between Quarter 1 and 3 the movement on the Aged Debt has reduced by £256k, which is the net effect of invoices not paid to the Council between quarters.

5.2 As demonstrated by the analysis below, the debt is ageing mainly by the increased balance in 31-90 days.

Date	Balance	Within 30	31-90	91-180	181-365	Over 1 Year	Over 2 Years
01/07/2023	1,437,117	435,894	72,891	125,456	122,108	155,136	525,633
02/10/2023	1,840,648	514,125	396,016	51,730	168,763	188,545	521,469
02/01/2024	1,584,536	524,401	121,066	53,980	126,449	209,852	548,788
Diff on Q2	-256,112	10,276	-274,950	2,250	-42,314	21,307	27,319
		2%	-69%	4%	-25%	11%	5%

5.3 £14k has been written off this quarter.

5.4 Debt collection and accounts receivable (AR) was identified via our internal audit function as an area of concern. An improvement plan was drawn up in June including a new policy and several processes. This is now in action, but it will take further time for these new processes to be embedded into daily operations.

6.0 Prudential Indicators

- 6.1 The Council measures and manages its capital expenditure and borrowing with reference to a series of prudential indicators.
- 6.2 It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis, and you can see these indicators in detail in Appendix D.

7.0 Performance

- 7.1 A summary of the quarter's key performance indicators is included in Appendix B and shown in our corporate performance scorecard.
- 7.2 Housing: The number of households being placed in temporary accommodation continues to show a welcome trend downwards – in Q3 it was around one quarter of what it was in Q1. However, the average length of stay in temporary accommodation has increased, suggesting that although initial demand has decreased, there are still issues with moving households on from temporary accommodation. This is reflected in the number of lets agreed via Hampshire Home Choice which was also much lower than previous quarters. Work is ongoing within the team to review the process of allocations and placements to understand how this can be improved.
- 7.3 Information Governance: Response times for information requests are within target apart from 1 Subject Access Request being late. New metrics included in Q3 for internal reviews (a FOI/EIR requester can request an internal review if they are not happy with the information disclosed by the council in response to their request).
- 7.4 Communications: The number of website visitors has increased again in Q3 to more than twice what it was in Q3 last year (from around 64k to 144k). We are reviewing the data available for digital engagement on all our communications channels (social media, website, mailing lists etc) with a view to providing further detail from Q4 onwards.
- 7.5 Environmental Services: Following further work on a suite of KPIs for services provided by Norse SE we are now able to report significantly more data in the corporate quarterly reporting than this time last year. Generally, this data shows positive trends – for example the number of missed bins has decreased since the start of the financial year and is now approaching the target figure of 100 missed bins per 100,000 opportunities (an industry standard metric) averaged across all waste categories, for the first time on record. There is also consistently good performance for bulky waste collections.
- 7.6 In depth analysis of recycling and contamination data from Hampshire County Council sampling, provided in a dedicated dashboard, will enable the Client Liaison team to monitor the impact of education/awareness campaigns.

- 7.7 Property: The number of vacant units has increased in the last two quarters but the % of vacancies by floor area remains low. Further detail around the performance of the portfolio will be included in future reporting after the implementation of the property asset management system.
- 7.8 Customer Services: Following a corporate push on complaints, the number of received complaints continues to show an encouraging trend (reducing from 230 in Q1, 117 in Q2, 82 in Q3). Response times have also improved with 93% of complaints being responded to within the SLA in Q3.
- 7.9 Revenues and Benefits: Council tax and NNDR collection rates are on target for year-end performance.
- 7.10 Planning: New metrics for pre-applications have been added following Cabinet feedback on Q2 report – the number of enquiries received and the % responded to within the target timeframe. This is a significant fee earning area for the council so will be useful to understand the service levels.
- 7.11 There has been a temporary change to measure validation within 10 working days (rather than 3) to reflect staffing pressures. Staff have now been recruited but will take time to train and clear backlog. 50% of major applications were not decided in time (but that only represents 1 application) and discharge of conditions applications remain low, but other decision metrics met targets.
- 7.12 Building Control: All metrics are within target. In Q4 we will be reviewing metrics in accordance with the reporting requirements of the Building Safety Regulator (a new branch of the Health and Safety Executive).
- 7.13 Environmental Health: We have added a number of new metrics for Q3 covering service areas including pest control, food and safety, licensing etc to add to data on Disabled Facilities Grants. Work is ongoing to establish expected service levels and extract further information from Acolaid, focusing on high risk, high priority aspects of the service such as DFGs.
- 7.14 Neighbourhood Quality: We are now providing further detail on fly tipping enforcement actions, with further detail to come. Performance improvements can be seen from Q2 to Q3 with the number of warning letters sent increasing from 5 to 21 and the number of Fixed Penalty Notices increasing from 1 to 5.

7.15 Corporate Priorities

7.16 Appendix B also details progress against our corporate priorities with an overview and a RAG (red, amber, green) status. The RAG status shows how the priorities are performing against their timeline, budget and agreed scope/quality. Using the RAG status is an effective way to track and control progress. By identifying amber and/or red status it allows for identification of areas of risk, issue or concern. During a project lifecycle there are invariably times where issues or concerns are raised and therefore, we would expect to see some areas rated as either amber or red as it shows effective project controls are in place to highlight risks/issues/concerns. Each status is accompanied by an arrow showing the trajectory of the status since the previous report. Members shall note that there has been a change in trajectory in respect of two priorities. Further detailed commentary in respect of these priorities has been provided below.

Langstone Flood and Coastal Erosion and Risk Management Scheme

7.17 The objective of this project is to construct a flood defence scheme in Langstone. There remains a concern around the affordability of being able to deliver the programme and the team continue to seek additional funds to close the funding gap. This additional work has further led to potential timing delays as all options are explored.

7.18 Environmental Act Changes

7.19 The objective of this project is to plan and implement changes in response to the Environment Act as well as consideration of the future Environmental Services contract.

7.20 Due to the uncertainty of timescales and scope of the Consistent Recycling Regulations and wider Environmental Act policies there remain concerns with the deliverability of the project. The team are continuing to review the likely impacts of the recycling regulations and to work with stakeholders, such as Hampshire County Council to fully address these issues.

7.21 At present the remaining corporate priorities are progressing as detailed in the summary in appendix B. Information is collected regularly on progress against the priorities and reported to senior management and Cabinet.

8.0 Conclusion

8.1 The overall deficit from the previous quarter has increased by £597k. Costs have risen in all Executive Service Areas apart from the Coastal Partners. Please refer to Appendix A for further analysis.

8.2 More work is needed to reduce the anticipated overspend. The Council will look to maximise the remaining treasury funds, further

reducing agency spend, improving the use of grant income and the careful management of vacancies which could reduce the forecast overspend.

- 8.3 Parking and planning incomes are fluctuating wildly and unsecure, and the volumes of temporary housing requirements could be significantly impacted by changes to the economic climate as much as they can by the severity of our winter months. The current forecast is making prudent assumptions as to avoid any unwelcome surprises.
- 8.4 The budget for 2024/25 has been prepared to incorporate the legacy and unavoidable cost issues from the breakup with EHDC. Work will continue with the services to look for efficiencies going forward to bridge the budget gap for future years.
- 8.5 Benchmarking of the performance indicators are showing Council as generally achieving around the sector average for the majority of metrics. This suggests the health of the Council's operating activities in in a good condition. There are still some areas of concern and the processes for monitoring, challenging, and improving performance across the Council are under continual review.

9.0 Options

- 9.1 This report is submitted to Cabinet to note the financial and performance position of the Council as of quarter three of the 2023/24 financial year. Finance and performance monitoring is an important requirement of the Council's open and transparent governance procedures. Whilst, the report is note, the report provides a wide and comprehensive overview of the Council's finance and performance position. Following careful consideration, the Cabinet may highlight areas for further exploration and reporting.

10.0 Relationship to the Corporate Strategy

- 10.1 Strong financial oversight and management and a fair allocation of resources plays an important role in the delivery of our Corporate Strategy.
- 10.2 It would also be very difficult to measure performance in delivering core services and strategic priorities without understanding the financial context.

11.0 Implications and Comments

- 11.1 S151 Comments

Members should be aware that the increase in the overspend from Quarter 2 has been largely driven by greater understanding of the cost drivers and uncovering of pre-existing issues.

There remain concerns that plans to control the overspend during the year have not achieved the intended cost reductions in a timely manner. However, much of this has now started to be put in place and is expected the full reductions will be achieved before the start of the new financial year.

It is important that the Council continues its efforts to bring the ongoing monthly costs to within the agreed budget by the year-end.

11.2 Financial Implications

There are no direct financial implications from the report itself, but failure to recognise the financial position of the Council and take measures to limit its exposure the forecast overspend would have secondary financial implications.

Monitoring Officer Comments

11.3 This paper is submitted to Cabinet to provide strategic overview of the Council's performance during Q3 2023/24 and, in part, relates to priorities in the Council's Corporate Strategy.

It is important for the openness and transparency of local government that budget and performance data is published in a clear and accessible way.

11.4 Legal Implications

There are no specific legal implication arising from this report.

11.5 Equality and Diversity

These recommendations comply with our internal Equality and Diversity policy and practises where applicable.

11.6 Human Resources

These recommendations have been considered in line with current HR policies and best practise.

11.7 Information Governance

These recommendations have been considered in line with current information and governance guidelines.

11.8 Climate and Environment

12.0 Risks

- 12.1 Failure to track and monitor the budget regularly would put at risk the Council's ability to manage its finances and take appropriate action in a timely manner if required to mitigate any financial risks identified.

13.0 Consultation

- 13.1 Not applicable

14.0 Communications

- 14.1 Not applicable

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	24/02/2024
Executive Head:	Matt Goodwin	23/02/2024
Monitoring Officer:	Jo McIntosh	23/02/2024
Section151 Officer:	Steven Pink	13/02/2024