

Supplementary Information

HAVANT BOROUGH COUNCIL
CABINET
16 February 2022

Dear Councillor

I am now able to enclose, for consideration at meeting of the Cabinet, to be held on 16 February 2022 the following supplementary information that was unavailable when the agenda was printed.

Agenda No Item

- 7 **2022/23 Revenue Budget, Capital Budget, Reserves and Balances, Capital Strategy, Treasury Management Strategy and Medium-Term Financial Plan (MTFP) (Pages 1 - 4)**

This page is intentionally left blank

Appendix N

CABINET RESPONSE TO THE ‘STATEMENT ON THE GENERAL FUND BUDGET PROPOSALS BY THE CHIEF FINANCE OFFICER’ (Appendix F Budget and MTFP report)

This response is the Cabinet’s recommendation to Council to introduce measures to create a ‘credible plan’ for management of the budget and medium-term financial strategy. This response is made to the Chief Finance Officer’s statement at Appendix F of the Budget and MTFP report. This states that:

*“I must draw to the attention of Members a number of concerns which I have raised within the main body of my report regarding financial risk and future financial sustainability”
(paragraph 2 Summary Opinion)*

These concerns arise primarily from the decision at Council in January 2022, agreed unanimously by all members, to withdraw from the Joint Management Team Agreement (JMTA) with East Hampshire District Council. The CFO draws a conclusion that the decision to exit the JMTA will impact upon the Council’s transformation programme and therefore remove the Council’s solution to meet future deficits through savings realised from its transformation programme.

To be clear, the Council has a balanced budget for 2022/23. This is an important point as it allows the Council a period of time to propose a credible plan to Council to address the deficit which arises in future years. From 2023/24 the budget deficit will be £1.26M.

Cabinet RECOMMENDS therefore that work to address the future years budget must begin immediately and proposes to present a future balanced budget for the lifetime of the MTFS by October 2022. This recommendation is subject to the agreement of Council to a number of proposals as set out in this Response (and summarised at the end of the Response):

Seeking an external opinion

The Cabinet does not underestimate the state of the finances. It has taken immediate steps to address the primary concern raised by the Chief Finance Officer and has requested the Acting Chief Executive to commission a report from CIPFA to look at the affordability of the decision to withdraw from the Joint Management Team Agreement. Their initial view will form part of the business case which is expected to come back to Council at the end of February or as soon as possible after. Subject to the outcome of this report from CIPFA, the Acting Chief Executive may make further recommendations to Cabinet.

Shaping Our Future Programme

The Cabinet is aware that many Councils are experiencing financial challenges. It is therefore looking at best practice when considering how to manage its budget deficit. To date the budget deficit was expected to be managed through a programme of transformation known as ‘Shaping Our Future’. That programme is about to enter phase 4, which is likely to have a significant budgetary impact in 2022/23. The Cabinet must therefore make an immediate decision as to whether the Shaping Our Future Programme will provide the budget returns necessary and in sufficient time to address its budget deficit. This matter is already under consideration and will require a report to a future Cabinet meeting.

Restructuring

The decision to exit the Joint Management Team Agreement will also bring additional costs at senior management level as costs for those posts will no longer be shared. That restructure will have to be developed with the objective of meeting the budget challenges. The Acting Chief Executive has committed to bringing a future senior management structure to Council for decision by end of May or as soon as possible after.

Contract performance

The Council is a significant commissioner of services. It has two key contracts: (1) Capita (2) Norse South East. The Council operates its contract management functions through different officer teams. The Acting Chief Executive and the Leader will meet with senior members of the contracting parties to re-establish working relations with those providers. Officers will work with the contractors to review the value for money offered by those contracts.

Service review

The Shaping Our Future Programme has brought many benefits to date. It has enabled the Council to structure its Corporate Strategy and understand the importance of that document in shaping the Council's future, it has provided an evaluation of its internal teams, the services it provides and the value and benefit of those services to our communities. Through this process, it has identified services that require investment and some that may need to be scaled back or stopped. A service review to meet budget challenges is essential.

Budget Working Group

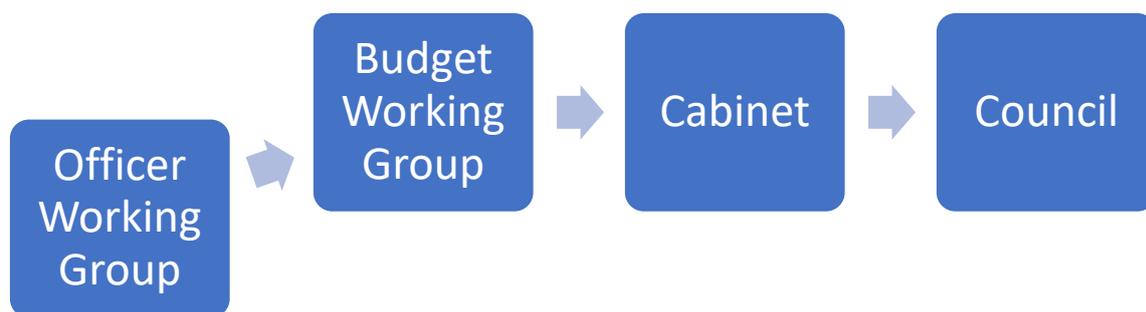
In order to review each of these issues, it is proposed that a cross section of members are asked to participate in a Budget Working Group, led by the Portfolio Holder for Finance and the Chief Finance Officer. This will review service budgets with officers for the purpose of proposing service changes to Council operational delivery.

The Budget Working Group is an informal working group and will make proposals into Cabinet with their recommendations for meeting the budget deficit. The Cabinet will review the proposals for the purpose of making recommendations to Council for future changes to the budget and MTFS.

Officer Working Group

The Acting Chief Executive has been asked to provide an officer working group in support of the member led Budget Working Group. This officer group will be led by a Finance officer and will provide evidence in support of any proposals to be made for review of services for the purpose of reducing the deficit.

The process is as follows:



Corporate Strategy

Havant BC is leading a place with lots of opportunity. It has been identified as part of the Solent Freeport area, one of only 8 announced by the Government. This brings future financial opportunities to support some of Havant's Corporate Strategy objectives. The Council will shortly receive a regeneration strategy that has a credible opportunity for long term financial support through the levelling up fund. Whilst there are no guarantees of funding for the regeneration strategy, Havant is continually seeking to work positively with Government. This has resulted in a recent announcement in the wake of the Levelling Up White Paper that Havant has been identified as one of the towns to receive support from the Government's High Streets Task Force. Havant will therefore be seeking opportunities through Government grant funding to enhance opportunities for regeneration and economic development.

The purpose of these proposals are to ensure that Havant Borough Council can meet its longer term opportunities for the benefit of its residents and businesses.

In summary, the Cabinet is RECOMMENDING that Council engage with and agree proposals for a 'credible plan' which will comprise:

- (A) Restructure of the senior management team for the start of the new civic year
- (B) To set up a Budget Working Group, supported by an officer working group with a view to delivering a balanced budget for the MTFs by October 2022
- (C) That the Budget Working Group work with the Cabinet to make proposals based upon the following measures:
 - a. Review the CIPFA report and the future sustainability of the Council
 - b. Review of future costs of the Shaping Our Future Programme and the continuation of transformation within the Council
 - c. To undertake service reviews based upon information obtained from the Shaping Our Future Programme
 - d. To review its contractual management arrangements and decide if they provide value for money
- (D) To further all opportunities for funding by enhancing local partnerships and through Government policy initiatives to support the continued improvement of the Havant BC area

Budget Working Group

Terms of Reference 2022-23

The Budget Working Group has been convened as an advisory group to Cabinet and will consist of a cross party working group. It is not part of the formal decision-making process and will be supported by the officer working group, the Chief Finance Officer, Cabinet and full Council. It is anticipated that the Group will make regular recommendations to Cabinet for consideration in accordance with and limited to its Terms of Reference as below.

Meetings may be held in private or public and membership and the terms of reference shall be reviewed annually.

Composition: A maximum of 8 members at any one time consisting of:

- Cabinet Lead for Finance (who shall be Chairman)
- 1 x representative from the Havant Independent Group and/or other minority groups
- 1 x representative from another minority members not within a group
- 1 x representative from Overview & Scrutiny Committee
- 1 x representative from Audit & Finance Committee
- All other members to be those members nominated from across Council

Quorum: a minimum of 4 members but must include Chair

Meetings: Fortnightly commencing 2 weeks following Budget Full Council or as arranged by the officer working group

Timing: As arranged by the officer working group

Venue: The Plaza

Reports to: Cabinet

Administration: Democratic Services

Expenditure: Nil

Terms of Reference:

To make proposals to Cabinet to achieve a balanced budget for the MTF5 by October 2022, based upon the following data or measures:

- a. Review of the CIPFA report and the future sustainability of the Council*
- b. Review of future costs of the Shaping Our Future Programme and the continuation of transformation within the Council*
- c. Service reviews based upon information obtained from the Shaping Our Future Programme*
- d. To review its contractual management arrangements and decide if they provide value for money*