
NON-EXEMPT

Havant Borough Council

Governance Audit & Finance Board

7 October 2020

CORPORATE PERFORMANCE REPORT QUARTER ONE 2020/21

FOR NOTING

Portfolio Holder: Cllr Inkster

Key Decision: No

Report Number: *HBC/.../20*

1. Purpose

- 1.1. This paper is submitted to Governance Audit & Finance Board to provide a strategic overview of performance for Quarter One 2020/21 in relation to the corporate priorities in the Council's Corporate Plan.

2. Recommendation

- 2.1. Members are required to note:
- a. The revenue and capital forecasts and forecast variance outturn for 2020/21 in Appendices A and B
 - b. The summary performance information at Appendix C for services

3. Executive Summary

- 3.1. The corporate finance monitoring report for Quarter 1 revenue position is attached at Appendix A. The forecast includes a significant loss of income of £1.857M resulting from the Covid-19 pandemic which is partially offset by additional Covid-19 related grant of £1.558m. The Council has identified additional service related savings which mitigate the impact of Covid-19. The latest forecast for the year shows an projected increase in the net cost of services of **£1.685M** and an overall projected deficit of **£0.127M** (which is 0.9% of the Budget Net Cost of Services).
- 3.2. Table 1 – Revenue Forecast

	Revised Budget £'000	Estimated Outturn £'000	Variation £'000
Net Cost of Services	14,591	16,276	1,685
Business Rates, Council Tax and Grants	(14,591)	(16,149)	(1,558)
Net (Surplus) / Deficit	(0)	127	127

3.3. The main variances against the revised budget are set out below:

- a. 30% drop in income projected as a result of Covid-19 covering various cost centres – further detail on this is contained in the report below
- b. £0.326M savings from service budgets to mitigate the impact of Covid-19 and the loss of income. This is made up of £463,795 savings, which has resulted in budget virements and the savings placed in the finance budget, minus the £138,500 additional expenditure as a result of Covid-19.
- c. Section 31 grant received from MHCLG to compensate for Covid-19 reliefs for business rates. This extra grant will be transferred to reserves to offset the collection fund deficit in 2020-21 – further detail on this is contained in the report below but has not been included in the figures at this stage.
- d. £1.5M Covid-19 grant from MHCLG to help mitigate the impacts of Covid-19
- e. Pressure of 10% on commercial property income forecast – this is further detailed in the report

3.4. The corporate financial monitoring report for Quarter One capital is attached at Appendix B. There are no variations to budget at this stage.

	2020/21 Revised Budget Feb 20 £ (000)	2020/21 Provisional Outturn £ (000)	2020/21 Variance £ (000)
Housing	1,628	1,628	0
Operational Land and Buildings	5,005	5,005	0
IT Equipment	77	77	0
Total Capital Programme	6,710	6,710	0

	2020/21 Revised Budget Feb 20 £ (000)	2020/21 Provisional Outturn £ (000)	2020/21 Variance £ (000)
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Funded By:

REFCUS (Revenue funded as Capital under Statute)	1,628	1,628	0
External Grants & Contributions	4,820	4,820	0
Use of Specific Reserves	127	127	0
Use of Capital Receipts	135	135	0
Borrowing Requirement	0	0	0
Total Funding	6,710	6,710	0

4. Additional Budgetary Implications

4.1. None

5. Background and relationship to Corporate Strategy and/or Business Plans

5.1. Covid-19 has placed considerable pressure on the authority

5.2. However, during the quarter the majority of services continued to operate and provide services. Full details of the Covid-19 Response of the Council are contained within the report that went to Cabinet on 1 July 2020 and this details the majority of activity that took place during Quarter One in relation to Covid-19. Information on key performance indicators are contained at appendix C.

5.3. During the Quarter, Cabinet met once and approved the following delegated decisions as well as decisions made in Cabinet.

a. HBC Street Name and Numbering Service contract (delegated)

- b. Approval of the Digital Strategy (delegated)
- c. Commencement of remote meetings
- d. 2019/20 provisional revenue and capital outturn
- e. Proposed Land Transaction to facilitate a mitigation plan to ensure future development can be nutrient neutral.
- f. Local Authority Discretionary Grant Scheme (delegated)

5.4. There was considerable effort made during the quarter with respect to handling of the Covid-19 response and the appendix 3 details the key achievements in particular around the setting up of the Local Resource Centre managing calls from vulnerable residents, the handing out of Government grants to businesses requiring support and support provided to staff to enable home working. Areas where progress has not been as great is predominately as a result of focus on Covid-19 response. Heads of Service have rated a number of corporate plan action targets as 'amber' at quarter one. A summary of these amber ratings is provided below:

- *Deliver transformation programme and first phase transformation developed:* seven workstreams have been identified and Cabinet paper is due to come forward during quarter two
- *Define and implement strategy to re-establish income streams at Plaza:* by end of Q1 no external meetings had been held at Plaza due to Covid-19 restrictions
- *Increase levels of understanding and responsibilities around Information Governance:* an update was provided to EB and action plan agreed with quarterly EB reporting
- *Deliver Rough Sleepers initiative:* delays due to Covid-19, however new duties placed on Councils during pandemic to accommodate rough sleepers has been achieved.
- *Deliver review of permits:* Progress has been halted by Covid-19 although on street parking permit scheme has been completed and is in line with Hampshire cost neutral requirements
- *Develop multi-team approach to rationalising Council owned assets –* focus of both the property team and community team has been on supporting residents and tenants during Covid-19.
- *Work in partnership to develop range of projects to tackle health inequalities –* focus has been on Covid-19 response and supporting vulnerable in society through the establishment of the LRC and work on this area will be taken forward through the Covid recovery work.

- *Develop an implementation plan to ensure s106 allocated appropriately – additional work on this will take place during Q2 in order to drive the plan forward.*
- *Undertake consultation on changes to Havant Local Plan: cessation of decision meetings has delayed progress although anticipated progress expected during Q2.*
- *Undertake a review of CIL: underway though complex and potentially competing priorities although due to be considered by Cabinet later in the year.*
- *Complete implementation of new Building Control IT system: legacy data import has taken longer than initially envisaged due to the complex nature of the work, expected progress during quarter 2.*

5.5. Progress against key performance indicators (KPIs) has been strong during the quarter with continued performance of our regulatory services, in particular Planning. Details of KPIs are detailed in appendix 3.

Income – Fees & Charges

5.6. As stated, Covid-19 has placed considerable pressure on a number of income streams as a result of the lockdown which was in place for much of Quarter One.

5.7. The income budgets are being carefully monitored and at present have assumed a 30% loss of income for the full year. As lockdown has been eased income streams have started to recover although the majority are still down for the first quarter:

5.8. *Table 2 – Actual income for Quarter One against budget for selected income lines*

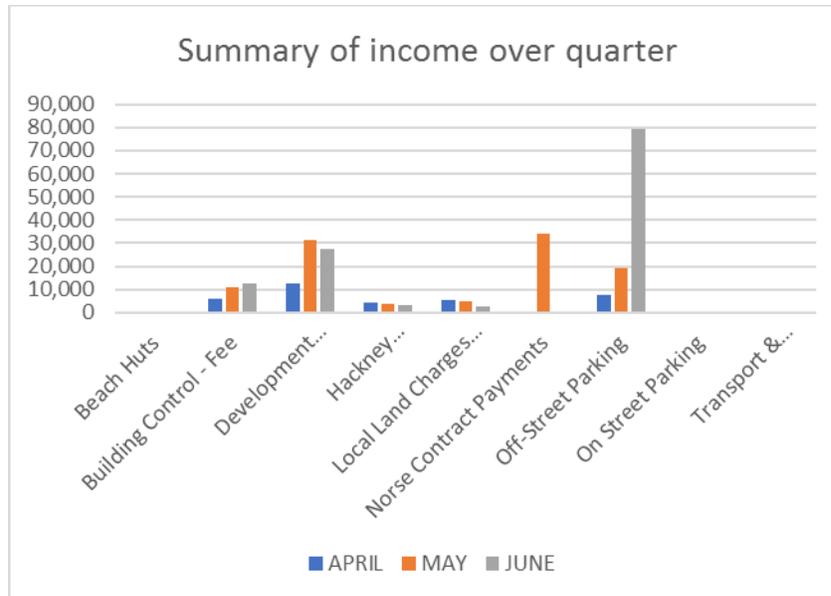
INCOME	Q1 BUDGET	Q1 ACTUAL	VARIANCE
Beach Huts	63,705	399	-99%
Building Control - Fee	34,485	29,479	-15%
Cemeteries*	53,727	0	-100%
Development Management - Fee	144,942	71,298	-51%
Green Waste**	170,433	710,395	317%
Hackney Carriage/Private Hire	24,990	11,436	-54%
Local Land Charges Chargeable	30,237	13,112	-57%
Norse Contract Payments	139,695	33,903	-76%
Off-Street Parking	562,458	106,116	-81%
On Street Parking (Fixed Penalty Notice)	40,854	905	-98%
Open Spaces*	78,717	0	-100%
R&B Contract Management	66,723	0	-100%

Transport & Implementation	106,206	607	-99%
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* awaiting Norse payment who collect the money on our behalf

** billed at beginning of year

- 5.9. A summary of the income profile over the quarter for selected lines is included below (this excludes garden waste as this is billed in one at the beginning of year and which income has not been affected by Covid-19).



- 5.10. The Government has advised that we will receive compensation of 75p in the pound above 5% losses of income for fees and charges. Full details of the amount that Havant will receive or the methodology and criteria of what fees will be included has not yet been released.

Income – Investment Property

- 5.11. A key income stream for the authority is from our investment and estates portfolio and this is being closed monitored. To date we have forecast a 10% reduction in commercial property due to the current collection rate. The quarter rent due for the period 25 March 2020 until 24 June 2020 is detailed below, whereby a total of 96.6% of rent has been collected, which under the circumstances represents a considerably strong return.

Quarter amount requested (25 March-24 June)	Quarter amount collected	%
£469,008	£453,119	96.6

- 5.12. The quarter rent due for the period 25 June until 24 September is currently at a collection rate of 60.1% and work continues to collect the outstanding rent. It should be noted that these figures do not include Meridian centre income which is detailed separately below. The portfolio excluding Meridian does not rely heavily on the retail industry which has been hardest hit by the pandemic.

Quarter amount requested (25 June until 27 September)	Quarter amount collected	%
£435,367	£268,237	60.1*

**two large payments are due shortly which would take the amount to over 80%*

- 5.13. The Meridian Centre income is ringfenced to be placed in a reserve and therefore the revenue budget is not dependent on the income to support the 2020/21 budget. However, failure to collect will impact on the ability to build up the reserve as originally envisaged. In addition, there is additional cost of vacant units, for example service charges and business rates which are also being reviewed. The latest position regarding collection of Meridian income is detailed below. It should be noted that some income is collected on a quarterly basis and some on a monthly basis.

- 5.14. *Table 5 – Meridian income received to date:*

Meridian Shopping centre				
Due Date	Invoiced	Outstanding	Received	Collection %
25/03/2020	£89,349.50	£28,770	£60,579.73	67.80%
01/04/2020	£34,250.00	£14,725	£19,525.01	57.01%
01/05/2020	£34,541.67	£15,933	£18,608.34	53.87%
01/06/2020	£34,541.67	£16,096	£18,446.07	53.40%
24/06/2020	£95,099.50	£66,776	£28,323.97	29.78%
01/07/2020	£33,448.47	£30,987	£2,461.64	7.36%

- 5.15. Any property where HBC is a landlord the current Coronavirus Act 2020 prevents HBC from forfeiting a lease and commencing possession proceedings for failure to pay rent or other sums, including services charges and insurance rent between 26 March 2020 and (currently) 30 September 2020. The Act does not waive or suspend the tenant's liability to pay rent under a lease. Leases can still be forfeited where a tenant breaches other covenants contained in the lease, such as tenant duties to maintain fixtures and fittings. Recovery action of all outstanding

debt is continuing and further updates will be provided during each quarterly forecast.

Covid-19 Additional Expenditure

- 5.16. At end of Quarter One proposed additional expenditure had amounted to £138,500 which consisted predominately on additional costs supporting the homelessness (£58,000), costs associated with IT (£13,500) as staff moved to homeworking and community support costs (£13,000). An amount has also been set aside with respect to additional costs with respect to administering the grants scheme that Capita undertook, these costs are currently subject to negotiation. Costs associated with homelessness would potentially be recovered through Housing Benefit/Universal Credit.
- 5.17. Further to this there are expected further costs as one supplier has submitted a financial Relief Notice which is currently the subject of discussions with that supplier as to costs incurred. In addition, further costs might be associated with any second wave of cases and/or a local lockdown – these are currently being monitored.

Collection Fund

- 5.18. The collection rates for Council Tax and Business Rates up to the end of Quarter One are detailed below:

HAVANT COLLECTION RATES					
CTax:		NCD		Collected	as %
Jun-19	£	70,334,843.69	£	20,730,077.58	29.47%
Jun-20	£	73,199,125.36	£	21,159,252.76	28.91%
Change	£	2,864,281.67	£	429,175.18	-0.57%
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NNDR:		NCD		Collected	as %
Jun-19	£	35,870,762.65	£	10,008,710.85	27.90%
Jun-20	£	18,754,874.21	£	4,301,176.50	22.93%
Change	-£	17,115,888.44	-£	5,707,534.35	-4.97%
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- 5.19. The impact of the loss of business rates does not impact the general fund in 2020/21 but when the government return (NNDR1) for 2021/22 is completed in

January 2021 the deficit from 2020/21 will need to be recognised in the 2021/22 budget and the monies set aside. This deficit will be offset by the monies set aside in 2020/21 earmarked reserves. MHCLG has confirmed that collection fund deficit repayment can be spread over three years as opposed to the usual one and this will further assist cashflow. As a result of the expanded retail relief a section 31 grant of £17.1M is expected to cover the retail reliefs.

6. Options considered

6.1. None – n/a

7. Resource Implications

7.1. Financial Implications

- a. Finance continues to monitor the impact of Covid-19 through monthly budget monitoring and monthly returns to MHGLG. The full year impact of Covid-19 remains difficult to forecast with complete accuracy due to the uncertainty about any further national or local lockdowns which may impact on income and/or expenditure as well as the scale of the likely recession and impact that may have on the authority,
- b. Actions taken to date to identifying budgetary in year savings have assisted with mitigating the impact of Covid-19 lost income and additional expenditure – further exercises of budgetary savings may be required during the year if there is a requirement to do so.

7.2. Human Resources Implications

- a. All recruitment is currently subject to approval by Executive Board. It is expected that there may be additional budgetary savings from the vacancies that are currently held within the system. To date these savings have not been forecast within this Quarter One forecast but will be continued to be monitored. At the end of Quarter One there is currently a **£175,000** salary saving against budget and if this is replicated over the course of the year there is the potential to save **£700,000** in salary savings. However, this is likely to be reduced by additional spending on agency fees and the pay award which is currently still being negotiated and will be backdated to 1 April 2020 once agreed.
- b. To date there is no evidence that the reduced recruitment activity has had an impact on service delivery as evidenced by the quarterly key performance indicators as shown in Appendix C.

7.3. Information Governance Implications

a. None

7.4. Other resource implications

a. None

8. Legal Implications

a. None

9. Risks

9.1. The Corporate Risk Register and Covid Risk Register has been updated as part of the Quarterly review.

9.2. The current risks on the Corporate Risk register that are above the risk threshold (after mitigation) are detailed below:

Identification of areas where there are significant risks	Planned Mitigation Actions	Mitigation Success Factor	Control Assessment		
			+	-	0
The ongoing viability of the authority being able to manage a balanced budget. Current MTFS highlights a shortfall of £12M over the course of the MTFS	1. MTFS is reviewed each year as part of budget setting exercise. Budget challenge sessions held each year to scrutinise future business plans and income/savings. 2. Full MTFS review to take place in 2020/21 to alongside the Transformation programme 3. Identify and manage in-depth service budgets income/expenditure to rebalance budget 4. Consider the impact of Covid-19 on the MTFS	The authority has a balanced budget	4	5	20
Failure by the IT provider (Capita) to deliver on long term digital vision and aspirations of Council as per the contract in particular the strategy for 'digital by default' and contract requirements	1. Ensure Capita are held to contractual responsibilities regarding digital strategy 2. Progression of a Digital Strategy for the Council as part of transformation with linkages to IT Capita 3. Renegotiation of IT contract in order to deliver required digital vision	Clear vision and links to Council aspiration of 'digital by default' Approval of Council's Digital Strategy - October 2019	4	4	16
Failure to maintain control of corporate project delivery leading to lack of clarity on priorities, use of resources resulting in reputational damage and potential costs and potential adverse impact on performance.	1) Establishment of Strategic Project Board for oversight of key corporate projects 2) Clear review of project milestones to ensure on track and delivering as per budget 3) Dedicated project budget monitoring - in particular Capital budget monitoring 4) All corporate projects have appropriate governance in place and regularly produce highlight reports 5) Corporate projects are being reviewed to ensure focus and resource is on the right project areas covering Corporate Strategy, transformation and Covid-19 recovery	Corporate projects will deliver on time or be replaced by others with greater importance	4	4	16
Changing business model of Capita not aligned to the current 5-Councils contract resulting: 1) Capita in-ability to deliver contract requirements 2) Quality of service not as expected resulting in increasing costs to rectify 3) Partners not acting/complying with IAA 4) Disputes as to scope of contract 5) Services being removed increasing transition costs	1) Robust contract monitoring to ensure Capita delivers including renegotiation of aspects of services where appropriate 2) Measures put in place to deal with quality issues, increased support within Council in particular around IT 3) Regular meetings of s151 and MOs across the Partnership to ensure unified approach 4) Dispute log maintained and legal advice sort where necessary 5) Review of services within contracts and potential options - process agreed with Capita	Agreed way forward with Capita reflecting the requirements of Council and minimal business disruption	4	4	16

9.3. A separate risk register is maintained in relation to Covid-19. All current Covid-19 risk are being managed within the risk tolerance threshold after mitigation actions have been assessed.

9.4. All Corporate and Covid-19 risks are being monitored through the Corporate Governance Board. Mitigations are in place for handling the risks and these are detailed in the above table.

10. Consultation

10.1. The information contained within this report has been gathered through quarterly budget forecasting supplied by budget holders as well as information supplied by Heads of Service on progress against corporate plan objectives. The report has been reviewed by Executive Board.

11. Communication

11.1. This report will be shared with Councillors as part of the publication of the Governance Audit & Finance papers.

12. Appendices

Appendix A: Revenue Outturn Forecast

Appendix B: Capital Outturn Forecast

Appendix C: Performance information

13. Background papers

13.1. None

Agreed and signed off by:

Portfolio Holder: Cllr Inkster (26 August 2020)

Director: Lydia Morrison (EB 18 August 2020)

Monitoring Officer: David Brown (EB 11 August 2020)

Section 151 Officer (EB 18 August 2020)