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NON-EXEMPT

# Havant Borough Council

Audit and Finance Committee

24 March 2021

## CORPORATE PERFORMANCE REPORT QUARTER THREE 2020/21

### FOR NOTING

Portfolio Holder: Cllr Inkster

Key Decision: No

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

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#### 1. Purpose

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

#### 2. Recommendation

- 2.1. Audit & Finance Committee 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

##### *Revenue Forecast*

- 3.1. The revenue monitoring report for Quarter 3 shows a projected deficit for the net cost of services of **£1.425 million**, compared to a Quarter 2 deficit of **£1.333 million**, which is a forecast deterioration of **£0.091 million**. This worsening reflects the current third national lockdown and its impact on several income streams.
- 3.2. In Quarter 2 Central Government provided the Council with non-ringfenced grant funding of **£1.558 million** which is to help support during the Covid-19 pandemic. In Quarter 3 a further **£0.622 million** had been announced to be provided, it has been announced that this money is one-off and non-recurring.

- 3.3. Therefore, as a result the overall forecast position for the Council at year end, taking into account Business Rates, Council Tax and Grants is a surplus of **£0.756 million**.
- 3.4. The impact of the projected deficit for the net cost of services is a potential requirement to drawdown from reserves to balance the budget or undertake a further exercise to limit spending for the remaining year.
- 3.5. At present the shortfall is being managed through central Government grants, in particular the sales, fees and charges income recovery scheme. Commercial income losses cannot be recovered from central Government and are being mitigated by un-ringfenced Covid government grant and reduced expenditure. The work done earlier in the year on the initial review of the budget and savings identified as a result of reduced activity on planned work in order to mitigate the impact of Covid have further assisted. Government grants and assistance during Covid are only one-off and hence there remains significant pressure on the revenue budget as reported in the current approved medium term financial strategy.

#### *Capital forecast*

- 3.6. The capital monitoring report for Quarter 3 shows a projected decrease in spending of **£0.211 million** compared to Quarter 2. The decrease in spending reflects Coastal schemes that have had significant delays in starting and account for **£0.203 million** of the variance. The remaining **£0.008 million** reduction in spending compared to Quarter 2 represents the completion of a Building Control IT project slightly under budget.

#### **4. Revenue Forecast Details**

- 4.1. The report shows current estimates against approved budget and focuses on exceptions to meeting the approved budget. Detailed appendices showing the individual service headings are included at Appendix A.

4.2. Table 1 – Revenue Forecast

	Revised Budget £'000	Estimated Q3 Outturn £'000	Q3 variation £'000	Q2 variation £'000	Q2-Q3 variance £'000
Net Cost of Services	14.591	16.015	1.424	1.333	0.091
Business Rates, Council Tax and Grants	(14.591)	(16.771)	(2.180)	(1.558)	(0.622)
<b>Net (Surplus) / Deficit</b>	<b>(0.000)</b>	<b>(0.756)</b>	<b>(0.756)</b>	<b>(0.225)</b>	<b>(0.531)</b>

4.3. The main service variances against the revised budget are set out in the table below:

Service Area	Variance to budget (£,000)	Reasons	Recurring or one-off impact?
<b>Areas reporting budget surplus</b>			
Customer Services	(0.091)	Vacancies within service not currently filled as a result of holding vacancies during Covid-19.	Vacancies will be reviewed as part of budget setting to identify if they could be captured as recurring saving
Planning	(0.234)	Increase in anticipated income due to a large-scale planning application and two vacancies.	One-off
<b>Areas reporting budget deficit</b>			
Strategic Commissioning	0.225	Reduction in income forecast as a result of Covid-19. Improvement against previous quarter as a result of increases in green and bulky waste collection income	One-off subject to further Covid-19 impact current best estimate
Commercial Development	0.051	Reduction in income (in Building Control) as a result of Covid-19	One-off subject to further Covid-19 impact current best estimate

Neighbourhood Support	1.047	Reduction in income across service but in particular parking, this has worsened against quarter two due to the third lockdown and is still below expected amount (currently £1.000 million under budget for entire year)	One-off subject to further Covid-19 impact current best estimate
Housing	0.144	Increase in homelessness costs	One-off subject to further Covid-19 impact current best impact
Property	0.199	Collection rates are around 95% for first three collection periods and trend is improving. The latest collection quarter is currently at 80% Potential shortfall dependent on remaining year and further lockdowns. This lost income cannot be recovered from central Government.	There may be a longer-term impact dependent on the length of the pandemic and subsequent recession, this will be reviewed as part of MTFS.
Finance	0.421	Reflects corporate salary savings that have been removed from the current forecast due to the uncertainty around Covid-19 impact on staffing levels	Covid-19 impacts are being reviewed as part of the budget setting to understand the impact in future years.

#### *Income – Fees & Charges*

- 4.4. As stated, Covid-19 has placed considerable pressure on a number of income streams as a result of the lockdown and reduced economic activities. At quarter one this income pressure was forecast at 30% for the full year, further data on the impact is now available and being used to form the forecast. The impact of the current lockdown may result in the further deterioration of income over the next quarter to year end.
- 4.5. During the quarter, a submission was made to central Government regarding the sales and charges compensation scheme. The Government has advised that we will receive compensation of 75p in the pound above 5% losses of income for fees and charges. The first return covered the periods, April-July inclusive, the claim submitted was for **£0.393 million** and the claim was be paid in full. A further claim for lost income was made during Quarter 3, the claim total was **£0.006 million**

and covered the periods August-November inclusive. One further claim will be made for periods December to March for this scheme. Total income pressures forecast for the entire year are forecast to be **£1.605 million** which total 19% of the income against budget. To date 25% of that income pressure has been recovered through the first two rounds of the compensation scheme. The expected forecast for full year is that the income recovery scheme will provide a total of £0.400 million, although this is dependent on how the remaining year unfolds with respect to the pandemic.

Head of Service	Income		Covid Income Recovered	% of Pressure Recovered
	Covid Income Pressure	Pressure % against budget		
Head of Commercial Development	0.057	39%	0.005	8%
Head of Customer Services	0.017	12%	0.009	54%
Head of Neighbourhood Support	1.054	41%	0.252	24%
Head of Planning	-0.056	-9%	0.049	-88%
Head of Programmes Redesign	0.016	29%	0.000	0%
Head of Property	0.199	10%	0.000	0%
Head of Regeneration (South)	0.000	0%	0.016	
Head of Strategic Commissioning	0.218	10%	0.000	0%
Regeneration Investments	0.100	14%	0.069	69%
<b>Total</b>	<b>1.605</b>	<b>19%</b>	<b>0.401</b>	<b>25%</b>

#### *Income – Investment Property*

- 4.6. 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. Details of the quarterly rental collections are detailed in the tables below.

Quarter	Billed	Collected	%
Quarter (25 March-24 June)	£469,008	£453,880	96.8
Quarter (25 June – 27 September)	£435,367	£428,811	98.5
Quarter (28 September – 30 December)	£430,920	£425,820	98.8
Quarter (31 December – 24 March)	£427,388	£343,398	80.3

- 4.7. The most recent quarter billed at the end of December is currently being chased and the team expect the percentage figure of 80.3% collected to increase to over 90% in the coming month as tenants pay bills

- 4.8. 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. To date the forecast pressure on Meridian income (both retail centre and car parking) is **£0.210 million**. A full report on Meridian performance is being prepared.
- 4.9. 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) 31 March 2021. 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.

#### *Additional Expenditure*

- 4.10. At the end of Quarter Three expenditure was being maintained within existing budgets. During the quarter confirmation was received of additional grants to support our communities, this included £56k to support the extremely clinically vulnerable and £126k from the control outbreak management fund. This new funding has been set aside to cover additional activities support our communities during the third national lockdown.
- 4.11. The professional fees budget is currently underspent with a current year to date budget of **£1.015 million** and a year to date spend of **£0.719 million**, a saving to date of **£0.296 million**. There is currently an overspend within Agency Fees with current year to date spend of **£0.322 million** against a budget of **£0.023 million**. The majority of these relate to spend within Legal and Property, teams carrying significant vacancies. The increased expenditure of Agency Fees is offset against salary savings within these areas.
- 4.12. Costs have been managed through additional oversight on recruitment (all vacancies require Executive Board approval) and the review conducted earlier in the year identifying spend that would not be required as a result of reduced activity due to focus on the pandemic.

#### **5. Capital Forecast Details**

- 5.1. The report shows current estimates against approved budget and focusses on exceptions to meeting the approved budget. Detailed appendices showing the individual capital projects are included in Appendix B.
- 5.2. The corporate financial monitoring report for Quarter three capital is attached at Appendix B with a summary below.

	<b>2020/21 Budget £ (000)</b>	<b>2020/21 Provisional Outturn £ (000)</b>	<b>Q3 Variation £ (000)</b>	<b>Q2 Variation £ (000)</b>	<b>Q2 - Q3 Variation £ (000)</b>
<b>Housing</b>	1.628	1.628	0	0	0
<b>Operational Land and Buildings</b>	5.230	6.267	1.037	1.241	(0.203)
<b>IT Equipment</b>	0.077	0.050	(0.028)	(0.020)	(0.008)
<b>Total Capital Programme</b>	<b>6.935</b>	<b>7.945</b>	<b>1.010</b>	<b>1.221</b>	<b>(0.211)</b>

	<b>2020/21 Budget £ (000)</b>	<b>2020/21 Provisional Outturn £ (000)</b>	<b>Q3 Variation £ (000)</b>	<b>Q2 Variation £ (000)</b>	<b>Q2 - Q3 Variation £ (000)</b>
<b>Funded By:</b>					
Revenue funded as Capital	1.628	1.628	0	0	0
External Grants & Contributions	5.045	6.062	1.017	1.221	(0.203)
Use of Specific Reserves	0.127	0.120	(0.007)	0	(0.007)
Use of Capital Receipts	0.135	0.135	0	0	0
Borrowing Requirement	0	0	0	0	0
<b>Total Funding</b>	<b>6.935</b>	<b>7.945</b>	<b>1.010</b>	<b>1.221</b>	<b>(0.211)</b>

5.3. The main capital project variances against the budget are set out in the table below:

<b>Capital project</b>	<b>Variance to budget (£000)</b>	<b>Reason</b>
Hayling Island Goose refuge	(0.225)	Project no longer going forward
Broadmarsh feasibility study	0.048	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Hayling Island Beach Management	0.620	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Hayling Island Strategy	0.215	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Langstone	0.163	Coastal scheme - funded by Environmental Agency in full. The revenue budget in 2021 included the anticipated capital expenditure and made provision for the same value of income (by way of EA grant).
Nutrient neutrality	0.216	Approved by Cabinet in June 2020, to be funded through s106 contributions and LEP funding
Southern Coastal IT	(0.020)	No spend planned in 2020-21

## 6. Collection Fund Forecast Details

- 6.1. The collection rates for Council Tax and Business Rates up to the end of Quarter Three are detailed below. Collection rates for Council Tax are down as a percentage (down 1.26%) compared to last year, and the situation has deteriorated since the previous quarter when it was down 0.80%. Business rates collection is significantly down against last year (down 8.72%) which again has deteriorated since the previous quarter when it was down 7.12%.

<b>CTAX:</b>		<b>NCD</b>		<b>Collected</b>	<b>as %</b>
Dec-19	£	70,659,008.88	£	60,089,720.37	85.04%
Dec-20	£	73,342,390.74	£	61,443,950.14	83.78%
<b>Change</b>	<b>£</b>	<b>2,683,381.86</b>	<b>£</b>	<b>1,354,229.77</b>	<b>-1.26%</b>
<b>NNDR:</b>		<b>NCD</b>		<b>Collected</b>	<b>as %</b>
Dec-19	£	35,752,120.26	£	29,167,003.84	81.58%
Dec-20	£	17,423,774.53	£	12,695,301.81	72.86%
<b>Change</b>	<b>-£</b>	<b>18,328,345.73</b>	<b>-£</b>	<b>16,471,702.03</b>	<b>-8.72%</b>

- 6.2. 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. MHCLG has confirmed that collection fund deficit repayment can be spread over three years as opposed to the usual one this will further assist cashflow and a scheme will be available which central Government will cover 75% of collection fund losses. As a result of the expanded retail relief a section 31 grant of £17.1M is expected to cover the retail reliefs.

## 7. Additional Budgetary Implications

- 7.1. None

## 8. Corporate Performance

- 8.1. The Covid-19 pandemic, response and recovery continues to place considerable pressure on the organisation. However, during the quarter services continued to operate, information on key performance indicators of services are contained at appendix C.
- 8.2. During the Quarter, Cabinet met twice and approved the following delegated decisions as well as decisions made in Cabinet.

- a. Langstone Flood and Coastal Erosion Risk Management
- b. Disposal of Former Landfill site known as Brockhampton West
- c. Capita contract negotiations

8.3. Full Council did not meet during the Quarter.

8.4. There was considerable effort made during the quarter with respect to handling of the Covid-19 response. During the quarter there was a lockdown in November and then a further more comprehensive lockdown in December 2020. During the quarter the Council undertook additional responsibilities with respect to Track and Trace support payments and numerous grant schemes for open and closed businesses across the borough. Additional funding was also made available to support the clinically extremely vulnerable within the borough as well as supporting efforts to ensure the lockdown was adhered to through the use of Covid marshalls. The focus on Covid has inevitably had an impact on progression of service targets in particular within Corporate Support team and operational service teams who have been focussed on grant distribution and supporting our community.

8.5. Corporately we continue to have low instances of sickness of 1.74 days per FTE (below the public sector average), although this is an increase against the 0.91 days per FT reporting at Q2. Our turnover rate of staff remains low reflecting the current economic environment with only 1 leaver during the quarter. Our key corporate projects are progressing as per the approved strategies at Full Council, narrative on progress against our key corporate projects is included at Appendix C.

8.6. 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 action plan targets as 'amber' or 'red' at quarter three. Red items relate to delays in IT projects (finalisation of Building Control and progress with replacement IT within Regulatory Services), these reflect the focus on Covid response as resources are diverted as well as consideration of the approach with respect to Transformation. An additional red item relates to outstanding Privacy Notices and these were reviewed recently at the Corporate Governance Board and are being taken forward for completion. A number of 'amber' targets reflect focus by the community, neighbourhood support, planning and housing team on Covid response which has resulted in delay in progress against the original corporate plan targets.

8.7. Progress against key performance indicators (KPIs) has been strong during the quarter with continued performance of our regulatory services. Collection Rates are reduced but this is expected given the current circumstances. Fly-tipping has decreased during the quarter compared to Q2 although is still high and this is being closely monitored to understand the reasons which are likely linked to lockdown. In addition, during the quarter further key performance indicators have been added for a number of services and these will be reported in due course but are shown for reference. Details of KPIs are detailed in appendix C.

## 9. Options considered

9.1. None – n/a

## 10. Resource Implications

### 10.1. 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.

### 10.2. 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. These savings have partially been forecast within this Quarter Three forecast and will be continued to be monitored. At the end of Quarter Three there is currently a **£0.438 million** salary saving against budget and if this is replicated over the course of the year there is the potential to save **£0.585 million** in salary savings. These salary savings have been adjusted to take account of additional costs of agency staff within Property and Legal and therefore do not include salary savings within these areas as they are being offset by increased costs of Agency staff.

- 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.

### 10.3. Information Governance Implications

- a. None

### 10.4. Other resource implications

- a. None

## 11. Legal Implications

- a. None

## 12. Risks

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

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

Risk ID	Risk Title	Type	Category	Identification of areas where there are significant risks	Date Added	Risk Owner	Original Assessment			Planned Mitigation Actions	Mitigation Success Factor	Control Assessment		
							✓	–	⚠			✓	–	⚠
HB6	Medium Term Financial Strategy (MTFS)	FINANCIAL	Economic	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	28/11/16	Lydia Morrison	4	5	20	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
HB8	IT Provision: short term	SERVICE	Technological	Failure by the IT provider (Capita) to provide good IT service to staff which results in a considerable regular downtime of IT leading to slower service provision. We become unable to provide a reliable and timely service to our customers.	10/04/18	Sue Parker	4	5	20	1. Weekly IT Ops Board (every Monday) tracks progress on major issues and monitors progress. Weekly RAG progress score provided on all P1 and P2 calls from IT service centre. 2. Business Solutions continue to work with Capita and the teams to help address any issues identified. 3. Contractual triggers if escalation of incidents.	Reduction in P1 incidents through monitoring of Capita KPIs	4	4	16
HB9	IT Provision: long term	SERVICE	Technological	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	10/04/18	Sue Parker	5	5	25	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	4	4	16
HB10	Corporate Project Delivery	GOVERNANCE	Reputation	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.	07/05/18	Gill Kneller	4	5	20	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) Review of Corporate projects 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
HB15	Cyber Attack – System failure	SERVICE	Technological	The Councils IT systems are brought down due to an external malicious attack leading to unavailability of information, case files, workflow and data required to run services resulting in delays and non-delivery; reputational impact, negative impact to customers requiring Council services and support, and a requirement on the Council to report an 'availability breach' to the ICO	30/01/19	Sue Parker	4	5	20	1) Capita to evaluate and implement data centre defences to reduce likelihood and impact – see Cyber Security Action Plan 2) Business Continuity Plans in place for all services which reflect complete loss of IT system (linked to IT provision: short term)	All actions in Cyber Security Action Plan completed and business continuity plans all updated and accessible	4	5	20

12.3. 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.

12.4. 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.

### **13. Consultation**

13.1. 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.

### **14. Communication**

14.1. This report will be shared with Councillors as part of the publication of the Governance Audit & Finance papers which this report is sent to.

### **15. Appendices**

Appendix A: Revenue Outturn Forecast

Appendix B: Capital Outturn Forecast

Appendix C: Performance information

### **16. Background papers**

16.1. None

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Agreed and signed off by:

Portfolio Holder: Cllr Inkster

Director & s151: Lydia Morrison

Monitoring Officer: Daniel Toohey