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NON-EXEMPT

# HAVANT BOROUGH COUNCIL

CABINET

7 September 2022

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## 2022-23 MID-YEAR BUDGET REBASE AND Q1 REPORT

### FOR RECOMMENDATION TO FULL COUNCIL

Portfolio Holder: Cllr Tony Denton

Key Decision: No

Report Number: HBC/073/2022

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#### 1. Purpose

- 1.1. This paper is submitted to Cabinet with the proposed 2022-23 mid-year revenue budget rebase and quarter one report.
- 1.2. The mid-year rebase is required as a result of the continued work on the separation of joint sharing arrangements with East Hampshire District Council and to assist with the work of the Budget Working Group.

#### 2. Recommendation

- 2.1. Cabinet recommends to Full Council:
  - a. The proposed revenue budget rebase for 2022-23
  - b. Delegates to s151 the authority to make the necessary budget virements in order to rebase the 2022-23 revenue budget as set out in the report
- 2.2. Cabinet notes the Quarter One performance report.

#### 3. Executive Summary

##### Mid-year budget rebase

- 3.1. The 2022-23 revenue budget was set and approved in February 2022. The revenue budget was set on the existing structure that was in place at the time, which reflected the shared arrangements with East Hampshire District Council.

- 3.2. On 16 March 2022 Havant Borough Council approved the preferred option and business case for managing the transition and withdrawal from the joint management and shared staffing arrangements at both authorities and to move to a standalone Council.
- 3.3. Following the decision in late March, work was put in place to progress the transition to ensure the ending of shared management arrangements and establishment of a new management structure to be in place during the course of 2022/23.
- 3.4. Alongside the separation, work has continued on the Medium Term Financial Strategy, as part of the Budget Working Group remit, and the budget rebase work has been completed in order to ensure that budgets reflect the realistic costs of service delivery under the new HBC management structure.
- 3.5. The budget rebase work has also allowed the opportunity for the review of new and historical financial targets that have been included in the original 2022-23 budget as well as assigning the necessary budgets to the correct new structures that have been put in place. There has also been the opportunity to now include in the budget the current proposed staffing pay uplift which is considerably higher than was previously included in the 2022-23 original budget.
- 3.6. As a result of the work undertaken, the rebased budget for 2022/23 is as follows with further breakdown included at Appendix 1:

Area	Approved Budget 2223	Budget Amends	Rebased 2223
<b>Funding</b>	<b>-14,430,543</b>	<b>-601,790</b>	<b>-15,032,333</b>
Head of Coastal Partnership	392,843	11,401	404,244
Head of Commercial	6,925,921	266,571	7,192,492
Head of Internal Services	3,920,629	-33,678	3,886,951
Head of Place	1,419,154	266,213	1,685,367
Head of Regeneration & Communities	-220,741	749,246	528,505
Corporate	1,523,884	-1,177,699	346,185
Management Team	468,853	519,736	988,589
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.7. Significant budget changes include the following:

- Removal of payment into a Pension Reserve as a result of the pension fund being fully funded – this amendment is captured within the Funding element which also includes an amendment to the business rates calculation.
- Allocation of staffing and contract inflation across services, previously held on 'Corporate' line
- Addition of a corporate wide vacancy saving of 5% across all service teams to reflect that the organisation will always have an element of staff turnover
- Uplift of all staffing pay scales by £1,925 as opposed to the previous staffing uplift of 2% (approval of pay uplift is still subject to agreement with Unions)
- Increased Norse provision to reflect the increased cost of staffing and fuel
- Reduction in Capita contract cost to reflect the reducing cost of services over the lifetime of contract
- Removal of income targets in property that are unachievable, property income now reflects actuals based on the current portfolio
- The new Havant BC Management Team fully budgeted for within existing management costs
- Staffing costs for new structures fully budgeted for within existing staffing costs
- Removal of unrealistic financial targets within Licensing and Planning
- Increase in Housing budget to reflect increasing costs of homelessness as seen in the 21/22 provisional revenue outturn
- Removal of parking income targets with parking income now realigned to reflect actuals.
- Increased Treasury Management activity resulting in additional funds to the Council by investing cash balances

3.8. There have been no amendments to the Capital budget which is included at Appendix 2 with current year variances

#### Quarter One Performance

3.9. The Quarter One report reflects the budget rebase work. If the budget rebase work had not taken place then significant variances would likely be reported. The Quarter Two financial report against the rebased budget will highlight any further variances that arise.

3.10. There is one significant variance to report which has not been captured fully in the budget rebase work with respect to Norse South East. Negotiations with Norse South East have resulted in an anticipated overspend on the contract price for 22/23 creating a pressure of £175,000. Several factors including minimum wage increases coupled with cost of living crisis have led to an increase in hourly rates for drivers, loaders and operatives. Difficulty attracting and retaining staff to provide a quality service has also resulted in the introduction of an incentive bonus. Whilst additional monies have been budgeted to Norse SE as part of the budget rebase exercise, the £175,000 pressure is in addition and the relevant teams are working to mitigate the impact.

3.11. This quarter has also seen the implementation of the balanced scorecard and a new dynamic, interactive performance dashboard which is to be made available to all Councillors.

3.12. The balanced scorecard (Kaplan and Norton, 1992) is a performance management approach that operates on the basic principle that, rather than focusing on, for example financial or operational matters solely, a portfolio of varied measures should be used to assess how well an organisation is performing. This allows for a more accurate and realistic picture of achievement against objectives, which will enable the organisation's management team to drive continuous improvement. Additionally, the four quadrants or 'perspectives' of the balanced scorecard (Customer and Community, Learning and Growth, Financial, and Internal Process) focus attention on the measures that are most important to the 'mission' of the organisation.

- 3.13. Building on work carried out over the last 18 months with the Cabinet and leadership team, including the refresh of the Corporate Strategy, the new performance framework allows for monitoring of the council's achievements with a clear link from strategic ambition right the way through to delivery of benefits.
- 3.14. A summary of the quarter's performance, aligned to each of the four 'perspectives' of the balanced scorecard is included at Appendix 3.

#### **4. Additional Budgetary Implications**

- 4.1. The 2022/23 revenue budget rebase has been completed with regard to the overall revenue resources available. This rebased budget will now be used as a baseline for reviewing the Council's 5 year Medium Term Financial Strategy (MTFS).

#### **5. Background and relationship to Corporate Strategy, Climate & Environment Strategy and/or Business Plans**

- 5.1. Members will be aware that Havant BC has been facing considerable pressures over the past few years on their revenue budget. This has been managed to date by prudent financial management with year on year efficiency savings. The Budget Working Group was established in 2022-23 to review the medium/long term finances with a remit to balance the Medium Term Financial Strategy. The report of the Budget Working Group and refreshed Medium Term Financial Strategy will come forward to the November Full Council.
- 5.2. In the short term, the current revenue budget contained a number of historical/ legacy targets and new financial targets which did not have clearly identified plans to deliver. Historical financial targets, held on generic budget lines amounted to £413,000 and new financial targets held on generic budget lines amounted to £908,000, a total of £1,321,000 of historical targets.
- 5.3. In addition, as a result of reviewing previous revenue outturn reports there were unachievable budgets within the Housing service, Neighbourhood Support services and Property which required to be addressed. There was also considerable inflationary pressure on the Norse contract and the inflationary

impact of the proposed staffing uplift. The current National staffing proposal on pay is a £1,925 on each spinal point resulting in an uplift ranging from 4.04% to 10.50% across salaries compared to a budgeted 2% staffing increase.

- 5.4. Further to the above, the new management team have been consulting over the summer on the proposed staffing structures that will need to be in place for the authority to operate as a standalone Council. These proposals had to be costed and included within the rebased budget.
- 5.5. As a result of the above work Havant BC has a proposed rebased budget which provides a strong foundation. Legacy and new financial targets have either been removed where not achievable or assigned to a specific cost code which they will deliver against. The new staffing structures have been costed and are affordable within the existing budget envelope and the higher proposed staffing uplift has been incorporated into the rebased budget. Overall, through budget virements, the budget remains balanced and will allow for finalisation of the Medium Term Financial Strategy work to create a longer term financially stronger position for the Council.

## **6. Options considered**

- 6.1. The budget has been rebased in order to reflect the new management structure, to assist with future budget monitoring reporting, to incorporate the staffing uplift and make necessary amendments to budget lines where there were unachievable targets. If the budget remained as was approved in February 2022, reporting against budget would be based on the old structure that was in place prior to the separation and would therefore show significant variances.

## 7. Resource Implications

- 7.1. *Financial Implications* – the budget reflects the aspiration of the organisation for 2022-23 as per the Corporate Strategy and has been rebuilt on the basis for delivering Council services with the resources required to deliver those plans.

### **Section 151 Officer comments**

Date: 24 August 2022

The re-based 2022/23 revenue budget provides an accurate reflection of the actual costs of service provision and staffing as at August 2022. Future budget monitoring reports to Cabinet and Council will be against this rebased budget which will form the baseline for our refreshed Medium Term Financial Strategy.

Despite challenges, our revenue budget is robust and sustainable with our holding of financial reserves well above average.

- 7.2. *Human Resources Implications* – the proposed new management structure and team structures have been subject to consultation over the Summer with proposals being finalised as consultation draws to an end. All the proposed structures, including any new posts created have been subject to full financial review and costings and have been included in the rebased budget. Revenue budgets have been aligned with the HR 'establishment' to ensure that all approved posts are appropriately resourced and accounted for.
- 7.3. *Information Governance Implications* - none
- 7.4. *Other resource implications* – none

## **8. Legal Implications**

- 8.1. The Council is required to have an approved budgetary framework. The budgetary framework and annual revenue budget is formally approved by Council each February. Any major changes and or reset of the revenue budget requires Full Council approval.

### **Monitoring Officer comments**

Date: 24 August 2022

A resetting of the Revenue Budget has been made necessary by the ending of joint arrangements with East Hampshire DC. New estimates and recalculations of revenue commitments must be reported by Cabinet to Full Council for approval (Constitution Part 3 Section C – Budget and Policy Framework Standing Orders). Council approval is required to authorise the s.151 officer to make the necessary budgetary virements.

## **9. Risks**

- 9.1. Without consideration of the impact of the separation and new management structure there is a significant risk on the short/medium and long term finances of the Council. In addition, the work on the budget rebase feeds directly into the Budget Working Group focus on the Medium Term Financial Strategy.
- 9.2. The forecasted increased cost of the Norse South East contract along with the high cost of providing temporary housing accommodation remain key financial risks which will require consideration and, where possible, relevant mitigation over the coming months.

## **10. Climate & Environment Implications**

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

## **11. Consultation**

- 11.1. The rebased budget has been built in consultation with the new Executive Heads. An update and opportunity to comment has also been provided to the Budget Working Group at its meeting on 16 August 2022 and Cabinet Briefing on 24 August 2022. All staff have been provided with regular updates on the work of the



budget rebase along with initial findings, and progress, from the Budget Working Group.

**12. Communication**

12.1. Subject to approval by Full Council the rebased budgets will be published on the Council website.

**13. Appendices**

Appendix 1 – Original budget, rebased revenue budget and Q1 variances

Appendix 2 - Capital budget and variances

Appendix 3 - Performance summary and new Balanced Scorecard

**14. Background papers**

Havant Borough Council 2022/23 Revenue Budget Report – approved by Council in February 2022

Agreed and signed off by:

Portfolio Holder: Cllr Tony Denton

Monitoring Officer: Mark Watkins, Chief Legal Officer

Section 151 Officer: Malcolm Coe, Chief Finance Officer