

Cabinet Lead for Finance – Councillor Neil Bowdell

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Finance & Treasury

2021/22 Financial Statements:

The audit of the 2021/22 Financial statements remains in progress. The delays are due to the shortage of audit staff on a national level, not just with our external auditors Ernst & Young LLP (EY). We believe the majority of the audit testing to be complete but it is hard to put an estimate on EY's scheduling or capacity.

EY have confirmed last week that they will be diverting resources to local authority audits in July after completing their NHS audits

For some context, Reading Council have only just had their 2019/20 accounts audited. This shows the scale of the problem nationally.

2022/23 Financial Statements:

The 2022/23 Financial statement were due to be published on 31st May 2023. Firstly, it is not possible to achieve the required audited accounts by this date due to the issues with external audit (as mentioned above). Secondly, we had hoped to publish draft accounts on this date but have been delayed by the external valuer's report. All other works on the accounts are near completion and we should be in a position to publish draft accounts by the end of June.

We have published an official delay notice to HBC's website in accordance with required regulations and our external auditor's guidance.

2023/24 Budget monitoring:

We await conclusion of quarter 1 (Apr-Jun) before having a reliable picture of the current year finances, budget pressures and opportunities. There are several key areas to which we are focusing our attention though:

- 5C's Capita contract
 - The final costs of the Capita 5C's contract is a moving feast. The contract was front loaded and reducing in cost every year (but balanced out by inflation). There could be a significant budget pressure in the current year due to the planned reductions being limited because

of the scale of inflation this year. This is likely to be a six-figure sum but more work is needed with Capita to establish the final position and how we mitigate the risk.

- NJC annual pay award
 - The pay award was budgeted at 5% of total payroll. The initial offer to via the NJC was the same cash values as 2022/23 and would have been covered by our budget. However, this has been rejected thus far by the Unions and any increase on the initial offer would likely cause an additional budget pressure as it would be unfunded by central government.
- Investment income, strategy & potential borrowing (Treasury Management)
 - In 2022/23 HBC embarked on an investment programme that saw £1.2M of invest income generated to support the revenue budget. We have continued this into 2023/24 but with an element of prudence in the budgeted figures due to the volatility of interest rates. As interest rates have actually increased, so has the value of any new deals we have engaged in to. We currently have £37.5M invested in long and short-term lending. If we continue to invest at this level for the duration of 2023/24 then we will see higher than budgeted investment income. This will be a six-figure sum and would support mitigating some of the other budget pressures mentioned. However, we may need to call on some of this cash to invest in regeneration projects and capital spend before the end of the year. This position is positive, but also uncertain.
- Use of reserves
 - There are a number of key projects that are likely to draw on reserves for one-off funding during the current and/or next financial year. We have some major re-procurement processes to go through that will require additional spend over and above the revenue budget to resource including: ICT; Revs and Bens; Land Charges; Waste Collection and a new accounting and payroll system.
 - Reserves might also be required to support regeneration projects as mentioned above.
 - Whilst we a set level of earmarked and general reserves, this needs reviewing in-year to factor in some of the risks on current projects and the value of general reserves available to spend may likely decrease (and earmarked reserves increase).

- It is worth reminding members that reserves are a finite resource and can only be spent once.
- The Capital Programme
 - The Capital Programme is an annual part of the budget setting process and has been agreed for 2023/24. However, there are a number of small-medium sized projects that appear in-year that might be considered beneficial (or essential) that are not agreed or funded via the capital programme. We should consider a mechanism to present these during the year and to consider amending the capital programme where they are considered of worthy merit to “jump the queue”.

Mayoralty

The team continue to support the office of the Mayor, both with official engagements, and with matters relating to national or civic events.

On 4th April, a formal ceremony, hosted by the Mayor, was held to confer the title of Honorary Alderman onto former Councillor Ken Smith. The event was attended by Councillors and Ken’s family and friends and was a thoughtful opportunity to reflect upon Alderman Smith’s many years of service with Havant Borough Council.

The Council also held its Annual Mayor Making Ceremony for the Election of Mayor and Deputy Mayor for the borough on 19th May for 2023/24. The ceremony was attended by Councillors, other civic dignitaries, Honorary Alderman, Past Mayor’s and the incoming Mayor’s and Deputy Mayor’s family and friends. Park Community School, again, did us proud with providing the food after the ceremony.

The team is working on this year’s Armed Forces Week, with the Armed Forces Flag (and ceremony) being held at the flagpole outside the Plaza on Monday 19th June. At the time of writing, the event is to be attended by representatives of Royal British Legion and Thorney Island, Councillor’s, Past Mayor’s, Honorary Alderman, and officers.

Corporate Governance

We are currently finalising our Annual Governance Statement (AGS) which will be taken through the Audit & Finance Committee in July. The AGS is a key governance document that is reviewed each year and highlights areas of improvement within governance to focus on in the subsequent year as well as reporting on how we as an organisation we meet the principles of good governance.

One area highlighted for improvement is the Council’s Constitution. A wholesale review of the Council’s constitution has been programmed and shall commence shortly.

The Council's constitution provides a framework within which people can understand their own responsibilities, and the responsibilities of others. It allows decision-making, to be consistent, accountable and transparent. Good constitutions provide an anchor for strong organisational and political cultures in which people work well together, and in which decision-making is well-understood by (and visible to) the public. The Constitution supports the delivery of all the priorities described in the Council's Corporate Strategy. As such, it is important that it is a locally driven document which reflects the character and culture of the organisation and facilitates Council business.

The review shall seek to modernise the Constitution and make it user friendly avoiding the use of legal jargon wherever possible. The review shall benefit from Member involvement and shall seek insight and expertise for both members and officers.

In the meantime, all councillors are encouraged to read the constitution and pay close attention to the Council codes of conduct.