

Cabinet Lead for Finance – Councillor Neil Bowdell

Corporate Governance

The Annual Governance Statement (AGS) 2022-23 went forward to Audit & Finance Committee in July for review and approval, prior to being signed by the Leader and Chief Executive. Each year, we as a Council, are required to review our governance arrangements for the previous financial year against the seven principle of good governance and produce an AGS report. The AGS report provides narrative against each of the seven principles as well as a review of effectiveness. We also highlight in the AGS areas for improvement for the coming year and we routinely report progress on these areas to Audit & Finance Committee throughout the year.

During July we also reviewed and updated our Corporate Governance & Risk Policy, our Local Code of Corporate Governance and provided an update to Audit & Finance Committee on our key corporate risks, this is something we report on each quarter.

The AGS confirms that the Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the AGS has highlighted the Constitution as an area for consideration. The Constitution is required to be updated and reviewed as a result of the ending of the JMTA with East Hampshire District Council and the need to provide greater clarity to officers around the Scheme of Delegation in place for decision making. It is of course, a matter of good practice to keep the Constitution under continuous review and to ensure that a more thorough review is undertaken from time to time. A timetable for review is currently being finalised with the proposal to adopt the amended Constitution in November. Officers and Members shall be invited to participate in the review over the coming months.

The Council has reviewed its report template and shall be introducing a new template at our September meetings. The template follows a similar format to those currently in use. It has been redesigned to ensure that Members have all the information they need to make an informed decision in a simple and easy to digest format. Officers shall be provided with guidance on the new templates and training to ensure consistency and continued quality of report writing.

Mayoralty

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

The Council hosted a ceremony at the flagpole outside the Plaza to mark this year's Armed Forces Week, with the Armed Forces flag being raised on Monday 19th June. The event was very well attended this year by representatives of the Royal British Legion, a contingent from Thorney Island, Councillors, the Mayor, Honorary Aldermen, and officers.

Finance & Treasury

2023/24 Quarter 1 UK national indicators

The UK's national economic position remains challenging. Most indicators present an unfavourable outlook and the country remains on the balance of a possible recession. Inflation remains high and the Bank of England increased interest rates at an unprecedented pace as it tries to bring inflation towards its target rate for CPI of 2%. Interest rates are now widely predicted to peak at 6.5% by March 2024.

Inflation at May 2023: CPI = 8.7% & RPI = 11.3%

UK wage growth was 6.9% for Q1

UK unemployment rate increased by 0.2% to 4%

UK GDP grew by 0.2% year-on-year

House prices have fallen on average 3.5% year-on-year

The impact for Havant Borough Council will be felt through several areas:

Cost of living pressures on residents resulting in financial hardship that could lead to an increase in areas such as homelessness, benefits claims or an increase in council tax arrears.

For the authority itself we will potentially see a national (NJC) pay agreement above the budgeted figure of ~5% of payroll and this continued inflation figure will put increased pressure on the NJC to agree a more costly deal. The one benefit for the council is that the rates our investments are returning are ever increasing.

Treasury Management

Havant's treasury investment portfolio remains in a strong position. The level of returns are being driven upward by the increase in the base rate of interest set by the Bank of England and this has seen our lending rates increase by over 2% since the start of the financial year.

The council currently has £38.6M out in active investment loans. We are currently locked in to generate £1.4M of interest from these investments from an average rate of 3.73%. With new investments being offered at 5.75-6%, if we continued to invest at the same level for the remainder of the 2023/24 financial year, we would likely see an additional return of ~£635k. It is important to note that this could be lost in all or part if we divert our cash reserves to support capital spending (such as regeneration project) and the specific costs will be calculated into any business cases presented.

2021/22 Financial Statements:

The audit of the 2021/22 Financial statements remains in progress. Our external auditors, EY, have now diverted their limited resources back to local authority financial statements as of 3rd July and we hope to have this completed in the near future (although EY are unable to commit to a firm schedule at this stage).

2022/23 Financial Statements:

On 31st May, we published an official delay notice to HBC's website, in accordance with required regulations and our external auditor's guidance, to state the draft 2022/23 financial statements would not be made public at this time.

The draft statements are now complete and will be going through our official governance processes before being published in the next week or two.

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. However, it is evident that there are several areas for concern including the continued demand led housing pressure and reduced income from both parking and planning applications. A more detailed picture will be available by the next full council meeting.