

Name of Committee:	Cabinet		
Committee Date:	20 th December 2023		
Report Title:	Quarter 2 Financial Report & Budget Monitoring		
Responsible Officer:	Steven Pink – Chief Finance Officer & S151 Officer		
Cabinet Lead:	Councillor Bowdell – Cabinet Lead for Finance		
Status:	Non-Exempt		
Urgent Decision:	Yes / No	Key Decision:	Yes/ No
Appendices:	Appendix A – Q2 (M6) Budget Monitoring Dashboard Appendix B – Q2 (M6) Performance Dashboard Appendix C – Q2 (M6) Capital Programme Monitoring Appendix D – Q2 (M6) Prudential Indicators		
Background Papers:	None		
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Report Number:	HBC/060/2023		

Corporate Priorities:

The financial performance of the authority's budget has an overarching impact on all corporate priorities and the Council's ability to deliver against them.

Executive Summary:

The Quarter Two forecast outturn shows an estimated forecast deficit of £942k. This is a significant reduction from the £1.7M forecast overspend at Quarter One.

This forecast is based on an “as is” basis. Whilst much work has been done to reduce the forecast overspend from Quarter One, there are still several measures planned that will bring this forecast down further. However, they are yet to be triggered, hence the forecast shows the position as if we carried on at current spending and activity levels for the remainder of the year.

Some of the overspend in Quarter One was driven by legacy costs arising from the exit of the partnership with East Hampshire District Council. Month on month, these costs have been reducing and the baseline “run rate” is now much closer in line with budget. Whilst we are still forecasting an overspend, this reducing run rate can give members confidence leading to both year-end and how the budget will perform in the next financial year.

We are also estimating a total of approximately up to £500k in additional mitigations yet to be actioned. It is considered that the final outturn could fall to under £500k overspent if the good work to date is continued.

This should give members some comfort that the overall health of the Council’s finances is in reasonable shape, but also that we cannot be complacent with the position.

Recommendations:

Cabinet is requested to note:

- i. The revenue forecast outturn for Q2 2023/24 (Appendix A)
- ii. Q2 2023/24 performance information (Appendix B)
- iii. Q2 2023/24 Capital Programme monitoring (Appendix C)
- iv. Q2 2023/24 Prudential Indicators (Appendix D)

1.0 Introduction

- 1.1 This paper is submitted to Cabinet to note the financial and performance position of the Council as of quarter two of the 2023/24 financial year.

2.0 Background

- 2.1 It is a recognised requirement of Havant Borough Council's governance procedures that a report on the financial performance of the authority is presented to Cabinet on a quarterly basis.
- 2.2 Havant Borough Council has been through a significant transformation programme in exiting from its partnership with East Hampshire District Council. Quarter Two of the 2023/24 financial year allows us to develop our understanding of the changing landscape since becoming a stand-alone Local Authority once again. Especially considering the operational and contractual implications.
- 2.3 There are still some financial impacts of the change process present, but these are starting to return to more normal and sustainable levels as the year progresses.

3.0 Relationship to the Corporate Strategy

- 3.1 Without strong financial oversight and management, fair allocation of resources to deliver the corporate strategy would be at risk.
- 3.2 It would also be very difficult to measure performance in delivering core services and strategic priorities without understanding the financial context.

4.0 Revenue Budget Monitoring

- 4.1 Based on financial data up to 30th September 2023 (month six, or the end of Quarter Two). The Council's forecast outturn position for the year ending 31st March 2024 is currently £942,383 overspent.
- 4.2 The table below shows the forecast by Executive Service area.

Directorate	Sum of Annual Budget	Sum of YTD Actual P6	Sum of Full Year Forecast (FOT)	Forecast Over /Underspend (-)	Movement
Coastal Partnership	422,298	811,683	422,298	-0	↔
Commercial	6,946,265	2,151,202	7,727,322	781,057	↓
Internal Services	4,598,944	3,164,504	3,875,603	-723,341	↑
Place	1,769,434	1,242,705	1,876,390	106,956	↓
Housing & Communities	1,427,638	-340,689	2,056,100	628,462	↑
Regeneration	-796,413	71,973	-647,165	149,248	↑
Grand Total	14,368,166	7,101,377	15,310,549	942,383	↑
Pay inflation (in reserves)*	1,266,352				↔
Total	15,634,518	7,101,377	15,310,549	942,383	↑

4.3 The next table shows the forecast by spend category.

Spend Category	Sum of Annual Budget	Sum of YTD Actual P6	Sum of Full Year Forecast (FOT)	Sum of Forecast Variance	Movement
Direct Staffing	14,802,331	6,966,184	14,302,643	-499,688	↑
Staffing Costs	-46,241	874,870	1,260,551	1,306,792	↓
Premises Costs	1,481,237	1,198,278	1,781,796	300,559	↑
Vehicle Costs and Travel	130,010	35,407	129,742	-268	↑
Income	-47,340,188	-20,746,687	-45,983,358	1,356,830	↓
Contract Payments and recharges	19,392,344	4,035,795	19,419,071	26,727	↑
Supplies and Services	6,760,752	4,395,792	8,720,277	1,959,525	↑
Statutory Payments	23,956,904	10,202,483	20,571,122	-3,385,782	↑
Recharge Income	-4,032,383	45,430	-4,032,241	142	↓
Depreciation	0	0	0	0	↔
Movement to Reserves	-958,000	0	-1,200,000	-242,000	↔
Premises Costs - Utilities	221,400	93,827	340,945	119,545	↓
Total	14,368,166	7,101,377	15,310,549	942,383	↑

4.4 Further detail on the breakdown of the forecast by Executive and Service area can be found in the Budget monitoring dashboard in appendix A. This dashboard is now produced monthly and reported to the Executive Leadership Team and key portfolio holders to ensure greater awareness and so that any urgent action can be taken as soon as identified.

5.0 Capital Programme

5.1 The Council approved its 2023/24 Capital budget in February 2023. Current capital projects include:

- £1.65m for the demolition of Bulbeck Road Development
- £80k for new capital spend on Springwood Play Park funded by UKSPF.
- £100k in relation to Changing Places - Accessible Toilets
- £100k Garden Waste Program
- 80k Open Space & Play Area improvement.
- £1.6m (revised circular received for 1.9m) – Disabled facilities Grant.
- £425k Hayling Island Beach management
- £456K Langstone repairs and FCERM

5.2 Further detail on the monitoring of capital spend can be found in appendix C

6.0 Aged Debt

- 6.1 Between Quarter One and Two the movement on the Aged Debt has increased by £404k, which is the net effect of invoices not paid to the Council between quarters.
- 6.2 As demonstrated by the analysis below, the debt is ageing mainly by the increased balance in 31-90 days.

Date		Balance	Within 30	31 - 90	91 - 180	181 - 365	Over 1 Year	Over 2 Years
01/07/2023	Qtr1	1,437,117	435,894	72,891	125,456	122,108	155,136	525,633
02/10/2023	Qtr2	1,840,648	514,125	396,016	51,730	168,763	188,545	521,469
	Diff	403,531	78,231	323,125	-73,726	46,655	33,409	-4,164
			19%	80%	-18%	12%	8%	-1%

- 6.3 £13k has been written off this quarter.
- 6.4 Debt collection and accounts receivable (AR) was identified via our internal audit function as an area of concern. An improvement plan was drawn up in June including a new policy and several processes. This is now in action, but it will take further time for these new processes to be embedded into daily operations.

7.0 Prudential Indicators

- 7.1 The Authority measures and manages its capital expenditure and borrowing with reference to a series of prudential indicators.
- 7.2 It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis, and you can see these indicators in detail in appendix D.

8.0 Performance

- 8.1 A summary of the quarter's key performance indicators is included in Appendix B and shown in our corporate performance scorecard.
- 8.2 Housing: the number of temporary accommodation placements in Q2 was around half what it was in Q1 (going from 202 to 107), which is a welcome trend. A significantly smaller proportion of these were in B&B type accommodation, instead of being placed in self-contained accommodation or supported accommodation. Fewer lets were agreed via Hampshire Home Choice in Q2 (this is dependent on the availability of accommodation), however, the number of households on the waiting list has decreased slightly.

- 8.3 Internal Services: response times for information requests are all within target. Within HR, sickness has returned to a more normal level in Q2 from an unusually low figure in Q1, likely because of service managers being reminded about the importance of recording sickness absence. The number of unique visitors to the Council website increased by around 50% from Q1 to Q2 (75,000 in Q1 to 113,000 in Q2) which coincides with the launch of the new website.
- 8.4 Environmental Services: The client liaison team have been working with our colleagues at Norse to establish and report a comprehensive suite of performance metrics, to cover services such as household waste collection including bulky waste, street cleaning, grass cutting, allotments management, and play park inspections. Not all of these measures can be reported at the current time, but work is underway to either collect the data (where it currently does not exist) or extract it from systems, with a view to providing the full suite from April 2024 onwards. The number of missed bins particularly for the garden waste service has decreased in Q2 compared to Q1. Contamination of recycling is still higher than it should be (Havant consistently scores towards the bottom of the Hampshire league table on this metric). Vacancy rates and debt levels across investment property portfolio remain low. Further detail around the performance of the portfolio will be included in future reporting after the implementation of the property asset management system during Q4.
- 8.5 Customer Services: the percentage of calls answered within 20 seconds was back on target again for Q2. There was a significant decrease in the number of complaints received in Q2 (117, compared to 230 received in Q1), driven by a decrease in the number of complaints about the waste collection service (166 in Q1, 55 in Q2). The 55 waste collection complaints received during Q2 is by far the lowest quarterly figure in the last 18 months (compared to 220 in Q2 2022-23, 92 in Q3 2022- 23, 120 in Q4 2022-23 and 166 in Q1 2023-24) which reflects the stabilisation of this service following the Covid-19 pandemic and the national shortage of HGV drivers.
- 8.6 Revenues and Benefits: The average processing time for benefits claims was back within target again in Q2 for both new claims and 'change events' (the 'change events' figure was slightly off target in Q1).
- 8.7 Planning: metrics are generally within target, although there remain issues with the validation of all applications and the deciding of discharge of conditions applications being well below target. These have been consistently low for several quarters now.
- 8.8 Environmental Health: the team are now able to report some metrics for Private Sector Housing including Disabled Facilities Grants, Pollution, and Pest Control, with more to come in Q3.

- 8.9 Climate and Environment: We are tracking utilities usage in the Plaza (electricity, gas and water) as well as printing, as proxy measures for the council's carbon footprint.
- 8.10 The corporate performance scorecard is being continually developed. There are still areas where we do not have data to report but this is being worked on and each quarter further metrics will be added to the tool. In addition, we have begun monitoring the proposals for the Office for Local Government (Oflog)'s Local Authority Data Explorer and what metrics we will need to start collecting. In the corporate performance scorecard, metrics which are proposed to be included in this reporting have been marked with an 'Oflog metric' button.
- 8.11 We are continuing to work with services to review their KPIs, improve efficiency and accuracy of data collection and reporting, and develop the availability and quality of corporate performance information that is provided.

9.0 Conclusion

- 9.1 Much work has been done to reduce the forecast overspend of £1.7m reported in quarter one. The reduction of ~£800k has been achieved via a number of initiatives including reduction in use of external consultants and agency, improved treasury management plans and changes in how we approach managing temporary accommodation placements.
- 9.2 Despite this, it is clear more work is needed to reduce the forecast further. Maximising our remaining treasury funds, further reducing agency spend, improving our use of grant income and careful management of our vacancies could yield up to a further £500k improvement.
- 9.3 There are still many unknowns in the remaining half of the year that could significantly impact the final outturn position. Parking and planning incomes are fluctuating wildly and unsecure, and the volumes of temporary housing requirements could be significantly impacted by changes to the economic climate as much as they can by the severity of our winter months. The current forecast is making prudent assumptions as to avoid any unwelcome surprises.
- 9.4 The Council's performance indicators are showing a general upward trend of improving performance. There are still some areas of concern and the processes for monitoring, challenging and improving performance across the Council are under continual review.

10.0 Implications and Comments

10.1 S151 Comments

Members should take comfort that the Council has taken action on the quarter one forecast overspend and have been working hard to bring this figure down, all whilst, not just maintaining the current standard of service to the residents of the Borough, but whilst improving standards and identifying and implementing plans to improve the services further.

It is important that the Councils keeps up this momentum to bring down the ongoing costs to within the agreed budget before the year-end.

10.2 Financial Implications

There are no direct financial implications from the report itself, but failure to recognise the financial position of the Council and take measures to limit its exposure the forecast overspend would have secondary financial implications.

10.3 Monitoring Officer Comments

This paper is submitted to Cabinet to provide strategic overview of the Council's performance during Q2 2023/24 and, in part, relates to priorities in the Council's Corporate Strategy.

It is important for the openness and transparency of local government that budget and performance data is published in a clear and accessible way.

10.4 Legal Implications

There are no direct legal implications arising from the report itself.

10.5 Equality and Diversity

These recommendations comply with our internal Equality and Diversity policy and practises where applicable.

10.6 Human Resources

These recommendations have been considered in line with current HR policies and best practise.

10.7 Information Governance

These recommendations have been considered in line with current information and governance guidelines.

10.8 Climate and Environment

11.0 Risks

11.1 Failure to track and monitor the budget regularly would put at risk the Council's ability to manage its finances and take appropriate action in a timely manner if required to mitigate any financial risks identified.

12.0 Consultation

12.1 Not applicable

13.0 Communications

13.1 No applicable

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	12/12/2023
Executive Head:	Matt Goodwin	11/12/2023
Monitoring Officer:	Jo McIntosh	12/12/2023
Section151 Officer:	Steven Pink	27/11/2023