

2020 to 2021 Performance report Quarter 3

Report number:	PAS/WS/21/002	
Report to and date:	Performance and Audit Scrutiny Committee	28 January 2021
Cabinet member:	Councillor Sarah Broughton Cabinet Member for Resources and Performance Tel: 07929 305787 Email: sarah.broughton@westsuffolk.gov.uk	
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Decisions Plan: N/A

Wards impacted: All wards

Recommendation: It is recommended that members:

- 1. Note the impact of COVID-19 on the council's current financial year 2020 to 2021 at section 1**
- 2. Note the next steps and principles for future planning at section 2**
- 3. Note the 2020 to 2021 revenue and capital positions as detailed in the report and appendices, and forward any relevant issues or comments to Cabinet for consideration.**

1. Context to this report

- 1.1 The performance management framework seeks to enable greater understanding of progress towards the council's strategic priorities, as well as giving insight on the delivery of the large range of day to day services to the residents of West Suffolk.
- 1.2 The purpose of the evolution and development of the performance management framework is to ensure that performance information supplied to the Performance and Audit Scrutiny Committee, Cabinet and Leadership Team clearly shows:
- progress towards strategic goals
 - insight on initiatives that will ensure future progress
 - areas that require decisions and actions to keep on track to their goals
 - items with a significant level of risk associated with them
 - flexibility in approach allowing the escalation of performance successes and challenges
 - the relationship between performance indicators and financial delivery.
- 1.3 **COVID-19 impact**
- 1.4 Since the outbreak of COVID-19 in the UK, a number of events have occurred which have had a significant impact on West Suffolk Council's financial position. Some of these have been restrictions imposed by Government that have affected West Suffolk Council's investments and services; and others have been announcements of Government financial support.
- 1.5 The council has played its part in responding to COVID-19, in supporting businesses and the most vulnerable as well as running essential services. The monthly returns to the Ministry for Housing, Communities and Local Government (MHCLG) have detailed the financial impacts of COVID-19, and generally the forecast impacts have remained consistent on a month by month basis. The latest submission shows a total impact of £11.3 million (costs of £3.1 million and lost income of £8.2 million) however it should be noted that these are required to be gross figures and therefore an element of the additional costs such as internal staff redeployment and costs savings have also been factored into the figures.
- 1.6 Through the work of the council, funding of these costs through existing budgets and external grants the current forecast shows these variances to reduce to an overall impact of £1.4 million on the council's general fund balance. This has consequently impacted on a number of our local performance indicators – most noticeably around housing and homelessness. Within these figures, the income expected to be generated by the council in the current financial year through sales, fees and charges is expected to reduce by £5.8 million, mitigated to a certain extent by the

sales, fees and charges compensation from central government. Further details of the financial impacts of COVID-19 can be found in appendix F.

- 1.7 In addition to the cost pressures and income losses outlined above, the pandemic is also impacting the council's ability to collect Council Tax and Business Rates. Whilst this will not have a direct impact on the current year's budget position, any deficits on the Collection Fund in the current year will have to be charged to the General Fund budget from 2021 to 2022 onwards. This is discussed in more detail in the separate report 'Delivering a sustainable medium-term budget' report, elsewhere in this agenda.
- 1.8 Whilst we welcomed the financial support that the Government has announced to local authorities for spending pressures and lost income compensation, this will not fully cover the additional cost of our response to COVID-19 and forecast income losses. In order to close the budget gap for the current year the council will need to utilise a proportion of its general fund balance and earmarked reserves in the short term.
- 1.9 The impact of COVID-19 is likely to be felt for years to come as the council will need to make provision in its medium term budget plans for the impact on the collection fund deficits, and the replenishment of its earmarked reserves and general fund balances.

2. Next steps and principles for future planning

- 2.1 As detailed in the quarter 2 performance report [PAS/WS/20/017](#) which was presented to this committee on 19 November 2020, we will continue to pursue the following courses of action:
- Making our case to Central Government for fair funding and greater flexibility
 - Planning for the reinstatement of income generating activities
 - Following our financial strategy and six key themes:
 1. Aligning resources to West Suffolk's strategic framework and essential services
 2. Sharing services and transformation of service delivery
 3. Behaving more commercially
 4. Considering new funding models
 5. Encouraging the use of digital forms for customer access
 6. Taking advantage of new forms of local government finance.
 - Prioritisation of in-year cost reduction and savings plans
 - Development of a flexible and responsive recovery plan.

- 2.2 The 'Delivering a sustainable medium term budget' report, elsewhere in this agenda, further details the council's approach to the longer term financial challenges and outlines the assumptions underpinning the budget setting process.

3. Quarter 3 Performance

- 3.1 This report shows the quarter 3 performance and financial outturn position for West Suffolk for 2020 to 2021.
- 3.2 The attached appendices detail the performance as follows:

Appendix A: 2020 to 2021 performance indicators – commentary

This appendix shows a high-level summary of the council's budget monitoring forecast position for revenue, capital and reserves, and draws out a number of key performance indicators at strategic priority level.

Appendices B to E: Performance indicators by strategic priority

These appendices support Appendix A and include more detail around how the council is performing against each strategic priority and corporate day to day service delivery.

Appendix F: Income and expenditure report

This appendix shows the current revenue forecast position across West Suffolk, analysed across the different categories of income and expenditure.

Appendices G to H: Financial performance

These appendices contain the financial forecast positions for the council in respect of capital and earmarked reserves.

4. Performance Summary

- 4.1 The following table shows the quarter 3 performance status for all indicators, grouped by strategic priority and corporate day to day service delivery, and is further detailed in appendices A to E.

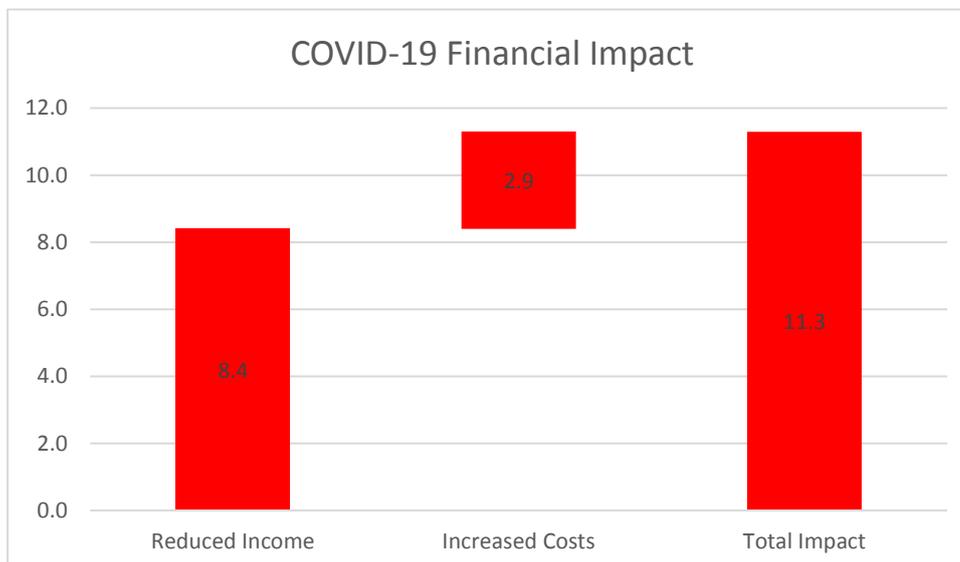
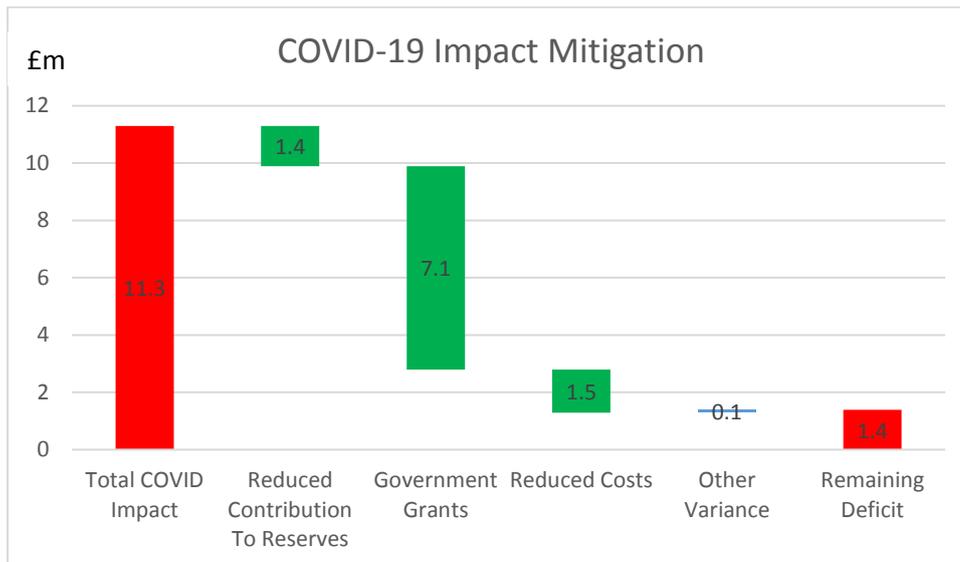
Summary of key performance indicators				
Quarter 3 - year to 31 December 2020				
Appendix and strategic priority	Green: on or exceeding target	Amber: below target within tolerance	Red: below target, outside of tolerance	Data only indicators
B: Inclusive growth	1	1	0	0
C: Families and Communities	2	1	5	3
D: Housing	5	0	0	0
E: Day to day	19	4	6	2
Totals:	27	6	11	5

- 4.2 The increased number of metrics that are falling below target relate to the issues raised in section 1.3 above.

Note: Appendix A is a summary of appendices B to E.

5. Financial outturn summary

- 5.1 The forecast revenue outturn position shows a net forecast overspend of £1.4 million before the utilisation of just over 28 per cent of the council's general fund balance of £4.9 million. This shows the significant progress that has been made to bring the council's current financial year budget back into balance. A summary by income and expenditure type can be found in Appendix F, with comments for significant variances. Work continues on refining and closing the forecast budget gap for the current financial year and a further update will be provided to members at the next meeting.
- 5.2 Of this £1.4 million net variance, £11.3 million can be directly attributed to the impact on council income services and the emergency responses to the challenges caused by the COVID-19 outbreak this financial year.



5.3 Capital programme

The council is forecasting to spend £40.2 million of its capital budget of £80.8 million for 2020 to 2021. Further detail by individual capital project can be found in Appendix G.

5.4 Earmarked reserves

The council's forecast balance on earmarked revenue reserves at the end of the financial year is **£33.0 million**, against a budgeted closing balance of **£31.9 million**. This net under-utilisation is primarily as a result of underspends on the vehicle and plant reserve as a result of timings of replacing the fleet, additional contributions to the capital project financing reserve as a result of reduced borrowing and minimum revenue provision due to project timings, partly offset by releasing the in-year New Homes Bonus allocation into the general fund to support day to day services as a result of the financial impact of COVID-19.

- 5.5 This year end reserve forecast includes a £15.0 million adjustment in the business rates equalisation reserve in respect of the Section 31 grants from central government to cover the business rates foregone due to schemes introduced to counter the impact of the COVID-19 lockdown (that is, Retail, Hospitality and Leisure 12 months business rates holiday).
- 5.6 Details of the individual reserve balances and movements during the year can be found in Appendix H.

6. Alternative options

- 6.1 In order for the council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available. There are no alternative options.

7. Consultation and engagement

- 7.1 This report and the figures and commentary therein have been compiled by the Finance team in consultation with the relevant budget holders, services and Leadership Team.

8. Risks

- 8.1 The West Suffolk Risk Register is a document that records all known strategic risks that may impact the ability to deliver services and performance of West Suffolk Council. Each risk is described and the relative inherent impact and probability of the risk coming to pass is estimated. The actions and controls that are undertaken to mitigate this risk are then laid out resulting in a revised residual impact and probability estimate.
- 8.2 The challenges presented by the COVID-19 outbreak and accompanying lockdown have obviously impacted all of the risks contained in the register. In order to provide focus for the urgent risks presented a dedicated section has been added to appendix I for COVID-19 specifically – risk reference WS00. The actions and controls are based around the development of county wide recovery plans. This is a developing position and will be defined in greater detail as these plans are devised.
- 8.3 The West Suffolk Strategic Risk Register is updated regularly by the Risk Management Group. The Group is comprised of service representatives, including Health and Safety, supported by a director and the portfolio holder for Resources and Performance. Assistant directors and/or service managers may be required to provide further information as requested by the group.

- 8.4 The aim of this process is to provide assurance that all strategic risk has been identified and that there are mitigating actions and controls in place to reduce these risks to an acceptable level.
- 8.5 At its most recent assessment on 7 January 2021, the Group reviewed the Target Risk, the risk level where the council aims to be, and agreed a Current Risk assessment. These assessments form the revised West Suffolk Strategic Risk Register at Appendix I.
- 8.6 Part of this assessment included the consideration of the controls and actions in place to address the individual risks. Where target risk levels are lower than the current risk assessment, further action is either being taken or planned in order to treat the risk and meet the target.
- 8.7 Some individual controls or actions have been updated and those that were not ongoing and had been completed by September 2020 have been removed from the register.

9. Implications arising from this proposal

- 9.1 All implications arising from the proposals are covered within the report and its associated appendices.

10. Appendices

- 10.1 Appendix A – Performance indicators - commentary
Appendix B – Performance indicators - Growth
Appendix C – Performance indicators - Families and Communities
Appendix D – Performance indicators - Housing
Appendix E – Performance indicators - Day to day
Appendix F – Income and expenditure report
Appendix G – Capital Programme
Appendix H – Earmarked reserves
Appendix I – Strategic Risk Register
- 10.2 We are aware that some elements of these appendices are not fully compatible with current accessibility standards. It is the council's intention to review and reformat these in order to fully comply with the standards for the first quarterly reports of the 2021 to 2022 financial, which will take place in July 2021. In the meantime please contact accountancy@westsuffolk.gov.uk if you have any questions regarding this report or its appendices, or require them in an alternative format.

11. Background documents

- 11.1 None.