

2021 to 2022 Performance report - Quarter 2

Report number:	PAS/WS/21/023	
Report to and date:	Performance and Audit Scrutiny Committee	18 November 2021
Cabinet member:	Councillor Sarah Broughton Cabinet Member for Resources and Property Tel: 07929 305787 Email: sarah.broughton@westsuffolk.gov.uk	
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Decisions Plan: This item is not included in the Cabinet Decisions Plan.

Wards impacted: All wards

Recommendation: It is recommended that members:

- 1. Note the impact of COVID-19 on the council's current financial year 2021 to 2022**
- 2. Note the forecast 2021 to 2022 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 Whilst the vaccination programme and the government's roadmap to recovery are currently on track, the ongoing effects of the pandemic are still very uncertain. The government Summer COVID-19 response, released in July 2021, states that close monitoring will continue and an autumn review will be undertaken in order to assess the country's readiness for the Winter, and regulations may need to change as a result.
- 1.6 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 Department for Levelling Up, Housing and Communities (DLUHC), formerly 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, covering the period from April 2021 to September 2021, shows a total impact of £4.3 million (costs of £1.8 million and lost income of £2.5 million). 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, grant funded costs and cost savings have also been factored into the figures.

- 1.7 Funding of these additional COVID-19 related costs has been achieved through the work of the council, utilising existing budgets, delivery of COVID-19 related initiatives within existing resources, and external grants. This means the forecast year end position shows these variances to reduce to an overall balanced position. The council's approved budgets for 2021 to 2022 included estimated COVID-19 related pressures of around £1.1 million, plus the confirmed 2021 to 2022 Local Authority COVID-19 Support Grant £871,000, giving an overall provision of £2 million. This provision is now proposed to be utilised in order to achieve a balanced budget position, taking into account the General Fund contribution as set out at 1.8 below.
- 1.8 Whilst the overall level of the council's General Fund and reserve will be reassessed in the light of the pandemic, at the time of writing around £421,000 of the £1,506,000 budgeted contribution to the General Fund is proposed to be utilised in order to fund the remaining forecast deficit. The Council's financial position and ability to reduce the impact where possible has been helped by previous financial planning and the creation of the West Suffolk Council as well as quick and effective action to reduce costs as guidance and infection rates changed.
- 1.9 COVID-19 and our response to it has consequently impacted on a number of our local performance indicators – most noticeably around housing and homelessness. Within these figures, the income generated by the council in the current financial year through sales, fees and charges has reduced by £2.5 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.
- 1.10 In addition to the cost pressures and income losses outlined above, the pandemic has also impacted the council's ability to collect Council Tax and Business Rates, especially during lockdown periods. Quarter 2 data is showing that collection is starting to recover as payment plans are honoured and outstanding arrears are starting to be settled.
- 1.11 Whilst we welcomed the financial support that the Government has announced to local authorities for spending pressures, administrative impacts and lost income compensation, this will not fully cover the additional cost of our response to COVID-19 and income losses. In order to close the budget gap for the current year the council will need to utilise a proportion of its earmarked reserves and general fund balance in the short term as set out in 1.7 and 1.8 above.
- 1.12 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, recovery to pre-covid income and expenditure levels and the replenishment of its earmarked reserves and general fund balances.

2. **Quarter 2 Performance**

- 2.1 This report shows the quarter 2 performance and forecast year-end financial position for West Suffolk for 2021 to 2022.
- 2.2 The attached appendices detail the performance as follows:

Appendix A: 2021 to 2022 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.

3. **Performance Summary**

- 3.1 The following table shows the quarter 2 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 2 - year to 30 September 2021				
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	2	0	0	0
C: Families and Communities	3	1	3	4
D: Housing	5	0	0	0
E: Day to day	17	6	4	4
Totals:	27	7	7	8

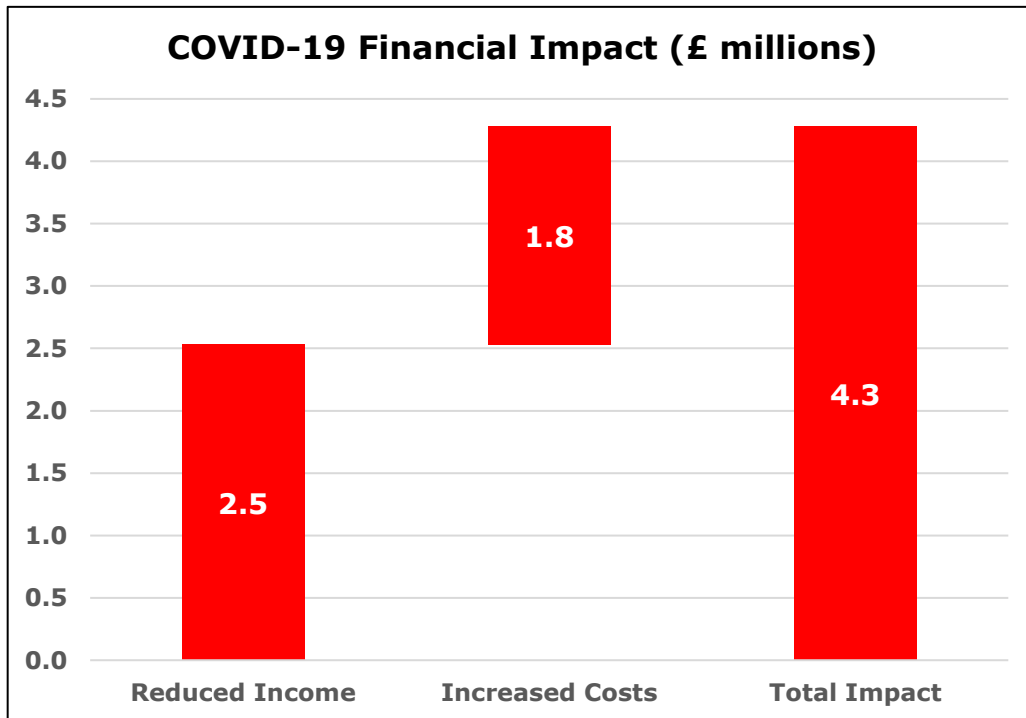
- 3.2 The increased number of metrics that are falling below target relate to the issues raised in section 1.3 above.

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

4. Financial outturn summary

- 4.1 The current revenue outturn position shows a balanced forecast year end position. This position takes account of the £2 million provision for the effects of COVID-19 in the 2021 to 2022 approved budget, based on £1.1 million anticipated pressures and utilisation of the £0.9 million Local Authority COVID-19 support grant. This balanced budget position currently assumes around £421,000 is also being met from the council's general fund.
- 4.2 Within this balanced position, £4.3 million can be directly attributed to the impact on council income services and the emergency responses to the challenges caused by the continuing effects of COVID-19, as demonstrated by the following graph.

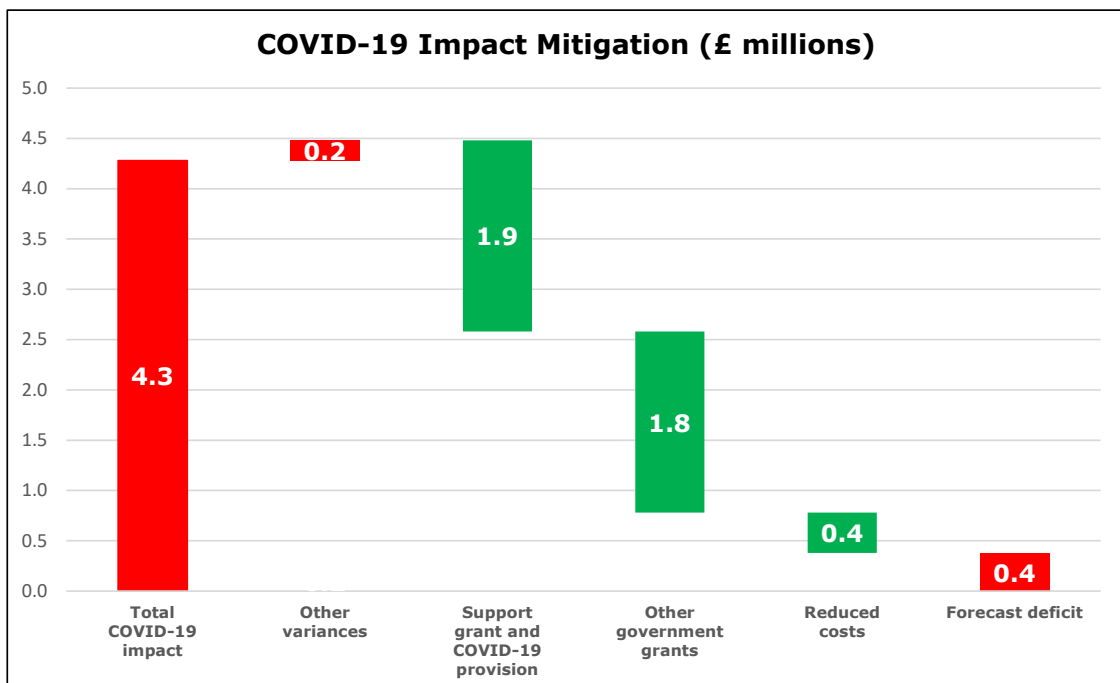
4.3



4.4

As demonstrated by the graph below, the council has been able to mitigate the £4.3 million deficit caused by the COVID-19 pandemic by utilising government grant funding, and through reductions in expenditure, some of which can be directly linked to the effects of the lockdowns.

4.5



4.6

A summary by income and expenditure type can be found in appendix F, with comments for significant variances. Government grant funding includes increased assumptions in respect of the Sales, Fees and Charges compensation as a result of reduced income forecasts in areas such as Car

parking, plus additional funding for various COVID-19 initiatives such as the Suffolk Outbreak Management Plan.

4.7 **Capital programme**

The council is forecasting to spend £28.6 million of its capital budget of £49.5 million for 2021 to 2022, with proposed carry forwards of £20.6 million as a result of project timings. Further detail by individual capital project can be found in appendix G.

4.8 **Earmarked reserves**

The council's forecast balance on earmarked revenue reserves at the end of the financial year is **£34.2 million** after Section 31 grant adjustments (see below), against a budgeted closing balance of **£32.3 million**. This forecast net under-utilisation is primarily as a result of additional contributions to the capital project financing reserve as a result of reduced borrowing and minimum revenue provision due to project timings (£1.5 million), additional contributions to the Invest to Save reserve in respect of the pension scheme contribution adjustment, and additional Lifelink contributions that will be fully committed to the scheme in the future. It also includes the proposed utilisation of £871,000 of the COVID-19 reserve in order to fund COVID-19 related impacts.

4.9 This year end reserve position includes a £7.39 million adjustment in the business rates equalisation reserve, primarily relating to 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).

4.10 Details of the individual reserve balances and movements during the year can be found in appendix H.

5. **Consultation and engagement**

5.1 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.

6. **Risks**

6.1 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.

- 6.2 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.
- 6.3 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 Property. Directors and/or service managers may be required to provide further information as requested by the group.
- 6.4 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.
- 6.5 At its most recent assessment on 13 October 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.
- 6.6 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.
- 6.7 Some individual controls or actions have been updated and those that were not ongoing and had been completed by October 2021 have been removed from the register.

7. Implications arising from this proposal

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

8. Appendices

- 8.1 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

9. Background documents

9.1 None.