

# 2021 to 2022 Performance Report Quarter 4

<b>Report number:</b>	<b>PAS/WS/21/011</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	26 May 2022
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**Decisions Plan:** This item is not included in the Decisions Plan

**Wards impacted:** All wards

**Recommendation:** It is recommended that the Performance and Audit Scrutiny Committee:

- 1. Note the impact of COVID-19 on the council's current financial year 2021 to 2022**
- 2. Note the 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 give councillors, officers, partners, stakeholders and residents greater understanding of progress towards the achievement of the council's strategic priorities, as well as giving insight into the delivery of the large range of day-to-day services to the residents and businesses of West Suffolk. Effective use of performance management information can support transformation and enable choices to be made about the use of resources.

Financial performance information and key performance indicators sit alongside other elements of the council's performance framework that can be viewed on the [performance webpage](#).

- 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 **New arrangements for reporting of key performance indicators**

- 1.4 As discussed at the meeting of Performance and Audit Scrutiny Committee on 27 January 2022, a review of the reporting of key performance indicators (KPIs) has been undertaken. This has resulted in a new set of interactive performance dashboards which are being presented to the Committee to monitor quarter 4 performance, and for feedback on the new arrangements.

- 1.5 The review has resulted in three main areas of change:

**1. Clarified governance arrangements:** The timetabling of the production of performance information will ensure Portfolio Holders receive full information about performance in their respective areas before scrutiny by PASC, so that the Committee can invite Portfolio Holders to come and speak about performance as appropriate, supported by the Chief Executive.

**2. Refreshed indicator set:** The new indicators that are being reported on are the result of an extensive process of review and renewal, to ensure the indicators are fit for purpose and take account of recent changes.

**3. Change in approach to targets and ratings.** Most of the targets and thresholds have been removed, to avoid masking performance issues through 'Red Amber Green (RAG)' ratings by false reassurance when indicators are green. Performance will instead be compared between months and years; and in due course, as more benchmarking is added, with other places and councils.

1.6 Feedback from the Performance and Audit Scrutiny Committee on the new dashboards will be incorporated into the 2022 to 2023 approach to KPI reporting.

1.7 **COVID-19 and other impacts**

1.8 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.

1.9 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 returns to the Department for Levelling Up, Housing and Communities (DLUHC) 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 March 2022, shows a total impact of £3.8 million (costs of £1.2 million and lost income of £2.6 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 and costs savings have also been factored into the figures.

1.10 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 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 1.11 below.

1.11 Whilst the overall level of the council's General Fund and reserve will continue to be assessed in the light of the pandemic, around £291,000 of the £1,506,000 budgeted contribution to the General Fund is proposed to be utilised in order to fund the remaining deficit. After allowing for this reduced contribution, the General Fund remains in at recommended levels

with a balance of £6,044,000. 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. The General Fund will be important in terms of managing the impact of inflation and interest rate rises in the coming year.

- 1.12 COVID-19 and our response to it has consequently impacted on a number of our local performance indicators – most noticeably around housing and homelessness, income indicators and our aged debt amount. Within these figures, the income generated by the council in the current financial year through sales, fees and charges has reduced by £2.6 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 B**.
- 1.13 The level of debt over 90 days has been a focus for management during the year. Quarter 4 data shows that this now stands at a total of £1,104,724. This is an increase of £126,480 on the Quarter 3 figure. This debt represents 4.2% of our invoiced revenue for the year, with 96% collected within 90 days of issue. Commercial Property debt makes up £701,446 (63.5 per cent) of this position and £491,169 of this debt relates to just 3 tenants. We are continuing to work very closely with all of our tenants to clear outstanding rent arrears. **Exempt Appendix F** shows the split of the Aged Debt by service area and a split of the commercial property debt.
- 1.14 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 4 data continues to show that collection is recovering as payment plans are honoured and outstanding arrears are starting to be settled.
- 1.15 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 general fund balance in the short term as set out in 1.10 and 1.11 above.
- 1.16 The impact of COVID-19 is likely to be felt for years to come as the council continues to make provision in 2022 to 2023 for the impact on recovery to pre-COVID-19 income and expenditure levels. The 2022 to 2023 budget approved by council on 22 February 2022 included a provision for the ongoing effects of COVID-19 of around £0.5 million. This will continue to be monitored closely over the coming year.

- 1.17 In addition to the ongoing impact of COVID-19, there have been several other major global economic pressures, including increasing energy and fuel prices and the inflationary impact of the war in Ukraine on food and other commodities. These are all contributing to an increase in inflation generally, and will have a knock-on effect on a number of areas in the council's budgets, for example vehicle fuel, utilities, salaries, supply delays, interest costs and the increasing cost of external contracts. Work is underway to quantify these budgetary pressures, and this will inform future reporting to this committee.

## 2. Quarter 4 Performance

- 2.1 This report shows the quarter 4 performance and year-end financial outturn position for West Suffolk for 2021 to 2022.
- 2.2 The attached appendices detail the performance as follows:

**Appendix A: KPI dashboards.** These dashboards are also available in an interactive online format which can be viewed at the link below. They give performance information about a wide range of the council's business areas, grouped by Portfolio Holder.

[Appendix A: KPI Dashboards](#)

### **Appendix B: Income and expenditure report**

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

### **Appendices C to D: Financial performance**

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

### **Appendix E: Strategic Risk Register**

This appendix contains the revised West Suffolk Strategic Risk Register, further details are set out in section 6 of this report.

### **Exempt Appendix F: Aged debt over 90 days**

This appendix contains summary information regarding the current levels and types of outstanding debt over 90 days owed to the Council. **This appendix is exempt as it contains details of some individual debtor balances in order to facilitate review by this committee.**

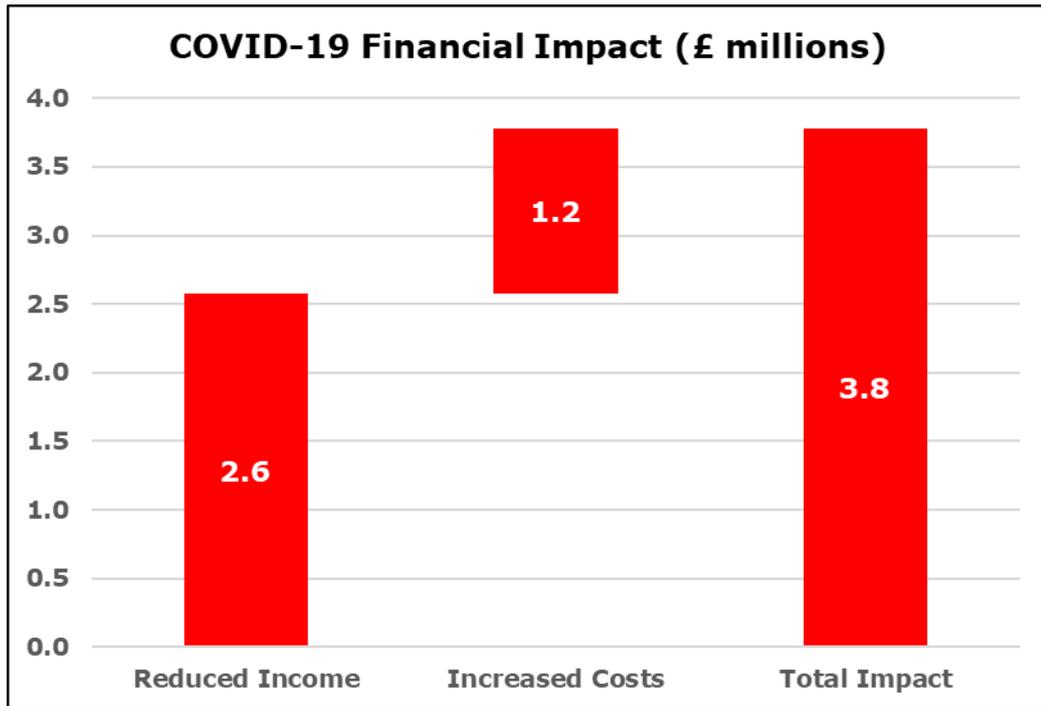
### 3. Performance Summary

- 3.1 Each of the dashboards at **Appendix A** contains commentary on the council's performance in quarter 4 of 2021-2. These dashboards are also available in an interactive, online format at [Appendix A: KPI Dashboards](#).
- 3.2 Some of the areas covered by the dashboards are entirely new – for example, corporate environmental performance and the wider economic context.
- 3.3 At the meeting of Performance and Audit Scrutiny Committee there will be further opportunity for discussion and questions around the trends and patterns that the quarter 4 data are showing.
- 3.4 These dashboards are designed to be interactive, which provides further insight and detail into the data and commentary. Therefore, members may find it more useful to use the interactive online dashboards instead of the PDFs version supplied. In particular, the full commentary can be viewed on the online versions, whereas this is not possible through the PDFs

### 4. Financial outturn summary

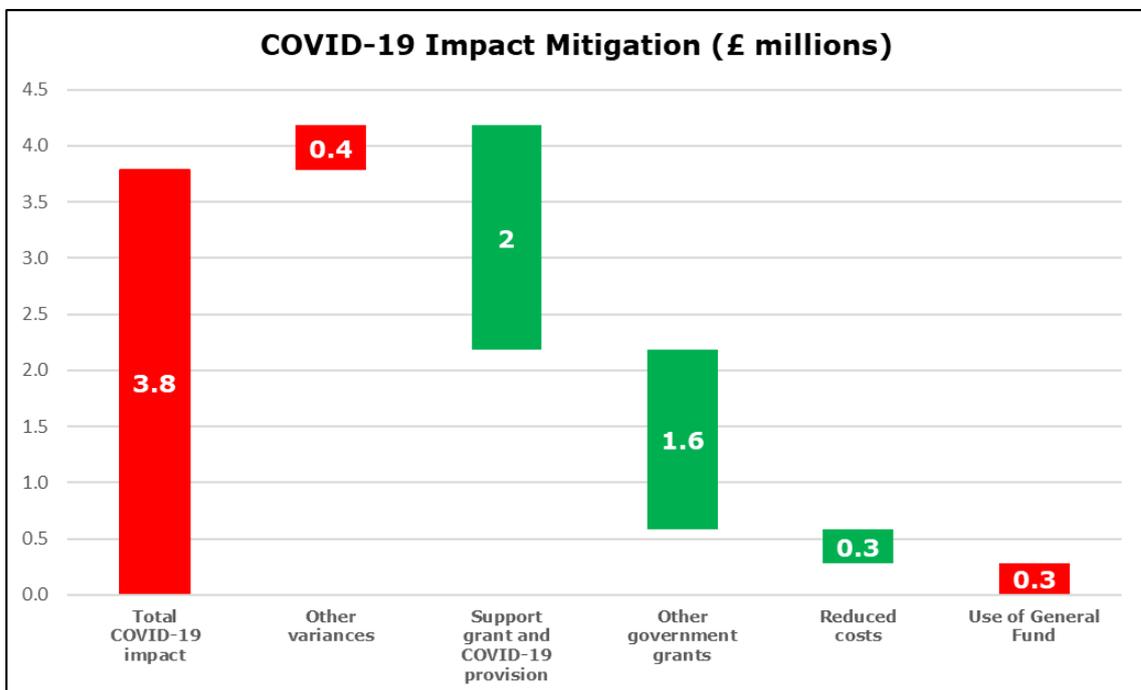
- 4.1 The revenue outturn position shows a balanced year end position. This position takes account of the £2 million provision for the effects of COVID-19 in the 2021 to 2022 approved budget, based on £1.1 million anticipated pressures and utilisation of the £0.9 million Local Authority COVID-19 support grant. This balanced budget position currently assumes around £291,000 is also being met from the council's general fund.
- 4.2 The 2021 to 2022 budgets included a transfer of £1.5 million in order to replenish the expected effects of COVID-19 on the General Fund for the 2020 to 2021 financial year. This was based on the best estimate available at the time when setting the budgets. However, due to additional government support and good financial management towards the year end, the expected deficit for 2020 to 2021 was lower than anticipated. Consequently, the General Fund impact was not as adverse as expected, and following the confirmed year end position, the General Fund balance stands at just over £6 million. Whilst this is higher than the anticipated balance of £5 million, it is considered that this additional amount will be required in 2022 to 2023 in the light of the inflationary pressures outlined previously, and the uncertainty around the recovery from the effects of COVID-19.
- 4.3 Within this balanced position, £3.8 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.

4.4



4.5 As demonstrated by the graph below, the council has been able to mitigate the £3.8 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.

4.6



4.7 A summary by income and expenditure type can be found in **Appendix B**, 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 in areas such as

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

#### 4.8 **Capital programme**

The council has spent £24.7 million of its capital budget of £50.0 million for 2021 to 2022, with requested carry forwards of £25.2 million as a result of project timings. Further detail by individual capital project can be found in **Appendix C**.

#### 4.9 **Earmarked reserves**

The council's balance on earmarked revenue reserves at the end of the financial year is £37.2 million after Section 31 grant adjustments (see below), against a budgeted closing balance of £31.6 million. This 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 (£1.6 million), timing of the Community Energy Plan, vehicle replacement and building maintenance project spends, and additional Lifelink contributions that will be fully committed to the scheme in the future. It also includes the proposed full utilisation of £871,000 of the COVID-19 reserve in order to fund COVID-19 related impacts.

4.10 This year end reserve position includes a £8.6 million adjustment in the business rates equalisation reserve (including £1.5 million brought forward from 2020 to 2021), 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).

4.11 Details of the individual reserve balances and movements during the year can be found in **Appendix D**. It should be noted that these are the reserve balances as they stand at the end of 2021 to 2022, however these reserves are earmarked for specific purposes across the council's Medium Term Financial Strategy (MTFS) and should be viewed in the longer-term context.

### 5. **Alternative options**

5.1 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.

### 6. **Consultation and engagement**

6.1 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.

- 6.2 The design of the new key performance indicator reporting arrangements has been developed through extensive consultation with service areas, Leadership Team and Portfolio Holders and will be further refined following discussion with Performance and Audit Scrutiny Committee.

## 7. Risks

- 7.1 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.
- 7.2 The challenges presented by the COVID-19 outbreak and accompanying lockdowns 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 E** 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.
- 7.3 The increasing risk presented by inflation, the rising cost of living and energy has been reflected in the two risk areas relating to business (WS20) and individuals (WS22). The actions and controls detailed in those risk areas show the undertakings that West Suffolk Council can take to monitor and mitigate against these pressures.
- 7.4 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.
- 7.5 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.
- 7.6 At its most recent assessment on 13 April 2022, 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 E**.
- 7.7 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.

- 7.8 Some individual controls or actions have been updated and those that were not ongoing and had been completed by January 2022 have been removed from the register.

## **8. Implications arising from this proposal**

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

## **9. Appendices**

- 9.1 Appendix A – Performance indicators (also available in an online, interactive format at [Appendix A: KPI Dashboards](#))  
Appendix B – Income and expenditure report  
Appendix C – Capital Programme  
Appendix D – Earmarked reserves  
Appendix E – Strategic Risk Register

**Exempt Appendix F** – Aged debt over 90 days summary

## **10. Background documents**

- 10.1 None.