

# 2022 to 2023 Performance report Quarter 1

<b>Report number:</b>	<b>PAS/WS/22/013</b>	
<b>Report to and date(s):</b>	<b>Performance and Audit Scrutiny Committee</b>	28 July 2022
<b>Cabinet member:</b>	Councillor Sarah Broughton Deputy Leader and Cabinet Member for Resources and Property Tel: 07929 305787 Email: <a href="mailto:sarah.broughton@westsuffolk.gov.uk">sarah.broughton@westsuffolk.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Director (Resources and Property) Tel: 01638 719245 Email: <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	

**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 forecast 2022 to 2023 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 set out in the [West Suffolk Council Strategic Framework 2020-2024](#) . In addition, it also gives an 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.
- 1.2 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](#).
- 1.3 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.
- 1.4 **Income recovery**
- 1.5 The COVID-19 outbreak has had a significant impact on the council's financial position. Whilst we are now in the process of recovering from the pandemic, the effects are likely to be felt for years to come. In addition, the cost-of-living crisis, which the Ukraine War has exacerbated, is not only impacting our communities and businesses but also adversely putting pressure on the council's budgets too.
- 1.6 All these elements, as well as national public behavioural changes in travel, shopping and working created by these issues, have had an adverse impact on businesses, retail and public services nationally. Government requires councils to raise income to deliver services.
- 1.7 Income generation for public services across the UK have been severely impacted by a combination of all these challenges as well as recent issues such as national and local lockdowns. West Suffolk Council is not alone in continuing to face these issues although there are good signs of recovery by services and areas – some more stronger than others. This includes income from leisure and cultural events, trade waste and our garden waste service. In addition, other services are recovering such as car parks and

markets. However, the challenges outlined above effects services and localities in different ways.

- 1.8 This recovery profile will continue to be reviewed by the council in conjunction with our relevant partners. This will form part of in-year performance monitoring and will help inform our ongoing budget setting processes as we continue to understand if these behavioural changes are likely to become more permanent. The council is also looking at other similar services and authorities across the UK.
- 1.9 It should be noted this is early in the budget process and trends and public behaviours may change as the national picture moves and reactions to the current cost of living crisis evolves. Therefore, the impact on our budget may lessen, however, as a prudent council with robust financial management at this stage in the year, and given trend data is limited, our detailed forecasts and attached appendices are projecting a worst-case scenario.
- 1.10 These worse case numbers assume no further recover from the current quarter one position to budgeted levels in the short term - to illustrate a worst-case impact on our in-year budget. However further continued recovery could see our budget become broadly on track after allowing for the COVID-19 provision. Officers will continue to monitor this position on a regularly basis and a further update will be provided to members at the next meeting – also see paragraph 4.1 below.
- 1.11 For 2022 to 2023 the central government funding that helped to partly mitigate the effects of the pandemic, such as the Sales, Fees and Charges Compensation and the COVID-19 Support Grant are no longer available, and as such the council has to make provision to fully cover any reduced income and increased costs from within its own budgets.
- 1.12 As part of the 2022 to 2023 budget setting process the council made provision for the sum of around £0.5 million in its budgets for the ongoing impacts of COVID-19. This provision is to be funded by a contribution from the council's general fund (a reserve fund that the council traditionally keeps at around £5 million to meet emergency issues such as this) and has been factored into the year-end forecasts in this report.
- 1.13 **Impact of inflation and wider economic conditions**
- 1.14 As described, in addition to the ongoing effects of COVID-19, other global economic pressures are having a major impact on the council's finances. The significant increases in energy and fuel prices, coupled with the inflationary impact on commodities from the war in Ukraine, are all contributing towards the council's budgetary pressures, both in the current year and across the medium term.

- 1.15 These wider economic pressures can be seen in the year end forecasts for 2022 to 2023, particularly in the forecast overspends on vehicle fuel, utilities, materials, spare parts and supplies and services. These pressures are not expected to improve in the short-term and will be continually reviewed as the year progresses and reported to this committee. Utility costs, while forecast to increase significantly during the year, are currently fixed until Oct 2022.
- 1.16 However, this does also have some positive impacts on the budget. The additional income set out in the appendices, has been helped by financial decisions previously made by the council. This includes increased interest rates on investments and improved dividend payment expected from Barley Homes, the council's wholly owned Housing Company. There are also improved recycling credits as a result of higher commodity prices with materials being better collected by our modern Operational Hub facilities. In addition, higher utility costs means renewable measures such as Toggam Solar Farm, panels on buildings and battery charges either brings a higher income or reduced costs.

## 2. Quarter 1 Performance

- 2.1 This report shows the quarter 1 performance and forecast year-end financial position for West Suffolk for 2022 to 2023.
- 2.2 The attached appendices detail the performance as follows:

**Appendix A: Key performance indicators (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 forecast 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 forecast 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 7 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**

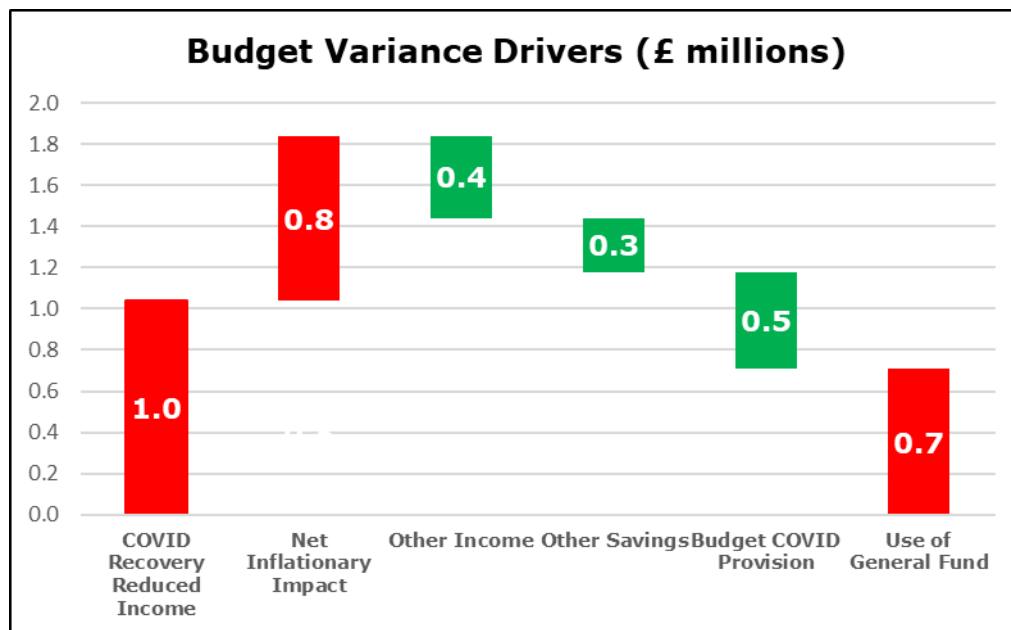
- 3.1 Each of the dashboards at **Appendix A** contains commentary on the council's performance in quarter 1 of 2022 to 2023. These dashboards are also available in an interactive, online format at [Appendix A: KPI Dashboards](#).
- 3.2 At the meeting of this committee there will be further opportunity for discussion and questions around the trends and patterns that the quarter one data are showing.
- 3.3 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 PDF 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 current revenue forecast outturn position gives a range of results from full use of the £0.5 million provision for income recovery as mentioned previously in this report up to a further impact on the council's General Fund of £0.7 million. However, it should be noted this position is dependent on income forecasts which are particularly difficult to predict at this early stage in the year. The supporting data will be fully analysed each month in order to bring more certainty to this position.
- 4.2 As at 1 April 2022 the council's General Fund balance stood at £6.045 million (subject to final audit of the 2021 to 2022 accounts). Assuming the most adverse forecast year end position (including the COVID-19 provision which is to be funded from the General Fund), this would be reduced to a balance of around £4.8 million which is slightly below the £5 million policy level. Officers are therefore working on income recovery plans in the first instance, as well as looking at potential cost saving opportunities and efficiencies while continuing to deliver high quality services and the strategic priorities of the authority.
- 4.3 As laid out in section one the key variances to budget that drive the £0.7m shortfall are driven by the slower recovery of income streams post COVID-19 and effected by the national and international challenges largely beyond the authority's control. This also includes the impact on the cost base as a

result of higher energy prices and general inflation. The relative impacts leading to the most adverse end of the range of forecast results are shown in the graph below and as described is only an indication of what could be, knowing there are so many variable pressures beyond the control of the authority as well as the possibility of incomes continuing to strengthen:

4.4



4.5 The slower income recovery includes those services, as described earlier which are recovering and generating income but understandably, due to the complex range of challenges and changes in behaviour are not yet reaching budgeted levels yet.

4.6 The inflationary pressures are causing significant rises in utility costs (£0.4 million) for the council’s properties and fuels costs (£0.3 million) for the vehicle fleet.

4.7 These adverse impacts are partially offset by favourable income from higher interest receivable on investments and salary savings from current vacant posts.

4.6 **Capital programme**

The council is forecasting to spend £27.2 million of its capital budget of £46.5 million for 2022 to 2023, with proposed carry forwards of £19.3 million as a result of project timings. This in turn provides cash balances that are being reinvested for interest returns. Further detail by individual capital project can be found in **appendix C**.

#### 4.7 **Earmarked reserves**

The council's forecast balance on earmarked revenue reserves at the end of the financial year is **£39.0 million**, against a budgeted closing balance of **£37.3 million**. This forecast net under-utilisation is primarily due to additional contributions to the capital project financing reserve, resulting from reduced borrowing and minimum revenue provision due to project timings (£1.2 million), additional contributions to the Invest to Save reserve in respect of the pension scheme contribution adjustment (£0.6 million) plus a number of smaller forecast variances.

4.8 Earmarked reserves are just that – they are earmarked for specific purposes, including for investment in our waste fleet renewals programme and investment in our operational and commercial properties. 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 forecast reserve balances as they stand at the end of 2022 to 2023, 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 key performance indicator reporting arrangements have been developed through extensive consultation with service areas, Leadership Team and Portfolio Holders and will be continually further refined through the 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. This 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 July 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.