West Suffolk Council

2023 to 2024 Performance report Quarter 1

Report number:	**PAS/WS/23/014**	
Report to and date(s):	**Performance and Audit Scrutiny Committee**	27 July 2023
Cabinet member:	Councillor Diane Hind Cabinet Member for Resources Tel: 01284 706542 Email: diane.hind@westsuffolk.gov.uk	
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Decisions Plan: **This item is not required to be included in the Decisions Plan**

Wards impacted: **All Wards**

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

1. **Notes the forecast 2023 to 2024 revenue and capital positions as detailed in the report and appendices, and forwards any relevant issues or comments to Cabinet for consideration.**

1. Context to this report

1.1 The council's performance management framework seeks to give councillors, officers, partners, stakeholders and residents greater understanding of progress towards achieving 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 broad range of day-to-day services to the residents and businesses of West Suffolk. Effective use of performance management information can support service improvement and seize opportunities as well as enable choices to be made about the use of resources.

1.2 This paper is part of that process. Financial performance information (monitoring against the approved budget with appropriate comment on any change) 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 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.

The performance management framework naturally develops and evolves over time to reflect the challenges and aims the council is facing and metrics can be changed or added to reflect this.

1.4 This report includes a forecast year-end 2023 to 2024 financial position for West Suffolk Council, based on the information available in the first quarter of the financial year. The budget against which the forecast variances are measured against was set in February 2023. Where appropriate, this budget process sought to address the significant variances arising during the year, in particular the ongoing challenges around income recovery and the impacts of inflation. However, this is a forecast and with the international issues faced by the public and private sector that are affecting budgets these numbers are likely to change through the year. The report for the previous year can be found here:
Q4 Performance Report - 2022 to 2023

1.5 When producing the forecasts for the first quarter, officers have given consideration to those areas that were challenging in the previous year's outturn position, and in particular those that resulted in changes to the

2023 to 2024 budget. These, and any new areas of significant variance that may arise during the course of the year, will be closely reviewed and where appropriate taken into account when setting the 2024 to 2025 budget. The current year's budget that the forecasts will be monitored against can be found here: Medium Term Financial Plan

1.6 As set out later in this report the forecast year-end outturn position as at quarter one shows a forecast **deficit of £0.4 million (which is just over 1% of total income excluding housing benefits)**. This is made up of a number of variances to budget, including the national and international financial challenges which both the public and private sector are facing - further detailed in **Appendix B**. This is a forecast position taking into account the first quarters actual performance and intel and information available at this point in the year. This forecast is part of our prudent financial management and will continue to be reviewed during the course of the year and is therefore liable to change. Steps are already being taken to look to mitigate, where possible, forecast cost variances to budgets to enable the budget to be delivered on target by the end of the financial year. This is normal procedure for councils which include reserves (as set out later in the report) to deal with fluctuations such as this.

Income recovery

1.7 Council Tax only covers around a 20 per cent of the cost of delivery services by West Suffolk Council. As such, Government requires councils to raise income to deliver services. Over 70 per cent of West Suffolk Council's budget is funded locally – council tax and local fees and charges. Income generation for public services across the UK have been severely impacted over the last few years from the pandemic including local and national lockdowns, the recovery thereafter and in addition, the cost-of-living crisis, which the Ukraine War has exacerbated, as well as increased inflation is not only impacting our communities and businesses but also adversely putting pressure on the council's budgets too.

1.8 West Suffolk Council is not alone in continuing to face these issues, although there are good signs of recovery by services and areas – some stronger than others. The data collected during the year 2022 to 2023 helped inform a revised income budget level for a number of council income streams in the 2023 to 2024 budget. The early indications in the first quarter's forecast are that these income streams are broadly in line with budget expectations, further details are available in **Appendix B**.

1.9 Performance of the council's income streams will form part of in-year 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 United Kingdom.

Impact of inflation and wider economic conditions

1.10 In addition to the ongoing effects of income recovery, other global economic pressures continue to have a major impact on the council's finances. Significant increases in energy 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 2023 to 2024 and across the medium term. A number of these had already been taken into account for the 2023 to 2024 budget and are being monitored closely.

1.11 These wider economic pressures can be seen in the first quarter's forecast year-end position for 2023 to 2024, particularly in the overspends on utilities and supplies and services. These pressures are now not expected to improve in the short term and will be continually reviewed as part of the 2023 to 2024 budget monitoring as the year progresses and reported to this committee.

1.12 Global economic pressures have, however, had some positive impacts on the budget. Rising interest rates have resulted in increased investment income, and the fall in fuel prices has led to forecast savings against the assumed unit rate used when setting the current year budget. See also **Appendix B**.

1.13 In addition, higher utility costs mean renewable measures that the council has invested in, such as Toggam Solar Farm, solar panels on buildings and battery charges brings in valuable income streams for the council for the delivery of services. In addition, schemes such as solar for business, that the council runs has not only brought in an income for the authority but has helped businesses keep bills down and impact on the environment when they are also facing higher utility costs.

1.14 The council's approved budget, which was set in February 2023, included a 4 per cent assumption in respect of the local government pay award, which is yet to be agreed. It is estimated that each additional 1 per cent rise above the 4 per cent assumption would impact the budget by around £0.3 million per annum. The council will initially seek to manage the impact of the pay award within the overall employment costs through in-year vacancy management. In addition to this, the budgets also include an assumed £0.8 million transfer to the general fund, part or all of which could be released in order to mitigate any additional impacts of the pay award if required.

2. Quarter 1 Performance

2.1 This report shows the quarter one performance and forecast year-end financial position for West Suffolk Council for 2023 to 2024.

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 the council, analysed across the various categories of income and expenditure.

Appendices C to D: Other 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 2023 to 2024. 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 this quarter's data is 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.

Fuel use – key performance indicators.

Issue

3.4 At the Member training session before the meeting of Performance and Audit Scrutiny Committee (PASC) on 22 June, a question was raised around the **fuel use Key Performance Indicators (KPIs)** (on dashboards 2 and 3 of the Quarter 4 performance report) and whether they could be developed to include the number of vehicles they related to (and therefore 'per vehicle' measures) and the cost of fuel.

Background

3.5 At present, the KPI dashboards include four measures in relation to fuel use:

- Amount of petrol used by fleet vehicles
- Amount of diesel used by fleet vehicles
- Amount of Ad Blue used by fleet vehicles
- Amount of red diesel used by grounds maintenance vehicles

3.6 The KPIs were originally included in the indicator set as part of a suite of environmental measures, alongside measures for gas and electricity consumption on council sites. The intention is that over time as the council's net zero initiatives are implemented, members and officers can monitor changes in the use of carbon-emitting fuels such as these. For noting, as service demand increases due to housing growth and the future impact of the Resource and Waste Strategy (RAWS) and so on, our fuel use may increase, subject to the adoption of alternative fuel replacements.

Alternative approaches

3.7 As currently conceived, the fuel use KPIs are intended as a long-term monitoring measure for environmental purposes.

3.8 Other businesses and organisations use fuel-use KPIs to monitor other aspects of their efficiency, for example:

- **vehicle efficiency** (by measuring miles per gallon to monitor when vehicles are becoming less efficient)
- **collection route efficiency**
- **fuel cost efficiency**

3.9 West Suffolk Council does not currently use KPIs for PASC and the public to monitor these elements, instead uses the following approaches:

- **vehicle efficiency**: this is achieved through planned vehicle maintenance and monitored through workshop spend and vehicle replacement plans. The fuel system software also allows monthly fuel reports to be produced, which support monitoring, but given the diversity and complexity of the council's fleet (see section 7), variable waste loading and numerous operational routes (160 variants), these are more appropriate for the service to monitor on a more frequent basis, and averages would mask actual efficiency issues. It is proposed that these indicators continue to be monitored by workshop and operational staff.

- **route efficiency**: for waste, collection routes are designed using RouteSmart (waste collection 'rounds' software). A specialist approach is needed to route plan for waste collection, given the statutory requirements for bin collections; the need to observe and follow route restrictions and avoid sensitive locations; the big differences between rural and urban rounds; the need to adapt when new housing estates are built and to reflect changes in traffic volumes and waste generation; and the significance of workforce costs over fuel costs when planning rounds and shifts. Other vehicles and machinery use other methods to plan, for example, grass cutting schedules.

- **fuel cost efficiency**: this is monitored through budget monitoring (where 'spikes' in fuel prices, or changes in service demand can be seen month on month) and through annual reviews carried out as part of the fuel purchasing group buying framework offered by the Crown Commercial Service. Publishing monthly or quarterly data about the cost of fuel would be too frequent to support changes in operations, given the limited procurement routes available to councils. This issue is monitored on a longer term basis through medium term financial planning.

Recommended approach

3.10 The current monitoring approaches described above would appear to continue to be fit for purpose for PASC and public monitoring of fuel use, given the nature of the council's operations.

3.11 However, the following additional information may help in offering greater transparency over the council's fleet and fuel use.

Vehicle type	**Count**
HGVs over 3.5T, RCVs, tippers and road sweepers	50
Vans and vehicles up to and including 3.5T	79
Green spaces and heritage equipment – mowers and tractors	50
Precinct sweepers	9
Depot JCB / telehandlers	2
TOTAL	**190**

Fuel type (petrol, diesel, electric/hybrid)	**Count**
Electric	4

Hybrid electric	1
Diesel	178
Petrol	7
TOTAL	**190**

Please note: 32 of the above vehicles are also permitted to use gas oil or "red diesel", for example, landscapes equipment, mowers, digger at cemetery.

4. Financial forecast summary

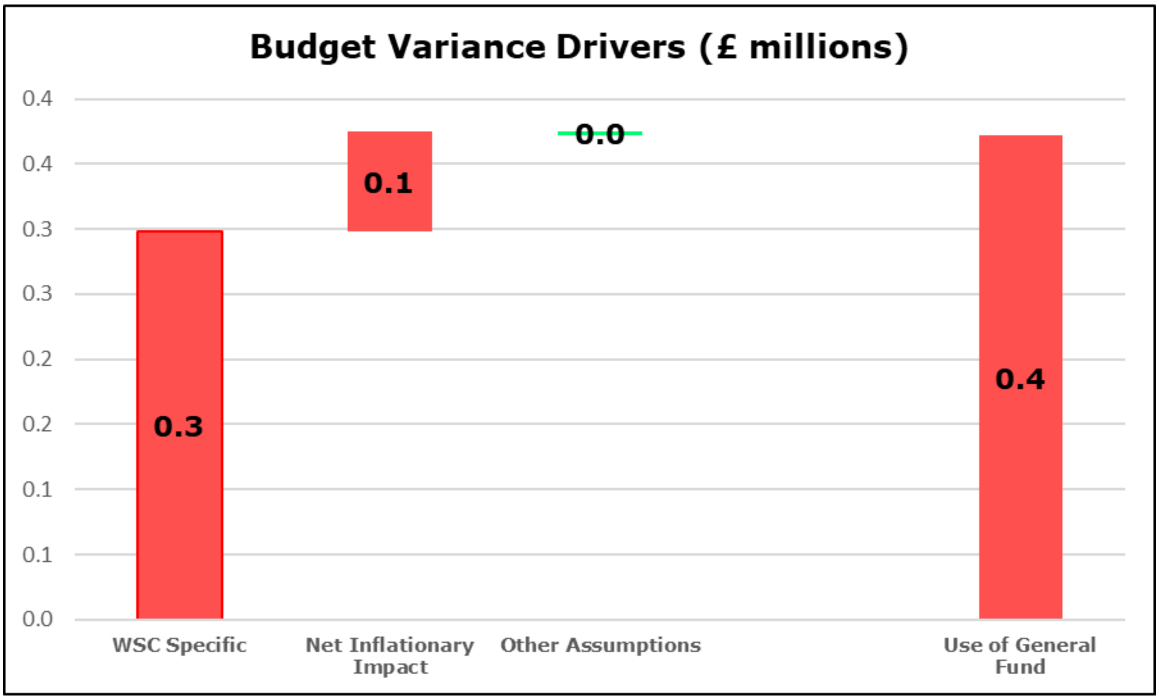
4.1 For the national and global impacts and challenges set out earlier in this report the forecast year-end outturn position as at quarter one shows a forecast **deficit of £0.4 million (which is just over 1% of total income (excluding benefits)**, made up of a number of variances to budget, further detailed in Appendix B. As stated earlier this is a forecast on the first quarter and could be liable to change.

4.2 On 1 April 2023 the council's General Fund (its contingency reserve which represents around 25 per cent of the net budget) balance stood at £5 million. This is money put aside by the council as part of its prudent financial planning to help manage unforeseen or unprecedented issues that impact on the authority. This is at the agreed £5 million policy level, and as such will need to be closely monitored in the council's 2023 to 2024 forecast, and its budget plans going forward.

4.3 To mitigate any further unexpected use of the General Fund, officers continue to work on income recovery plans, 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.

4.4 As laid out in section one reflecting the income recovery trends and inflationary pressures into the budget for the year has meant that variances forecast at this stage are more specific and localised than those reported in the prior financial year.

4.5 The trends that are coming through in quarter one that are forecast to have an impact on the full year position include the ongoing vacancy of some of our retail units, increased costs of delivering the local plan, above assumption inflation of utility cost rises in our operational estate and the slow-down in the property market impacting land charge, building control and s106 income. These adverse impacts are partially offset by lower fuel costs and reduced business rate liability (from improved occupancy of our industrial units). The relative impacts leading to the most adverse end of the range of forecast results are shown in the graph below – red representing pressures and green representing positive impacts.



4.6 The quarter one position also assumes a positive variance on interest receipts from investments of the council's cash balances - deposited mainly with the secure debt management office facility. Alongside this additional interest receipts income, the council is still utilising these internal cash balances to support its capital programme rather than externally borrowing. Further external borrowing is not expected during the year and in line with previous reports the additional interest receipts alongside the saving on interest payable are both being contributed into the capital financing reserve – therefore not showing as a variance within the £0.4m deficit position. This reserve is an equalisation reserve and is expected to be used significantly during the later parts of the medium-term budgets (before the market is due to soften) as we anticipate higher rate borrowing costs to that included in the base budget.

4.7 Whilst the £0.4 million forecast deficit position at this point in time, is based on data and intelligence available after quarter one's performance, management are looking at options to bring the overall budget back to a balanced position. Members will be kept updated on progress through regular reporting to the committee. In addition, as the final financial outturn for 2022 to 2023 meant that we did not have to use the general fund to the extent expected earlier on in the year, there is £0.8 million of budgeted contribution to the general fund that is currently not required, as the policy level of £5m has already been achieved. This is being held in anticipation of being used to mitigate the impact of the upcoming pay award and any balance will be available to bring the budget back into balance.

Capital programme

4.8 The council is forecasting to spend **£30.2 million** of its total available capital budget of £56.7 million for 2023 to 2024, as a result of project timings, mainly the timing of investment of the 'Investing in our Growth' fund projects such as the Innovation units at Suffolk Business Park, and the use of the Barley Homes loan facility. 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**.

Earmarked reserves

4.9 The council's forecast balance on earmarked revenue reserves (reserves that have been held for specific purposes) at the end of the financial year is **£45.4 million**, against a budgeted closing balance of **£42.8 million**. The majority of this variance relates to timing of expenditure into the next financial year, related to capital programme phasing as detailed below. This 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 (£1.5 million), additional contributions in respect of investment interest (£0.9 million) arising from improved interest rates and cash held, and project timings on the building repairs reserve (£0.2 million), and the car park development reserve (£0.2 million) linked again to the capital programme, plus a number of smaller variances. These increased balances are expected to be utilised across the medium-term budgets, especially with interest rates remaining higher in the short term and external borrowing estimated to take place in the next 12 to 24 months whilst rates are still higher than expected in the longer term.

4.10 Earmarked reserves are just that – they are earmarked for specific purposes, including for investment in the renewals of our waste fleet vehicles 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 reserve balances as they are forecasted to stand at the end of 2023 to 2024. 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.
COU.WS.23.003 Attachment D Appendix 3 - Earmarked Revenue Reserves.pdf (westsuffolk.gov.uk)

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. The use of the council's general fund balance can be considered to manage the residual in-year net financial pressures being experienced, after in-year savings and initiatives such as vacancy management have taken place. However, the 2023 to 2024 budget was prepared on the basis of no further calls from the general fund balance, alongside its return to the agreed £5 million policy level so any utilisation in year will result in a pressure on the 2024 to 2025 budget as provision will need to be main to replenish the general fund back up to the agreed policy level.

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 previous 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 A new risk (WS23) has been added to reflect the relatively new nature of the current administration and includes the actions taken to provide training and inductions for all new members. It is anticipated that this will only be a temporary inclusion.

7.3 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.

7.4 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.

7.5 At its most recent assessment on 9 June 2023, 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**.

7.6 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.

7.7 Some individual controls or actions have been updated and those that were not ongoing and had been completed by March 2023 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 referenced in this report

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

If you experience any problems with accessing this document or any of the appendices, please email performance@westsuffolk.gov.uk.

10. Background documents associated with this report

10.1 Q1 Performance Report - 2022 to 2023
Q2 Performance Report - 2022 to 2023
Q3 Performance Report - 2022 to 2023
Q4 Performance Report - 2022 to 2023

Council Agenda including 2023 to 2024 Budget and Council Tax Setting Report

Council Agenda including 2022 to 2023 Budget and Council Tax Setting Report