

2023 to 2024 Performance report Quarter 3

Report number:	PAS/WS/24/005	
Report to and date(s):	Performance and Audit Scrutiny Committee	25 January 2024
Cabinet member:	Councillor Diane Hind Cabinet Member for Resources Email: diane.hind@westsuffolk.gov.uk	
Lead officer:	Rachael Mann Director (Resources and Property) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	

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.
- 2. Notes** the risk management review process to date and forwards any relevant issues or comments to the Portfolio Holder for Resources and Property.

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 to 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 as at quarter 3 of the financial year. The budget against which the forecast variances are measured against was set in February 2023. Where appropriate, this budget monitoring process seeks to draw out 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 reports for the previous quarters can be found here:

[2023 to 2024 Performance Report Q1](#)

[2023 to 2024 Performance Report Q2](#)

- 1.5 When producing the forecasts for the first 9 months of the year, 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 as at quarter three shows an overall forecast balanced position**. This position includes the release of £0.57 million of the planned top-up to the general fund of £0.8 million. The year-end general fund balance is forecast at £5.3 million, which is higher than the originally anticipated level of £5.0 million and will be closely monitored within the final quarter of the year.
- 1.7 Without this use of the general fund allowance in year, the **deficit would be £0.57 million (which is around 0.9% 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 three quarters of the year's actual performance and information available at this point in the year.
- 1.8 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 ensure the budget continues 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

- 1.9 Council Tax covers less than a fifth of the cost of delivery services by West Suffolk Council. As such, Government requires councils to raise income to deliver services. Around 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.

1.10 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 indications in the 9-month forecast are that these income streams are showing an improvement on budget expectations, further details are available in **Appendix B**.

1.11 Performance of the council's income streams will form part of in-year monitoring and will help inform our ongoing annual 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

1.12 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 forecast year-end position for 2023 to 2024, particularly in the overspends on utilities 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.

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, have not only brought in an income for the authority but have 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. The pay award has now been agreed at an increase of

£1,925 per annum for scale points 1 to 42, and 3.88 per cent for scale point 43 and above. This impacts the budget by around £0.6 million per annum. The council continues to manage the impact of the pay award within the overall employment costs through in-year vacancy management and then within the overall budget position.

2. Quarter 3 Performance

2.1 This report shows the quarter 3 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.**

Appendix G: List of available Key Performance Indicators (KPIs)

Appendix H: Environment and Sustainability Reference Group (ESRG) quarterly progress report

3. Performance summary

- 3.1 Each of the dashboards at **Appendix A** contains commentary on the council's performance in Quarter 3 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.

Specific performance updates

Number of KPIs

- 3.4 At the meeting of PASC on 23 November 2023, there was debate over "the number of KPI's being reported and whether these should be reduced to more manageable levels". The discussion touched on the challenges involved – namely wanting wide coverage of the council's business and areas of interest, while limiting the total number of KPIs to ensure effective scrutiny.
- 3.5 Officers are currently working on a review of all the current KPIs, in order for Portfolio Holders to select the suite of indicators to monitor for 2024-25. In order to inform this review, Performance and Audit Scrutiny Committee are invited to comment on the full set of available indicators at **Appendix G**. This list includes both the indicators currently shared with PASC for scrutiny following their consideration by Portfolio Holders, and those monitored by the council's Leadership Team. (It should be noted that officers also monitor other indicators relating to service delivery at the team level on a day-to-day basis).
- 3.6 PASC are invited to make suggestions as to any indicators from **Appendix G** that they would like to see added to the suite for reporting to PASC in 2024-25 or any that they would like to see removed.

Planning Appeals and Universal Credit

- 3.7 The requests made at PASC in November 2023 for KPIs regarding the cost of planning appeals, and Universal Credit take-up by town are being worked on by officers in order for KPIs to be included in the quarter 4 performance report once the relevant data have been obtained and analysed.

Car parking

- 3.8 At PASC in November 2023, the Committee suggested it would be helpful to members to have car parking event data broken down by town. These data are now included on page 6 of the dashboards.

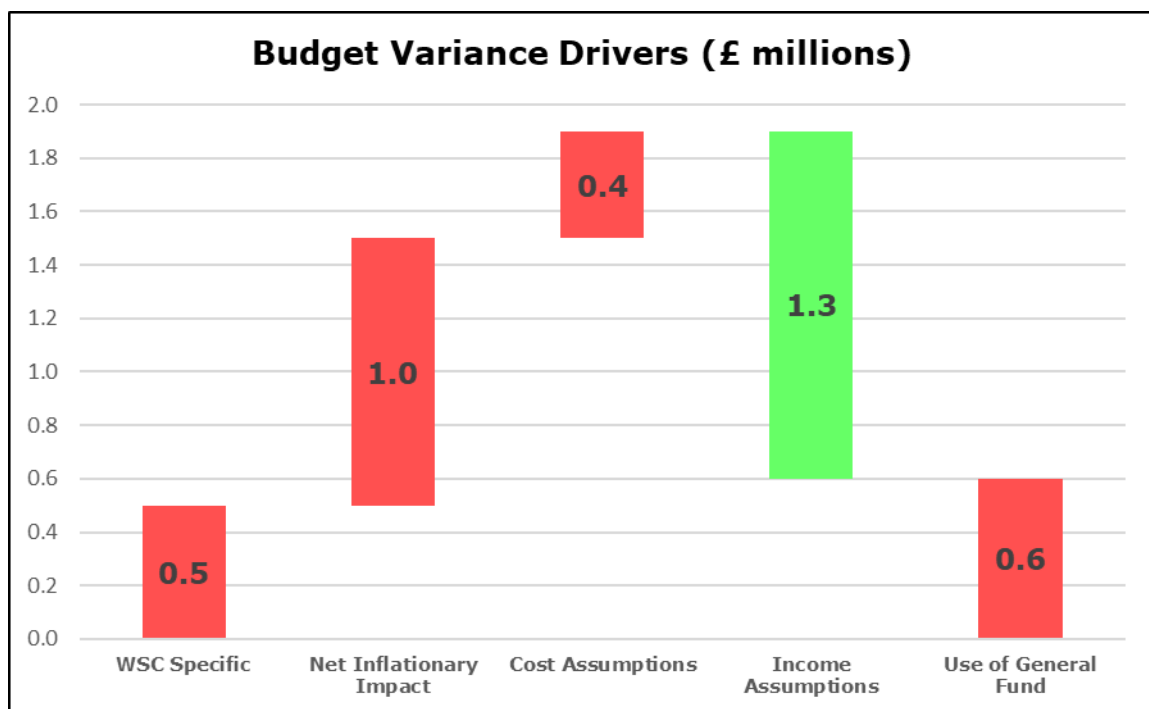
Environment and Sustainability Reference Group (ESRG) quarterly report

- 3.9 The Environment and Sustainability Reference Group (ESRG) has also reviewed the actions being undertaken by the council under its agreed environment and climate change action plans. The quarterly report can be viewed in **Appendix H**.

4. Financial forecast summary

- 4.1 **The forecast year-end outturn position as at quarter 3 shows an overall forecast balanced position.** This position includes the release of £0.57 million of the planned top-up, but subsequently not required, to the general fund of £0.8 million. This forecast is made up of a number of variances to budget, further detailed in **Appendix B**. As stated earlier this is a forecast on the third 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. This balance is currently forecast to increase to £5.3 million at the year end.
- 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 can be split into income growth, inflationary pressures and specific, localised assumption changes.
- 4.5 The trends that are coming through in quarter three that are forecast to have an impact on the full year position include the agreed employer pay award, higher business rates income, improving forecasts for car parking income and trade waste, increased costs of delivering the local plan, higher external audit fees, 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. 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 3 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 forecast position. This reserve is an equalisation reserve and is available to be used during the later parts of the medium-term budgets (before the market is due to soften) as we start to borrow and in anticipation of higher rate borrowing costs to those included in the original business cases .
- 4.7 Whilst the forecast balanced position at this point in time is based on data and intelligence available after quarter 3 performance, management are looking at options to ensure the overall budget continues to show a balanced position by the end of the financial year.

Capital programme

- 4.8 The council is forecasting to spend **£19.7 million** of its total available capital budget of £48.6 million for 2023 to 2024 (budget reduced following the decision on the Western Way Development), 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 **£41.2 million**, against a budgeted closing balance of **£36.6 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 (£1.2 million), additional contributions in respect of investment interest (£1.8 million) arising from improved interest rates and cash held, 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 beyond the £0.8 million budget set aside to be contributed into the general fund, will result in a pressure on the 2024 to 2025 budget as provision will need to be made 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, Leadership Team and Portfolio Holder for Resources and Property.
- 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 The West Suffolk Strategic Risk Register is updated regularly by the Risk Management Group. This group is comprised of Directors, service representatives 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.
- 7.3 The Risk Management Group meets quarterly to assess the current risk ratings, update any mitigating actions or controls and review the wider environment to assess if any new risks need to be added.
- 7.4 Following the last PASC meeting, a further review has taken place of the Strategic Risk Register in the context of how we assess and rate risks. This review has included an initial update to the Risk Management Toolkit which provides a framework for identifying, assessing and rating risks. This is available in **Appendix Ei** – West Suffolk Risk Management Toolkit.
- 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 a level that is either acceptable or tolerable within the context of that particular risk.
- 7.6 At its most recent assessment on 8 January 2024, the group reviewed the residual risk, the risk level where the council is likely to be after mitigations. These assessments form the revised West Suffolk Strategic Risk Register at **Appendix E**.

7.7 The Register for December 2023 includes the following risks that still have a high residual risk (after mitigating actions and controls). These are:

- WS5 – Staff recruitment
- WS9 (c) – Delivering affordable, available and decent homes.
- WS11 – Loss of a key employer or industry.
- WS12 - Partner/Public sector failure
- WS19 – Cyber security
- WS22 – Financial impact on individuals due to rising cost of living.

These risks remain high predominantly due to the wider economic and social environment, despite the actions that West Suffolk council has taken.

7.8 There has been one risk removed in this latest Risk Register. This was:

- WS6 – Managing public/councillor expectations with less resources. This was removed due to duplication with other more specific risks WS1 (Financial Management), WS3 (Maintain and promote our public image, maintain effective communications), WS9 (Deliver Strategic Priorities), WS15 (Service performance).

7.9 We will continue to review our approach to strategic risks, keeping the committee updated, taking into considerations the views of the committee. We will also continue to review our methodology behind our risk assessment, rating and governance, including benchmarking of our process and reporting against other district councils. We will also look to include risk management within the scrutiny training sessions for members planned in February 2024.

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
Appendix Ei – West Suffolk Risk Management Toolkit

Exempt Appendix F – Aged debt over 90 days summary

Appendix G: List of available Key Performance Indicators (KPIs)
Appendix H: Environment and Sustainability Reference Group (ESRG)
quarterly progress report

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](#)

[Q1 Performance Report - 2023 to 2024](#)
[Q2 Performance Report - 2023 to 2024](#)

[Council Agenda including 2023 to 2024 Budget and Council Tax Setting Report](#)

[Council Agenda including 2022 to 2023 Budget and Council Tax Setting Report](#)