

# Report to Overview and Scrutiny Committee

Date of meeting 2 June 2021

By the Head of Finance and Performance

## INFORMATION REPORT



**Horsham  
District  
Council**

Not exempt

### REPORT ON THE COUNCIL'S FINANCE AND PERFORMANCE IN 2020/21

#### Executive Summary

This report gives the Overview and Scrutiny Committee information to help it carry out its role of monitoring the internal and external delivery of services by detailing how successful the Council has been in delivering against the budget.

The Council delivered a £4.55m revenue overspend after allowing for budgets of £4,500 that will be carried over to 2021/22. However, receipt of £4.7m in government expenditure and income loss grants during 2021/22 meant that together with the Council tax and Business rates income, the overall funding position of the Council ended in a £0.98m surplus. This compares to the original planned objective of setting a £0.83m surplus when the budget was set for 2020/21.

Capital expenditure amounted to £5.4m which was 60% of the approved £8.9m capital programme. Spend was £0.2m lower following a negotiated settlement with Aviva that was lower than the accrual for the spend in 2019/20.

An analysis of Key Performance Indicators (KPIs) for the year shows 64% were within target, 13% were close to target, and 23% were below target. Many KPIs, especially those in Leisure and Culture, and Parking were affected by the continuing impact of Covid-19. 39% of indicators show improvements during the year which includes the falling number of missed bins reported and the improvement in speed of processing new benefit claims as well as a higher amount of Council Tax being collected. 21% of indicators had no change and 39% showed a worse performance than in 2019/20, with all of these being caused by the impact from Covid-19.

Work on the Corporate Plan actions continued through 2020/21 with eight actions now completed, including the adoption of the local cycling and walking plan and agreement of the Horsham Realm Strategy. There are currently six Corporate Plan actions still on hold due to Covid-19. There are 63 Corporate Plan actions in progress including the local plan, a programme of support for the retail sector in our market towns and high streets; work on the launch of kerbside recycling collections of Waste Electrical and Electronic Equipment (WEEE), textiles and batteries, and work to encourage more online payments.

#### Recommendations

Members are recommended to note:

- i) the financial position of the Council as outlined in the report.
- ii) the revenue budgets carried forwards as approved by the Director of Corporate Resources, as outlined in the report in paragraph 2.2

- iii) the transfers between the general reserves and the earmarked reserves as outlined in the report.
- iv) To note the key performance and corporate plan action reports

## **Reasons for Recommendations**

The monitoring of Financial Delivery as part of the duty of Best Value to drive up service improvement:

- i-iii) Monitoring of the Council's budget is essential, so that action can be taken to safeguard the Council's financial position if required.
- iv ) To enable Overview and Scrutiny to carry out its Constitutional role of monitoring the delivery of internal and external services and scrutinise any part of the Council's work.

**Consultation:** Senior Leadership Team, Cabinet Members.

**Wards affected:** All

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### **Background Papers:**

- Appendix A: Financial highlight outturn report
- Appendix B: Revenue dashboard outturn
- Appendix C: Capital outturn
- Appendix D: Useable reserves; movement between GF and ear-marked reserves
- Appendix E: Transformation fund at 31 March 2021
- Appendix F: Key performance indicators end of year report 2020/21
- Appendix G: Corporate Plan update end of year report 2020/21

## **Background Information**

### **1. Monitoring of performance**

- 1.1 One of the roles of the Overview and Scrutiny Committee is to review the internal and external delivery of the Council's services. The Committee does this by looking at the Council's progress in financial performance.

### **2 Financial performance**

- 2.1 Appendix A is the Council's Financial Dashboard. The Council overspent by £4.55m due to the reduction of income and expenditure demands caused by the Covid-19 pandemic.
  - 2.2 The Director of Corporate Resources has approved the carry forward of a £4,500 budget into 2021/22, to be used to celebrate employee successes and outcomes after an extremely difficult year under Covid-19 for all staff, which will take place when the relaxation of Covid-19 rules allow.
  - 2.3 Appendix B is the Council's Revenue Dashboard containing managers' high-level comments on the causes of the more significant differences from budget.
  - 2.4 Appendix C is the detailed capital programme and expenditures from 2020/21. Projects spent £5.4m (60% of the £8.9m programme) which compares to £9.8m (45% of £21.7m) in 2019/20.
  - 2.5 The performance reflects the impact of Covid-19 on the capital programme as well as an optimism in the budget to deliver. The Council underspent on three larger projects; housing loans and equity funding for the housing company which hasn't built to the timescales envisaged; Highwood community centre which is awaiting the outcome of the district community facilities review and resolution of the future of the Drill Hall; and replacement vehicles where use of vehicles have been extended during the year as options for a greener replacement are analysed. Where capital expenditures are still required, the unspent capital budgets will be re-profiled into later years.
- 3.1 The Council holds a number of ear marked reserves which may be used in year to fund associated expenditure. Where grants and contributions are received in year but not spent the unused portion may be transferred to ear marked reserves for use in future years. The Council can also choose to move funds from the general fund reserve to ear marked reserves to cover future costs.
  - 3.2 Appendix D sets out the movements between the general fund and ear marked reserves. The usable reserves total of £43.5m at 31 March 2021 compared to £25.2m at 31 March 2020. This splits into general fund reserves of £24.9m (£15.7m at 31 March 2020) and earmarked reserves at £18.6m (£9.5m at 31 March 2020).
  - 3.3 Receipt of £5.1m of capital grant income, £1m surplus from revenue, and £3m of other income helped by the 'guaranteed' collection of a large proportion of business rates following the Government payment of retail and hospitality Section 31 grants contributed to the £9.2m movement in general fund reserves.

- 3.4 Receipt of £4.8m of New Homes Bonus and the year-end balance of £2.9m of Government Covid-19 business grants that will be paid to businesses during 2021/22 has contributed to the £9.1m movement in earmarked reserves in 2020/21.
- 3.5 The Council had forecast a budget surplus in 2020/21 and near balanced budgets through to 2023/24. This had relied on a range of actions being implemented to help deliver further income generation and efficiency measures, requiring further investment in transformational projects. The impact of Covid-19 in March 2020 has caused unprecedented disruption to the economy and Council services and future income levels are uncertain as customer behaviour patterns may be permanently altered. Future budget deficits are now forecast. It therefore remains important to invest in transformational projects.
- 3.6 The next phase of this transformation will focus on how we ensure that services are designed to meet customer's needs and done in the most efficient way, which in its simplest form means without officers re-keying data. The project to implement the first part of the new Planning and Regulatory system to facilitate transformation is underway, and there will be period of dual running and implementation costs. Other ICT investments will also help unlock digital change and improve customer self-service, as will investment in staff to help drive cultural change.
- 3.7 Subject to Cabinet approval, £111k will be transferred from the General Fund reserve balance to top up the existing balance of £389k at 31 March 2021 in the earmarked transformation reserve to £0.5m for this purpose during 2021/22. This will help to set aside a balance to help transform the Council in the future; effectively being funded using the budget surplus. Expenditure from this transformation reserve will follow the normal financial authorisation and budget process procedures. Appendix E contains a snapshot of the transformation fund at 31 March 2021 with early anticipated estimated future expenditure.

#### **4 Outcome of consultations**

- 4.1 The Chief Executive and Directors together with the individual Cabinet Members have reviewed the reports contained in the appendices to this report. Sections 1 to 3 tell Committee where officers are taking action on points of concern. Action on lesser issues is mentioned in the appendices.

#### **5. Other courses of action considered but rejected**

- 5.1 None. The Council must monitor its performance and take corrective action where appropriate.

#### **6. Resources consequences**

- 6.1 There are no staffing or direct financial consequences from the Overview and Scrutiny Committee reviewing this report.

#### **7. Consequences of the proposed action**

- 7.1 This report does not impact on Crime & Disorder; Human Rights; Equality & Diversity and Sustainability matters. Overview and Scrutiny reviewing this report and raising any concerns they have reduces the risk that management or Cabinet have missed any performance or financial trends they need to address.