

Report to Overview and Scrutiny Committee

5 June 2023

By the Director of Resources

INFORMATION REPORT

Not exempt



**Horsham
District
Council**

REPORT ON THE COUNCIL'S FINANCE AND PERFORMANCE IN 2022/23

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 £0.26m revenue surplus after allowing for budgets of £0.15m that will be carried over from 2022/23 relating to work in leisure, property and recycling that will now take place in the first quarter of 2023/24. Throughout the year the rising inflation rates affected expenditure of £0.89m in Recycling and Waste through increased HVO fuel prices, staffing and specialist medical collection costs, £0.59m in housing due to increased utility and maintenance costs as well as increased demand for board and lodging from the residents. The increases in costs have been offset by surpluses of £1.35m from the impact of increased interest rates on our investment income and £0.57m in parking income as customers return to the town centre car parks, Debt over 90 days is aging and the risk associated with recovery is increasing, albeit being closely monitored by the finance department and the planning team.

Capital expenditure amounted to £5.2m which was 43% of the approved £12.1m capital programme. A table of actions to address issues and improve performance during 2023/24 has been included within the report.

The Key Performance Indicators (KPIs) report includes data for both quarter 4 and the end of year for 2022/23. There are 8 red KPIs in Q4 and 9 annual red KPIs. The areas of most concern are in Housing and Revenues & Benefits. These are the areas have been impacted the most over the last three years by Covid-19 and now cost of living, with increased demand and higher workloads for the services.

There are two red Housing indicators for households in temporary and Bed & Breakfast accommodation and three red Revenues and Benefits indicators in Local Authority subsidy error, and collection of C-tax and NDR arrears indicators.

Work on the Corporate Plan actions continued through 2022/23. Seven actions completed including the delivery of a new skate park at Horsham Park, the completion of a golf supply and demand assessment, celebration events for the Platinum Jubilee and Coronation, Horsham Markets review, a residents survey, upgrading of the West Walk paving and the introduction of Podback to collect coffee pods for recycling.

Other projects are progressing including work funded by the England Prosperity Fund, delivery of a business training programme and support with Hospital discharge programme, installation of electric vehicle charging points as part of the internal carbon reduction programme and a review and changes to the Housing register.

There are currently four Corporate Plan actions still paused; three relating to the Local Plan and one relating to the cultural strategy, which should start progressing during 2023/24.

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 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 2023
- Appendix F: Key performance indicators end of year report 2022/23
- Appendix G: Corporate Plan update end of year report 2022/23

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 delivered a £0.4m surplus in 2022/23 before carry forwards.

2.2 The Director of Resources has approved following budget carry forwards

- £25,000 to enable Recycling and Waste to continue with their analysis into food waste collection which was delayed.
- £21,875 in the Legal department to allow transformation to their software and to continue working with consultants resolving parish issues which have taken longer than expected to implement.
- £30,000 to allow for health and safety repairs to car park ramps in Swan Walk. This work was delayed in the procurement process.
- £30,000 to provide electrical boxes in the Carfax – which was delayed during option appraisal.
- £20,000 to allow the consultants complete their report on The Capitol refurbishment.
- £25,000 to enable the consultants to complete their further work at Southwater Country Park

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 2022/23. Projects spent £5.2m (43% of the £12.1m programme) which compares to £4.7m (56% of £8.3m) in 2021/22.

2.5 There are multiple and varied reasons for the low performance. It means there is not a one size fits all solution, so improving performance will require several solutions and iterations and the solutions will take time to work through. It reflects the impact of working with third parties on the capital programme, long consultation periods, planning issues, complex legal agreements, value engineering redesign to mitigate sharp cost increases, longer procurement and construction processes and issues, as well as a general optimism in the budget to deliver.

2.6 The Council underspent significantly on four of the larger project areas that accounted for nearly 40% of the capital programme. The proposed £1m commercial investment to expand two units at Oakhurst Business Park did not go ahead when the tenant company was sold and the new owners decided against the expansion. The vehicle replacement programme underspent £1.35m as time was taken to analyse the types of vehicles required in line with our environmental strategy of re-use as well as electrifying the fleet. Orders for some new vehicles have been placed but there are 12-month lead times on some vehicles. £1m in the budget for the public realm scheme to design and develop the Bishopric / Worthing Road and Carfax areas of Horsham wasn't used. Budget setting ambition exceeded capacity, and these will now be designed and delivered during 2023 through to 2025 as part of a wider

£2.64m procurement process. £1.2m was not spent on energy efficiency improvements during the year. The largest underspend occurred because we were unable to find a suitable property at the right price in which to decant residents in temporary accommodation into to free up the existing properties for decarbonisation work. The options were re-assessed and the strategy changed to redevelop an out of use existing property, which was better value for money but a longer process.

2.7 Where capital expenditures are still required, the unspent capital budgets will be re-profiled into later years.

2.8 Overview and Scrutiny repeatedly discussed the weak performance during 2022/23. A number of actions are being implemented by the Director of Resources to try to improve the deliverability of the capital programme in 2023/24 and in future years as summarised below.

Action	Requires / notes	Timeframe
Approving project across years	Known spend at point of project approval. e.g. if capped expenditure as Government grant.	Any new project for 2023/24 and for whole 2024/25 capital programme.
Profiling	Approved projects first 'profiled' at reporting period (M3) – allowing greater flexibility.	M3 of 2023/24 budget
Split budget (largest projects only)	Early stage enabling budget, then full budget requested later when information is hardened.	When adding anything to the 2023/24 capital programme
Capacity	Review capacity to increase outputs	2024/25 capital programme or when adding anything to the 2023/24 capital programme
Capacity	Review capacity to decrease ambition	2024/25 capital programme
Building in time	More realistic assumptions on consultation, planning, Budget holder challenge by portfolio holders.	2024/25 process
RAG rating	Based on delivery in financial year	2022/23 outturn will be reported with RAG status
Increased scrutiny	O&SC discussing with portfolio holders	During 2023/24

3 Key Performance areas

3.1 There are nine red KPIs at the end of the year. The impact of Covid-19 and then the cost of living has had a significant, cumulative impact on the performance of the Council over the last 12 months in two key areas of Housing and Revenue & Benefits.

Housing

3.2 The number of Households in temporary and B&B accommodation are above target. Demands on housing have significantly increased, colleagues across all other local district and boroughs are also reporting similar or higher increase in service demand. Locally the Council has been working hard to improve the options, including the opening of Roffey Place in partnership with Turning Tides supporting single homeless

households and securing additional family sized accommodation with Saxon Weald. Two further properties have been secured in Q4 taking the total additional family homes to six since September 2022. However, the publicity of Roffey Place has also brought out new approaches from former 'sofa surfers'.

Revenues and Benefits - R&B03 Quality Assurance LA error

3.3 Pressure on the Revenues and Benefits service has been building since the outbreak of Covid-19. The findings from the 2021/22 Housing Benefit Subsidy audit were reported to the Audit Committee on 29 March 2023. The report can be found here:

https://horsham.moderngov.co.uk/documents/s23678/2021_22%20Housing%20Benefit%20audit%20report.pdf

3.4 The report set out the background and context over the last three years, as well as the loss of subsidy for breaching the Local Authority error lower threshold during 2021/22 and the likelihood of things getting worse before they get better due to the audit discovery time lag.

3.5 In 2022/23, a 0.58% Local Authority error rate has breached the upper threshold of 0.54%. This means that the pre-audit position is at a cost of £122,925.

3.6 As part of a commitment to continued service improvement, including staff development, 2022/23 has seen an increased amount of quality assurance measures in year. These increased measures have also been a result of the issues identified in the 2021/22 audit.

3.7 This has resulted in the increased identification of error at the pre-audit stage in 2022/23. Around 60% of the LA error identified in 2022/23 was legacy error carried forward from the CenSus partnership.

3.8 Where the service has identified areas that require specific focus, additional training and checking will continue to be undertaken in 2023/24 to reduce the risk of subsidy loss going forward.

3.9 The 2022/23 Housing Benefit subsidy audit will take place later this calendar year and the results will be reported to the Audit Committee. Overview and Scrutiny Committee will continue to receive quarterly monitoring reports on the in-year LA error rate during 2023/24. The issue continues to be flagged as a red risk on the Corporate risk register.

4 Reserves

4.1 The Council holds several 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 earmarked reserves for use in future years. The Council can also choose to move funds from the general fund reserve to earmarked reserves to cover future costs.

4.2 Appendix D sets out the movements between the general fund and earmarked reserves. The unaudited usable reserves total of £49.0m at 31 March 2023 compared to £46.9m at 31 March 2022. This splits into general fund reserves of £26.4m (£23.2m at 31 March 2022) and earmarked reserves at £22.6m (£23.7m at 31 March 2022).

- 4.3 The reduction in earmarked reserves is due to the releasing the timing difference of business rate reliefs that were held by the Council at 31 March 2022. This £2.9m reduction is offset by the receipt of £2.1m of New Homes Bonus transferred into the environment and infrastructure reserve. The Council had sufficient capital receipts to cover the funding for infrastructure and investment assets without needing to draw on the environment and infrastructure reserve in the year.
- 4.4 Although the timings are uncertain, The Council is forecasting budget deficits in future years due to continued high levels of inflation, the likelihood that cost of living will remain high, the impact of Government funding reforms reducing grant income and the likely implementation and therefore cost of food waste collection. It therefore remains important to invest in transformational projects that may help to deliver further income generation and efficiency measures.
- 4.5 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 went live in April 2022 with the environmental health and licensing service. There will be further period of dual running and implementation costs for the next phases of Building Control and then Development. Other ICT investments will also help unlock digital change and improve customer self-service, as will investment in staff to help drive cultural change.
- 4.6 Subject to Cabinet approval, £221,511 will be transferred from the General Fund reserve balance to top up the existing balance of £278,489 at 31 March 2023 in the earmarked transformation reserve to £0.5m for this purpose during 2023/24. 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 2023 with early anticipated estimated future expenditure.

5 Outcome of consultations

- 5.1 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.

6. Other courses of action considered but rejected

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

7. Resources consequences

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

8. Consequences of the proposed action

- 8.1 This report does not impact on Crime & Disorder; Human Rights; Equality & Diversity, Environmental or 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.