

Signed off by	Head of Corporate Policy Head of Finance
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To	Overview and Scrutiny Committee Executive
Date	Overview and Scrutiny Committee: Thursday, 16 June 2022 Executive: Thursday, 23 June 2022
Executive Member	Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Quarter 4 performance report 2021/22
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Recommendations	
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That the Overview and Scrutiny Committee:

- (i) **Note Key Performance Indicator performance for Q4 2021/22 as detailed in the report and Annex 1 and make any observations to the Executive;**
- (ii) **Note the Revenue budget outturn for 2021/22 and recommended budget-carry-forwards as detailed in the report and at Annex 2 and make any observations to the Executive;**
- (iii) **Note the Capital Programme outturn for 2021/22 as detailed in the report and at Annex 3 and make any observations to the Executive.**

That the Executive:

- (i) **Note the Key Performance Indicator performance for Q4 2021/22 as detailed in the report and Annex 1;**
- (ii) **Note the Revenue budget outturn for 2021/22 as detailed in the report and at Annex 2 and approve the recommended budget carry-forwards to 2022/23;**
- (iii) **Note the Capital Programme outturn for 2021/22 as detailed in the report and at Annex 3.**

Reasons for Recommendations

For the Council's performance to be reviewed and for appropriate KPI reporting and budget monitoring arrangements to be in place.

Executive Summary

This report provides an overview of the Council's performance for Q4 2021/22, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring.

The Overview and Scrutiny Committee and Executive have the authority to approve the above recommendations

Statutory Powers

1. Following the abolition of Best Value Performance Indicators (BVPI) in 2008 and the National Indicator Set (NIS) in 2010, there is no statutorily imposed framework for local authorities to manage performance.
2. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This monitoring report is part of that process.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

Background

4. Each quarter the Overview and Scrutiny Committee and Executive receive an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.
5. KPIs are corporate performance measures and are set in order to demonstrate performance against key corporate objectives.
6. Quarterly budget monitoring is a key financial control mechanism that demonstrates that the Council is fulfilling its responsibilities for managing public funds.

Key Information

Key performance indicators – Q4 2021/22

7. 11 KPIs are reported on in Q4 2021/22, the full detail of which is provided in Annex 1.
8. Of the 11 KPIs reported on, nine are on target or within the agreed tolerance. KPI 11, which tracks the number of visits to the Council's leisure centres, has no target set for 2021/22 given the impact of Covid-19 on the leisure industry. The target for 2022/23 is being considered and will be set at an appropriate level.
9. KPI 10 which tracks the Council's recycling performance – one quarter in arrears, with Q3 performance reported in Q4 – is off target and is outside of its tolerance, resulting in it being red rated. Despite falling short of the 60% target, the Council's cumulative year to date performance is the strongest performance on record. The continued roll out to flats, reduction in contamination and a rationalisation of bring sites is expected to further improve upon the Council's recycling performance.
10. Several KPIs have been off target and outside of tolerance in recent quarters, including council tax and business rates collection, as well as affordable housing delivery. At the end of Q4 performance both of these indicators have seen improvement and are now on target or within the agreed tolerance. Affordable housing delivery is particularly encouraging given that the Council was responsible for the completion of 43 affordable units at the Cromwell Road and Pitwood Park schemes.
11. The report at Annex 1 also includes three contextual performance indicators that are reported annually. Given their nature, contextual indicators do not have targets ascribed to them though they nevertheless give a good indication as to the Council's performance in their respective area.

Revenue Budget Provisional Outturn

12. The 2021/22 Original Revenue Budget approved by Council in January 2021 was £17.395m.
13. At 31 March the full year provisional outturn for Services and Central Budgets was £18.030m against a management budget of £18.523m, resulting in an overall net underspend of (£0.493m) (2.7%).

14. The net effect of COVID income losses was £1.034m; including this in the outturn results in an overall net overspend of £0.541m (2.9%) which has been funded by calling on the reserve that was set aside for COVID-19 income losses during the year. All other COVID-19 expenditure during the year has been funded through Government grant.

Table 1: REVENUE BUDGET MONITORING AT 31.3.22	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Year-end Outturn £m	Year End Variance £m
Service Budgets	16.240	1.127	17.368	16.485	(0.883)
Central Budgets	1.155	0.000	1.155	1.545	0.390
Sub-Total	17.395	1.127	18.523	18.030	(0.493)
COVID-19 Income Losses	0.000	0.000	0.000	1.388	1.388
COVID-19 Sales, Fees & Charges Grant	0.000	0.000	0.000	(0.354)	(0.354)
Sub-Total	17.395	1.127	18.523	19.064	0.541
COVID-19 Pandemic – unplanned expenditure					1.249
COVID-19 Pandemic – Government funding					(1.249)
Total Revenue Budget Outturn 2021/22 inclusive of COVID-19 Pandemic Expenditure and Funding					0.541
Transfers from Reserves:					
Contribution from COVID-19 Pandemic Reserve					(0.541)
Net Outturn Position:					-

Service Budgets

15. The 2021/22 Original Budget for Services approved by Council in January 2021 was £16.240m.
16. At 31 March the full year outturn was £16.485m against a management budget of £17.368m resulting in an underspend of £0.883m (5.1%).
17. The key variances leading to the overspend are:

Organisation

- £0.240m underspend in Electoral Services driven by lower election costs and associated temporary staff and promotional expenditure.
- £0.212m underspend in Land Charges driven to higher revenue due increased transaction volumes during the stamp duty holiday.

Place

- £0.326m underspend in Planning Policy driven by vacancies in the team.
- £0.265m underspend in Refuse & Recycling driven by higher garden waste income.
- £0.142m underspend in Fleet driven by lower fuel consumption compared to budget.

- £0.287m overspend in Development Services driven by higher consultancy costs.

People

- £0.417m overspend in Revenues, Benefits & Fraud, mainly driven by cuts to DWP subsidy grant.

Management Team

- £0.324m underspend pending the team restructure.

18. Further details on Service budget variances are provided at Sections 1 and 2 of Annex 2.

Central Budgets

19. The 2021/22 Original Budget for Central Budgets approved by Council in January 2021 was £1.155m.
20. At 31 March the outturn was £1.545m against a management budget of £1.155m resulting in an overspend of £0.390m (33.7%).
21. This overspend is mainly as a result of £0.344m of employer pension contributions paid to Surrey Pension Fund at the close of the year. These had not been notified when the original budget was approved in February 2021 .
22. Further details are provided at Sections 1 and 2 of Annex 2.

COVID-19 Income Losses

23. Income was £1.388m lower as a result of COVID-19, primarily due to £1.030m lower Car Parking revenue. A full breakdown is shown at Annex 2, section 3.2.
24. These losses were partially funded by a £0.354m Sales, Fees & Charges grant.

Proposed Revenue Budget Carry-Forwards to 2022/23

25. Revenue budgets are approved on an annual basis and there is no automatic carry over of unused budgets into the following year. However, circumstances sometimes arise beyond the control of the budget manager, where expenditure slips from the planned year to the next or funding has been received that could not be spend and needs to be carried forward for use in the next year. Such occasions are generally rare but the COVID-19 pandemic is an example of exceptional circumstances where service plans for 2021/22 have not been completed in full and therefore some allocated budgets remain unspent.
26. This report therefore seeks approval from Executive to increase the previously approved service budgets for 2022/23, funded from the relevant budget carry-forward from 2021/22.
27. Proposed carry-forwards total £0.081m and are included in this report to ensure transparency of decision-making; the details are set out at Annex 4.

COVID-19 Business Grants & Reliefs

28. During the year the Council's Revenues, Benefits & Fraud team was required by the Government to continue administering grants and additional business rate reliefs for local businesses and also Test & Trace payments to individuals to help them mitigate the financial impacts of the pandemic.
29. The value of this activity was £52.934m, being a combination of new grants received during 2021/22 and grants that continued from 2020/21. They included :

Table 2: COVID-19 Government Funding for Distribution/Repayment	Funding Received for Grants & Reliefs to Businesses £m	Funding Received for Payment to Individuals £m
Additional Restrictions Grants	5.859	
Local Restrictions Support Grants	9.818	
Christmas Support Payments (Pubs)	0.045	
Closed Business Lockdown Payments	6.282	
Additional Business Rate Reliefs	23.680	
Restart Grants Scheme	5.982	
Omicron Hospitality & Leisure Grants	0.888	
Test & Trace Payments		0.381

30. At 31 March £44.540m had been distributed. The unspent balance on these sums (£8.394m) will be accounted for at year end but does not form part of the Council's resources. Any unspent balances when these individual grant schemes end will eventually have to be paid back to the Government.
31. The only exception is the following grant where the Council had discretion over how the funds were distributed. £0.108m was unspent at the end of 2020/21 and was held in an earmarked COVID reserve. This remaining funding was finally distributed during 2021/22.

Table 3: COVID-19 Business Grants for Distribution/Retention	Funding Received for Grants to Businesses £m
Local Restriction Support Grants (Open)	0.210

Capital Programme Monitoring

32. At 31 March 2022, the Capital Programme budget was £141.120m (including £99.456m of approved carry-forward capital allocations from 2020/21).
33. The outturn position is £35.683m which is £105.437m (74.7%) below the approved Programme for the year. The variance is as a result of £101.760m slippage and a net underspend of £3.768m.
34. The net underspend is mainly as a result of:
- £1.959m lower costs on the Cromwell Road development
 - £1.071m lower costs on the Pitwood Park Development

- £0.200m Disaster Recovery budget not used

35. The slippage is mainly due to:

- £63.970m on the Commercial Investments Programme
- £20.000m on the Housing Delivery Programme
- £5.247m on the Strategic Property Programme
- £1.149m on the Merstham Recreation Ground project
- £1.263m on the ICT Development Programme and associated projects

36. £36.983m of this slippage will be carried forward to the Programme for 2022/23 onwards. The £63.970m that was previously allocated for Commercial Investment is not being carried forward (as agreed during budget setting for 2022/23); instead in future funding proposals will be submitted for approval when individual business cases are recommended.

Further details are provided at Annex 3.

OPTIONS

37. The Overview and Scrutiny Committee has two options:

- **Option 1:** Note the report and make no observations to the Executive.
- **Option 2:** Note the report and make any observations to the Executive.

38. The Executive has two options:

- **Option 1:** Note the report and make no observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.
- **Option 2:** Note the report and make any observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.

Legal Implications

39. There are no legal implications resulting from this report

Financial Implications

40. There are no additional financial implications arising from this report.

Equalities Implications

41. There are no equalities implications arising from this report.

Communication Implications

42. There are no communication implications arising from this report.

Environmental Sustainability Implications

43. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

44. There are no additional risk management implications arising from this report.

45. The annual budget report and supporting strategies include full risk assessments of budget proposals

Consultation

46. The report has been reviewed by the Council's Corporate Governance Group.

Policy Framework

47. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.

Background Papers

None