

Finance and Performance Scrutiny Sub-Committee

Held at:	Council Chamber - Civic Centre Folkestone
Date	Thursday, 6 July 2023
Present	Councillors James Butcher, Laura Davison, David Godfrey and Connor McConville.
Apologies for Absence	Councillor John Wing.
Officers Present:	Gavin Edwards (Performance and Improvement Specialist), Jake Hamilton (Case Officer (Committee)), Amandeep Khroud (Assistant Director), Daniella Loxton (Capital & Treasury Senior Specialist), Ola Owolabi (Chief Financial Services Officer), Jonathan Smith (Senior Accountant) and Brian Thompson (Interim Chief Financial Services Officer).
Others Present:	Councillor Tim Prater.

1. **Declarations of interest**

There were no declarations of interest at the meeting.

2. **GENERAL FUND CAPITAL PROGRAMME PROVISIONAL OUTTURN 2022/23**

This report provides the provisional outturn of the current financial position for the General Fund capital programme in 2022/23, based on expenditure to 31 March 2023, and identifies variances compared to the latest approved budget.

Mr Brian Thompson, Interim Chief Financial Services Officer, Introduced the report summarised the key points of interest:

- The provisional capital outturn for the General Capital Fund is an overall underspend of £3,256,000 on capital schemes. This is against the budget of £20,885,000 with expenditure of £17,629,000.
- This is a significant underspend, which represents 15% of the overall capital fund budget. The main reason for the underspend is capital

slippage in the funding streams between financial years and different timescales for projects which can straddle financial years and can be difficult to forecast. Members were made aware that the slippage is not effectively lost, it will be re-profiled into the next financial year/s capital programme

- In terms of the funding of the capital program, Brian Thompson advised members that the funding is a combination of capital grants, external contributions, capital receipts, revenue and borrowing. The program is fully funded using those sources.
- Mr Brian Thompson went on to say, members could find an addition breakdown on page 8 of the report, which outlines what schemes the council has borrowed for. The external borrowing that's been required for this capital program is £11,478,000. The report also outlines on page 9, the capital receipts that we've used to apply to fund capital as well. And we still have a balance of £2,714,000 which will help fund future schemes.
- Members were made aware that there were 32 schemes where there had been capital slippage, and these are identified on page 7 of the report. At the bottom of page 7, the council has also identified a small number of overspends. Mr Brian Thompson, touched on two of the schemes and explained that they were not technically overspends as the council received additional funding for one and the other was due to the scheme being put on-hold back in December and at the time when the financial position was reported in January, the council had set a budget based on committed expenditure to date, but it was disclosed at the time that there were some commitments that were still coming through the system, so it's not new expenditure, it was expenditure that was incurred and committed to before the scheme was stopped. So, essentially that requires some re-profiling of the capital program, so its not technically an overspend.

The Sub-Committee Members commented on various issues and made points including the following:

- Members asked for clarification as to what the Funding Charity Loan is?
- Members also wanted an explanation as to why we have so many schemes with slippages?
- As per page 8 of the report, why has there been an underspend on Temporary accommodation.
- The table 3.5 of the report about the capital receipts, should this relate to the table 2.1 of report? Should members be able to find the figures from one table to the other?

Mr Brian Thompson, Interim Chief Financial Services Officer, responded to comments and made the following points:

- The funding charity loan, that scheme was for some loans to the charity for beach huts. As these were going to be let, there was some

expenditure for those from the charity. The council was provided funding for that scheme. The Chair made a further comment to advise the committee that this was the Folkestone Parks and Pleasure Grounds Charity that works with the council.

- In terms of slippage, the main reasons were that capital schemes straddle financial years, and there are changes in specifications or movements. The Finance Team does provide monitoring data for the capital schemes on a quarterly basis, so the council/committee can regularly monitor these schemes. In general, the council has flagged up quite a lot of slippage during the financial year as part of regular quarterly monitoring and this is not unusual based on previous capital programmes.
- The two tables, 3.5 and 2.1 of the report do relate. The capital receipts on paragraph 2.1 relates to the "Capital towards General Fund capital expenditure" on paragraph 3.5. The remaining capital receipts in paragraph 3.5 is for Committed funds for HRA capital expenditure and future general fund capital schemes.

RESOLVED:

1. To receive and note report C/23/07.

(As there was no dissent the nomination was approved by affirmation of the meeting).

3. GENERAL FUND REVENUE 2022/23 PROVISIONAL OUTTURN

This report summarises the 2022/23 provisional outturn position (subject to external audit) for the General Fund revenue expenditure compared to the approved budget for the council.

Mr Brian Thompson, Interim Chief Financial Services Officer, referred to several points within the report which include:

- The overall outcome of the General Fund Revenue for 22/23 is an underspend of £993,000. This is laid out in table 1 of the report on page 17. This has increased from the £567,000 underspend that was reported to the Finance and Performance Committee back in January 2023 and to Cabinet. In overall percentage terms the underspend of £993,000 represents, just under 5% of the overall General Fund budget. So, whilst it is a significant underspend, it is not deemed to be excessive. It is unlikely that the net underspend has had any significant impact on front line services to residents.
- The underspend subject to audit will be transferred to general fund balances at year end, so essentially that will provide an additional buffer for the council in terms of its balance which will help to deal with future financial pressures.

- The key drivers for these underspends are probably due to 3 areas. Firstly, back in December last year the Chief Executive and management team asked managers to rationalise spending, where possible, to try and reduce non-essential spending. That exercise started in December and carried forward to the end of the financial year, so that generated some of the underspend. The second major driver has been extra additional income received. The council has received a substantial amount of section 31 grant from the Covid-19 pandemic years, to help with the council's collection fund of business rate payments. The council has also received some additional green grants, which are non-ring-fenced grants, which have helped with the underspend. And finally, the council received some other fees and charges income which are laid out in the appendix A.
- In terms of the variance analysis these can be found in appendix A. The council has tried to explain most of the variances over £40,000 but as members are aware, the council has over 4000 cost centres in the general fund. So, it hasn't been possible in this report to point out every variance to members.
- Members were advised that in terms of general fund balance and reserves, the council has laid out the reserves position for the year on page 20 of the report. Earmarked reserves have gone down slightly to £18,053,000 because the council has used some of those in year as programmed and agreed in the approved budget. The report shows general fund reserves as going down slightly to £4,222,000, however, the Council agreed to use £1,786,000 to balance its budget in 2023/24 and so the reserves table has been adjusted for this. The council has agreed this in February 2022 when it approved the General Fund Budget for 2023/24 and set the Council Tax. It was also advised that once the underspend of £993,000 is agreed and council approved, this will add to general fund balances as well and the balance will go up to over £5,000,000 for the general funds reserve.
- Finally, the report recommends the approval of £1,252,000 of budget carried forwards. Essentially these have materialised through the year as the council receives a number of ring-fenced grants from various organisations, like the DWP money for housing benefits, Cyber security grants and various others. These amounts of money, if not spent in the year must be carried forward as per regulations. So, the GF outturn report table in this report is net of those figures. The Cabinet at its meeting next week will be asked to formally approve £1,252,000 of carry forwards. Last year was a similar figure of £1,200,000 was approved for carry forwards as reference.

The Sub-Committee Members commented on various issues and made points including the following:

- Members presume the Covid-19 and Green Grant are no longer recurrent sources of income?
- Looking ahead how confident is the council with balance the budget, if we are no longer going to have a number of grants?

- As previously mentioned, it is unlikely that the net underspend has had any significant impact of services to residents. Going forward can how confident can the council be, or will the council have to look at harder decisions?
- £94,000 additional income from parking charges, parking fines and permits, offset against Ringo's processing fees. Does that mean it was more and then it came down because of the Ringo processing fees? And in which case how much of the Ringo processing fees?
- The report also refers to £194,000 additional income, that also refers to parking permits. So, is the council talking about two different types of permits?
- Will the council be looking at restructuring the budgets on a service level rather than salami slicing at the current budgets?

Mr Brian Thompson, Interim Chief Financial Services Officer, responded to comments, and made the following points:

- The Green grant was a one-off from Dover District Council and some of the other grants are one-off amounts as well.
- Any future budget the council has set for 2023/24 would have been completely rebased. So, the council would have accounted for any recurring or non-recurring grants. Most of the recurring grants are around areas such as Section 31 grants, which are to cover business rate relief, so they are always ongoing and recurring. The Council carries out a series of returns to Government every year to identify those grants. The other main grants are around things like housing benefits, rent allowances and council tax subsidy, and again the council has a claims/estimate process, a series of returns we complete with the Government in advance of setting the next year's budget.
- The medium-term financial plan is showing a deficit in future years, so some sort of decision around, savings or how the council can finance the deficit and or balance the budget will be required.
- The medium-term financials plan which the council is looking at repricing at the moment for 2024/25 is showing a deficit of around £4.4m and as you can see in the budget table here, the general fund budget is split into two areas, the service expenditure on the frontline services and the corporate items, such as interest. The council is currently looking at services in a bit more detail. The council is going to have a STAR chamber process this year to look at this in more detail.

RESOLVED:

1. To receive and note report C/23/08.

(As there was no dissent the nomination was approved by affirmation of the meeting).

4. HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL PROVISIONAL OUTTURN 2022/23

This report summarises the 2022/23 provisional outturn position (subject to audit) for the HRA revenue expenditure and HRA capital programme compared to both the latest approved budget and quarter 3 projections.

Mr Brian Thompson, Interim Chief Financial Services Officer, referred to several points within the report which include:

- The HRA has underspent in 2022/23 on the revenue side by £1,184,000 this can be identified on page 31 of the report. The main reason is the reduction in the revenue required to fund the capital program as the council has reduced the new build program, because the Highview scheme was stopped to provide additional funding capability for the decarbonisation program from the HRA.
- The HRA has underspent in 2022/23 on the capital programme by £5,079,000. The two main reasons are the £2,000,000 reduction in the new build spend and slippage in the thermal insulation budget of about £1,270,000, again this scheme will be re-profiled and budget will slip into the next financial year.
- The council strategy to fund the capital program is to maximise the use of the major repairs allowance and use revenue contributions to fund capital expenditure. The reason for this is that the council tries to keep the HRA borrowing costs down where possible with interest rates being so high.
- The capital program will be re-profiled for the slippage identified in this report for next financial year.
- The impact of the underspend on the HRA revenue has increased HRA balances to £7,111,000.
- The general fund has a small carry forward of £77,000 for Cabinet to consider and that's to cover the cost of feasibility studies on new builds. Which the council is asking to be carried forward to the next financial year.

The Sub-Committee Members commented on various issues and made points including the following:

- Are there any risks in terms of the underspend/re-profiling of the fire protection work?
- What has happened in-terms of the procurement processes for things like windows, doors and roofing and the re-procurement that's needed to have happened?
- Members were not aware that the Highview scheme was stopped so that the funds could be re-funnel into the council's decarbonisation project.

Mr Brian Thompson, Interim Chief Financial Services Officer, responded to comments, and made the following points:

- The council will need to refer to the service to clarify the reason for the reduction in spend on fire protection.
- In terms of the re-procurement for windows and doors, there were multiple contacts that were due to be put in place. One of those only covered a certain portion of the budget. And its believe that the services wanted to use that contract potentially for the bulk of the budget, but there was a limit to how much they could fund. So, obviously that then needed re-procurement for another company for the remainder of the budget. That process takes time which resulted in the delay and therefore the slippage into the new financial year. There was also a delay in delivery from manufacturers on some of the doors. And in terms of the roofing this was due to weather and timings of year.
- The Highview Scheme was paused due to latest financial and economic conditions and the additional costs required to carry forward with the scheme. Whilst this decision has been made, the reserves that were allocated for the scheme are now technically available to help fund other capital schemes such as the EPC C and A programmes in the General Fund Capital Programme.

RESOLVED:

1. To receive and note report C/23/14.

(As there was no dissent the nomination was approved by affirmation of the meeting).

5. Annual Performance Report 2022-23 and Draft KPIs 2023-24

Mr Gavin Edwards, Performance & Improvement Specialist introduced the report and summarised points of interest to members who noted various items within the KPI Data:

- The housing section is where the concerns are principle, in terms of he missed targets. What is the position with acquisitions, and the reasoning as to why it has been progressed?
- Members made comment to Appendix 2, Thriving Environment and wanted to know what the year ahead looks like? And how confident the Council is that we will be in a better position near year on Enforcement?
- Members made comment to Community environment volunteer's events and how the numbers for quarter 4 are quite disappointing. But they accept the rationale behind the reasoning. It was mentioned that if it's still the Council's ambition, then maybe a discussion is needed on how this can be resourced so that targets can be improved.
- Members made comment to the percentage of data breeches as set out in Appendix 2, Transparent, Stable, Accountable and Accessible. They mention that a target of 100% is very ambitious, and that the rationale for the councils not meeting the target is due to human error. It was suggested that the council have a discussion as to whether this target needs amending as there is a potential for the KPI to always be red.

- How are new KPI's arrived at? Is there any consultation or community involvement?
- Members made comment to, two KPI's within Appendix 3, "Number of Community Safety Events held, and projects delivered" and the new KPI to be introduced "Number of Community Safety Projects Delivered" and wanted clarification as to the difference between these KPI's?
- It was suggested that the wording be tweaked in relation to the two above KPI's so that they can be distinguished.
- Members wanted clarification on the difference between two KPI's within Appendix 4, Thriving Environment, and the context as it was suggested you can have CPW's within Housing. The first KPI being, "Number of Community Protection Warnings (CPW's) issued and the second, "ASB enforcement action taken (CPW's and CPN's).
- Members made comments to the fact that the report does not include much around the climate emergency. And asked the question as to whether ore KPI's could be added once the Councils District-Wide Carbon Plan is more developed?
- It always seems very difficult to gage the percentage of homelessness. It was suggested that there needs to be more data around this.

Mr Gavin Edwards, Performance & Improvement Specialist responded to the comments, and made point's including:

- With regards to the acquisitions, the information was not to hand. So, this will be reported back to the Committee in due course.
- The Council would need to refer to its senior environment protection lead for the overall trajectory going forward. However, the Environment Team do an incredible amount of work informally and try to exhaust other options before enforcement.
- KPI's are set through engagement with service leads and specialists.
- It was confirmed that the new, "Number of Community Safety Projects Delivered" KPI to be introduced is around the multi-agency operations. The behind the scenes work that the community safety unit carry out around court cases, closure orders, multi-agency targeted operations and long-term ASB cases. Whereas the existing KPI is around events and projects with the public.
- The two KPI's within Appendix 4 in relation to Community Protection Warnings are in relation to the work of the Environment Protection Team as a whole and not necessary housing. The report includes comments from officers around the rationale for the new KPI to be introduced.
- The Council has previous had conversation around this and will potentially look to add further KPI's once the District-Wide Carbon Plan is more developed.

The committee made a recommendation to cabinet for a further KPI to be added. See resolution below.

Proposed by Councillor McConville,

Seconded by Councillor Davison; and

RESOLVED:

- 1. To receive and note report C/23/07.**
- 2. To recommend to cabinet, that a further KPI be included within the housing section, which looks to measure how many houses the Council can get to EPP C either through the decarbonisation fund or the Councils own Housing Revenue Account.**

(As there was no dissent the nomination was approved by affirmation of the meeting).

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