

**4<sup>th</sup> Quarter Finance, Performance and Risk Monitoring  
Report 2020/21**

<b>Final Decision-Maker</b>	Policy & Resources Committee
<b>Lead Head of Service</b>	Mark Green, Director of Business Improvement
<b>Lead Officer and Report Authors</b>	Ellie Dunnet, Head of Finance Paul Holland, Senior Finance Manager (Client) Carly Benville, Senior Business Analyst Russell Heppleston, Deputy Head of Audit Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

This report sets out the 2020/21 financial and performance position for the Council, including services reporting directly into the Policy & Resources Committee (PRC) as at 31<sup>st</sup> March 2021 (Quarter 4). The primary focus is on:

- 2020/21 Revenue and Capital budgets;
- 2020/21 Key Performance Indicators (KPIs) that relate to the delivery of the Strategic Plan 2019-2045;
- Corporate Risk Register

The combined reporting of the financial and performance position enables the Committee to consider and comment on the issues raised and actions being taken to address both budget pressures and performance issues in their proper context, reflecting the fact that the financial and performance-related fortunes of the Council are inextricably linked. The report for this quarter has a particular focus on the impact the Covid-19 pandemic has had on the Council's financial position and performance.

**Budget Monitoring**

With regard to revenue, at the Quarter 4 stage, the Council has incurred net expenditure of £20.065m against the annual budget of £21.287m, representing an underspend of £1.222m. This report recommends that Members transfer the underspend to General Fund Reserves, without prejudice to any future decision to earmark some or all of this amount for specific purposes.

For the services reporting directly to PRC, net expenditure of £7.715m has been incurred against the annual budget of £11.605m, representing an underspend of £3.890m. These underspends arise largely from the receipt of government grants for Covid-19 which will be used to cover overspends across all the service committees.

With regard to capital, at the Quarter 4 stage, the Council has incurred overall expenditure of £20.123m against a budget allocation within the Capital Programme of £28.509m. Expenditure for services reporting directly to PRC of £11.565m has been incurred against the budget of £12.871m.

#### Performance Monitoring

A number of targets were missed due to the impact of Covid-19, although there were improvements in a number of other areas.

#### Corporate Risk Update

The risk register is forward looking and seeks to capture uncertainties on the horizon, in addition to addressing key risks directly linked to the delivery of our priorities. The risk profile has been updated to reflect the impact and uncertainties resulting from Covid-19, lockdown restrictions and the challenges facing our residents and local businesses. The risk register (appendix 3) details how the Council is responding to these risks and undertaking necessary preparations and actions to reduce likelihood and impact where possible to do so.

#### **Purpose of Report**

The report enables the Committee to consider and comment on the issues raised and actions being taken to address budget pressures, performance issues and corporate risks as at 31<sup>st</sup> March 2021.

#### **This report makes the following Recommendations to the Committee:**

1. That the Revenue position as at the end of Quarter 4 for 2020/21, including the actions being taken or proposed to improve the position, where significant variances have been identified, be noted.
2. That the underspend of £1.222 million be transferred to General Fund Reserves, without prejudice to any future decision of the Committee to earmark some or all of this amount for specific purposes.
3. That the Capital position at the end of Quarter 4 be noted.
4. That the Performance position as at Quarter 4 for 2020/21, including the actions being taken or proposed to improve the position, where significant issues have been identified, be noted.
5. That the Risk Update, attached at Appendix 3 be noted.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Policy & Resources Committee	23 June 2021

## **4<sup>th</sup> Quarter Financial Update & Performance Monitoring Report 2020/21**

### **CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	<p>This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's Medium-Term Financial Strategy which is linked to the Strategic Plan and corporate priorities.</p> <p>The Key Performance Indicators and strategic actions are part of the Council's overarching Strategic Plan 2019-45 and play an important role in the achievement of corporate objectives. They also cover a wide range of services and priority areas.</p>	Director of Finance and Business Improvement (Section 151 Officer)
<b>Cross Cutting Objectives</b>	<p>This report enables any links between performance and financial matters to be identified and addressed at an early stage, thereby reducing the risk of compromising the delivery of the Strategic Plan 2019-2045, including its cross-cutting objectives.</p>	Director of Finance and Business Improvement (Section 151 Officer)
<b>Risk Management</b>	<p>This is addressed in Section 4 of this report.</p>	Director of Finance and Business Improvement (Section 151 Officer)

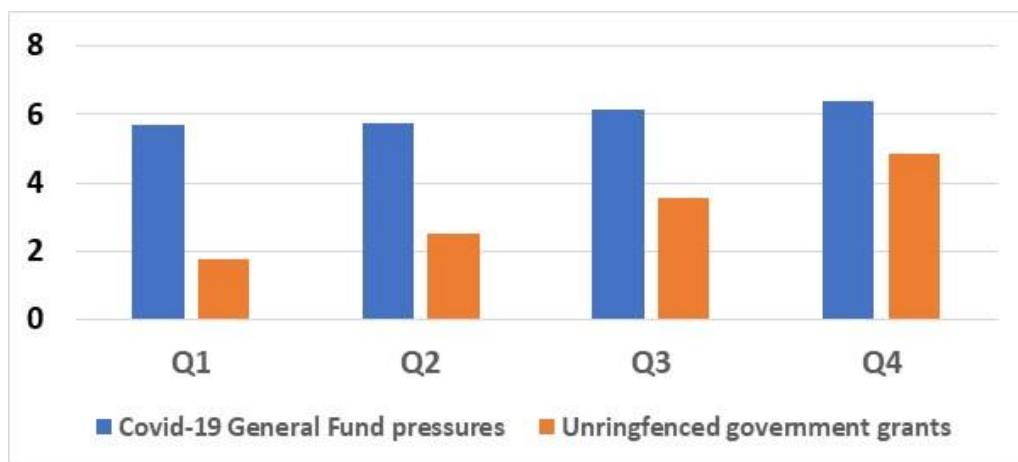
<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Financial</b>	<p>Financial implications are the focus of this report through high level budget monitoring. Budget monitoring ensures that services can react quickly enough to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.</p> <p>Performance indicators and targets are closely linked to the allocation of resources and determining good value for money. The financial implications of any proposed changes are also identified and taken into account in the Council's Medium-Term Financial Strategy and associated annual budget setting process. Performance issues are highlighted as part of the budget monitoring reporting process.</p>	Senior Finance Manager (Client)
<b>Staffing</b>	<p>The budget for staffing represents a significant proportion of the direct spend of the Council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.</p> <p>Having a clear set of performance targets enables staff outcomes/objectives to be set and effective action plans to be put in place.</p>	Director of Finance and Business Improvement (Section 151 Officer)
<b>Legal</b>	<p>The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Committee to remain aware of issues and the process to be taken to maintain a balanced budget.</p> <p>There is no statutory duty to report regularly on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. One of the purposes of the Key Performance Indicators is to facilitate the improvement of the economy, efficiency and effectiveness of Council services. Regular reports on Council performance help to demonstrate best value and compliance with the statutory duty.</p>	Principal lawyer (Corporate Governance), MKLS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Privacy and Data Protection</b>	The performance data is held and processed in accordance with the data protection principles contained in the Data Protection Act 2018 and in line with the Data Quality Policy, which sets out the requirement for ensuring data quality. There is a program for undertaking data quality audits of performance indicators.	Policy and Information Team
<b>Equalities</b>	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change should one be identified.	Equalities and Corporate Policy Officer
<b>Public Health</b>	The performance recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
<b>Crime and Disorder</b>	There are no specific issues arising.	Director of Finance and Business Improvement (Section 151 Officer)
<b>Procurement</b>	Performance Indicators and Strategic Milestones monitor any procurement needed to achieve the outcomes of the Strategic Plan.	Director of Finance and Business Improvement (Section 151 Officer)

## 1. BACKGROUND AND INTRODUCTION

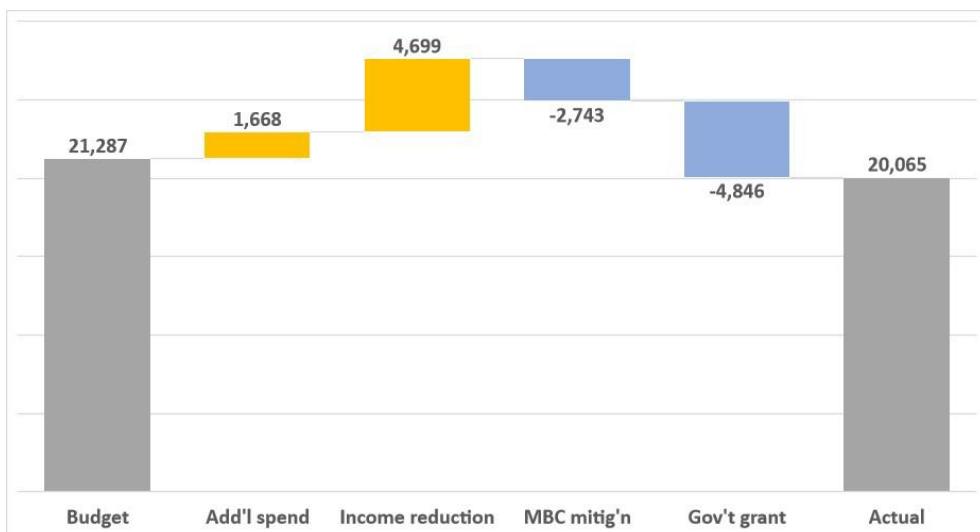
- 1.1 The Medium-Term Financial Strategy for 2020/21 to 2024/25 - including the budget for 2020/21 - was approved by full Council on 26th February 2020. This report updates the Committee on how its services have performed over the last quarter with regard to revenue and capital expenditure against approved budgets.
- 1.2 The report particularly focuses on the impact of the Covid-19 pandemic on the financial position and performance of the service areas that fall under this committee, and provides some further detail around particular areas of concern. The pandemic has had a very significant impact on the Council's finances, as shown by the figures below. The figures also show how the government has committed progressively more grant support to local authorities like Maidstone.

£m



**Table 1: Projected Covid-19 General Fund pressures v grant support as reported during 2020/21 (£ million)**

- 1.3 The result of this increased level of government support, together with the mitigation measures taken by the Council itself to offset expected budget pressures, has been that the overall out-turn for the General Fund (ie excluding the impact of Council Tax and Business Rates collection performance) is an underspend of £1.222 million.



**Table 2: Impact of different factors on out-turn for 2020/21 (£000)**

- 1.4 It should be noted that this underspend reflects the one-off factors at play during 2020/21. The underlying budget pressures noted when the Council agreed a budget in February 2021 remain and may in some cases be exacerbated by the long term impacts of the pandemic.
- 1.5 This report also includes an update to the Committee on progress against its Key Performance Indicators (KPIs), and an update covering corporate risks.

1.6 Attached at **Appendix 1**, is a report setting out the revenue and capital spending position at the Quarter 1 stage. Attached at **Appendix 2**, is a report setting out the position for the KPIs for the corresponding period. Attached at **Appendix 3**, is a report providing an update on corporate risks, in response to the committee's previous request for regular updates on this subject.

## **2. AVAILABLE OPTIONS**

- 2.1 As stated elsewhere in this report, the council has ended the financial year with a revenue underspend of £1.2m. It is therefore necessary for a decision to be taken as to how the underspend should be deployed. Options include:
- Transferring the underspend to General Fund reserves.
  - Using underspend to help fund the capital programme from 2021/22 onwards.
  - Earmarking the underspend for specific purposes, eg Covid-19 recovery, local plan review, town centre strategy work.
- 2.2 The recommended option is to transfer the underspend to General Fund Reserves.

## **3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 3.1 In considering the current position on the Revenue budget, the Capital Programme, KPIs and Corporate Risks at the end of March 2021, the Committee can choose to note this information and take a decision as to how the 2020/21 underspend should be deployed.
- 3.2 The Committee is requested to note the contents of the report and agree that the underspend of £1.222 million be transferred to General Fund Reserves. Given the overall level of reserves, this step does not prejudice Members' capacity at some future point to earmark some or all of the amount for specific purposes.

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## **4. RISK**

- 4.1 The Council agreed a balanced budget for both revenue and capital income and expenditure for 2020/21 in February 2020. However, the Covid-19 pandemic has had a significant impact since then. Corporate risks have been re-appraised, as reported to the Policy and Resources Committee at its meeting in June 2020. As a result, a regular quarterly review of the corporate risk register is now included as an appendix to this report.

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## **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 The KPIs update ("Performance Monitoring") is reported to service committees quarterly: Communities, Housing & Environment Committee, Economic Regeneration & Leisure Committee and the Strategic Planning &

Infrastructure Committee. Each committee will receive a report on the relevant priority action areas. The report is also presented to the Policy & Resources Committee, reporting on the priority areas of “A Thriving Place”, “Safe, Clean and Green”, “Homes and Communities” and “Embracing Growth and Enabling Infrastructure”.

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## **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 The Quarter 4 Budget & Performance Monitoring reports are being considered by the relevant Service Committees during June and July 2021, including this full report to the Policy & Resources Committee today.
  - 6.2 Details of the discussions which take place at Service Committees regarding financial and performance management will be reported to the next Policy and Resources Committee where appropriate.
  - 6.3 The Council could choose not to monitor its budget and/or the Strategic Plan and/or make alternative performance management arrangements, such as the frequency of reporting. This is not recommended as it could lead to action not being taken against financial and/or other performance during the year, and the Council failing to deliver its priorities.
  - 6.4 There is significant uncertainty regarding the Council’s financial position beyond 2020/21, arising from the impacts of the Covid-19 crisis and the Council’s role in responding to this. Future finance reports to this committee will ensure that members are kept up to date with this situation as it develops.
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## **7. REPORT APPENDICES**

- Appendix 1: Fourth Quarter Budget Monitoring 2020/21
  - Appendix 2: Fourth Quarter Performance Monitoring 2020/21
  - Appendix 3: Fourth Quarter Corporate Risks Update 2020/21
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## **8. BACKGROUND PAPERS**

None.