

Extract from the minutes of the Governance and Audit Committee meeting of 7 March 2023

352. Financial Monitoring report – April to December 2022

The Committee considered a report giving it the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

Paul Cook, Head of Finance, attended the meeting remotely to introduce the report and assist the Committee with its deliberations. The Committee heard that a meeting had taken place with the Council's newly appointed external auditors from 2023/2024, KPMG. It was hoped that a substantial amount of the 2023/2024 audit could be carried out during the financial year 2023/2024, and it was intended to present a proposed audit plan to the Committee in the near future. The draft 2021/2022 statement of accounts had also now been published the day before the meeting on the Council's website. These were a provisional set of accounts, as it was necessary to wait for finality on some of the carried forward figures, however, given the continuing delays in obtaining the audit opinion of BDO in respect of the 2020/2021 accounts, it had become impossible to delay publication any further. If Councillors had any questions in respect of these draft accounts, Paul Cook would be happy to answer these.

The Committee heard that the Officer's report set out the financial position as at the end of quarter 3 for 2022/2023, which showed an overspend on services of £880,000, offset by technical gains due to higher interest earnings. Although being in an overspend position was not ideal, given the inflationary pressures which the Council had to deal with, this was not an impossible position and managers were working hard to get to within budget before the end of the financial year.

The Committee noted the overall robust financial performance which had been achieved under difficult circumstances, and wondered how close the Council was in practical terms to achieving zero net expenditure at the end of the financial year. Paul Cook confirmed that interest earnings were performing well, and capital expenditure was lower than budgeted for, however, inflationary pressures meant that a lot of hard work would be required, particularly in some service areas, to make the necessary cost savings and at this stage it was too soon to say what the final budget position would be.

A Committee member raised concerns in relation to items which were driving the overspend and income reductions in both Neighbourhood Services and Market and Street Trading. What had created the need for the overspend on staff costs which had been generated by the use of agency staff? Paul Cook addressed the spend on agency staff, and explained that the Service Manager was focussing on establishing

a proper footing for the financial year 2023/2024 with a higher level of recruitment, which it was anticipated would lead to a reduction in the need for agency staff in the future.

Councillor Cory, Portfolio Holder for Resources, attended the meeting remotely, and with the consent of the Chair, addressed the meeting. The Committee heard that Neighbourhood Services was undergoing a transformation, and although it was intended to continue to provide investment for frontline services, transformation in areas such as garden waste was planned for the future to allow the more efficient use of existing staff and resources, which would reduce reliance on agency staff.

Paul Cook confirmed that the budget for 2023/2024 had been the subject of a very careful overview, and it was intended that recruitment of the correct number of Council staff would take place as part of a much clearer approach to the staffing needs of the service. The budget which would be set for 2023/2024 would reflect an adequate level of staffing to deliver the planned service. It was accepted that the previous budget which had been set for Market and Street Trading had been too ambitious, and this would be addressed in the future to enable this budget to be delivered.

A Committee member questioned the apparent fluctuation in the sales of paper fluctuate, and sought clarity on the relationship between income and outgoings with regard to the Council's recycling activities. Paul Cook advised the Committee that the sale of recycled paper was subject to very volatile price fluctuations through the year which made it difficult to budget for. Material costs associated with recycling had risen, and a lot of work was being undertaken to improve the procurement of materials as much as possible, but this would always represent a risk area for the Council. The Committee considered that it would be helpful to gain a better understanding of what the budgetary drivers were in this area, as it was a complex area and it was necessary to be clear on the cause of the deficits so that the appropriate action could be taken. A recommendation to Cabinet would be made to ask it to consider this area in greater detail.

Councillor Cory offered the Committee assurance that the Council was considering the waste and recycling service it offered, and maintained a strong desire to support people to recycle. Government reform was imminent which would impact the ways in which recycling was handled across the country, and it was important to ensure that any changes which were made by the Council took this into account.

In discussion, the Committee noted that parking revenue had delivered over budget, and considered that care should be taken when considering car park closures in future to protect this income stream. In response to questions from the Committee Paul Cook confirmed that more detailed information on the Council's banking charges and management of fuel costs could be provided to the Committee, together with a more comprehensive overview of the recovery of housing benefit overpayments year on year, which was a complicated area of work.

Councillor Cory considered that the Council's award-winning Parking was extremely competent in developing and managing the Council's Parking Strategy, and income and costs were carefully modelled before any decisions were taken, and these were factored into the business case for any changes.

A Committee member noted that the Capital Programme contained some significant projects, and wondered whether the ongoing monitoring of these could be dealt with by the Committee, to ease the pressure of work on Cabinet.

The high level of receipts in the Housing Revenue Account was noted by the Committee, which was particularly impressive given the difficult current financial situation in the country. Under these circumstances, the level of rent collections being achieved was a credit to both staff and tenants.

RECOMMENDED TO CABINET that:

- Consideration be given to requesting that the Governance and Audit Committee monitor the progress of specific items on the Council's Capital Programme;
- Particular attention be given to the budget for Neighbourhood Services to ensure that budgets for the forthcoming financial year were accurate and reflected the current financial situation.

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RESOLVED that:

- The financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2022/23 had been considered;
- the forecast budget overspend of £434k on the General Fund be noted.