

# Title of report: Quarter 3 Budget & Performance Report

**Meeting: Cabinet**

**Meeting date: Thursday 24 February 2022**

**Report by: Cabinet member finance, corporate services and planning;**

## **Classification**

Open

## **Decision type**

Budget and policy framework

## **Wards affected**

(All Wards);

## **Purpose**

To review performance for Quarter 3 2021/22 and the forecast budget outturn for the year.

To provide assurance that progress has been made towards delivery of the agreed revenue budget and service delivery targets, and that the reasons for major variances or potential under-performance are understood and are being addressed to the cabinet's satisfaction.

The forecast 2021/22 outturn shows a net overspend of £889k.

The proportion of performance measures showing an improvement, or remaining the same compared to the same period last year is 78%. At the end of the quarter, 60% of actions from the delivery plan are identified as complete or are progressing within planned timescales.

## **Recommendation(s)**

**That:**

- a) **Cabinet review performance and financial forecast for year 2021/22, as set out in the appendices A-E, and identifies any additional actions to be considered to achieve future improvements.**

## Alternative options

1. Cabinet may choose to review financial, delivery and operational performance more or less frequently; or request alternative actions to address any identified areas of under-performance, including referral to the relevant scrutiny committee.

## Key considerations

### Revenue Budget

2. The 2021/22 outturn is £5,688k overspend before the allocation of the COVID-19 grant. The net overspend is £899k.
3. The table below sets out the cabinet portfolio position at the end of December. Further service detail is available in appendix A.

Portfolio	Councillor	Gross Budget	Working Budget	Outturn	Forecast Variance	COVID Grant Allocation	Variance including the Grant
		£000	£000	£000	£000	£000	£000
Health & Adult Wellbeing	Cllr Crockett	101,356	59,990	56,707	(3,283)	1,100	(4,383)
Children's and Family Services, and Young People's Attainment	Cllr Toynbee	48,166	37,466	40,469	3,003	1,000	2,003
Commissioning, Procurement and assets	Cllr Davies	21,620	15,460	17,876	2,416	1,200	1,216
Environment and Economy	Cllr Chowns	3,408	2,392	2,461	69	0	69
Housing, Regulatory Services and Community Safety	Cllr Tyler	4,323	779	1,452	673	500	173
Infrastructure and Transport	Cllr Harrington	20,603	10,091	11,636	1,545	90	1,455
Finance, Corporate Services and Planning	Cllr Harvey	22,168	15,363	16,943	1,580	26	1,554
Corporate strategy and budget	Cllr Hitchiner	1,448	560	645	85	873	(788)
<b>Portfolios</b>		<b>223,092</b>	<b>142,101</b>	<b>148,189</b>	<b>6,088</b>	<b>4,789</b>	<b>1,299</b>
Central, treasury management, capital financing & reserves		19,883	18,895	18,495	(400)	0	(400)
<b>Total Revenue</b>		<b>242,975</b>	<b>160,996</b>	<b>166,684</b>	<b>5,688</b>	<b>4,789</b>	<b>899</b>

4. Health and Adult Wellbeing are continuing in a prudent trajectory that has been established in the Adults and Community directorate during the past few years. The forecast underspend reflects a combination of savings achieved to date, some of which are non-recurrent, along with reductions in the number of care packages. There are also underspends in Commissioning and Operational Service Delivery due to continued vacancies within Homefirst and some of the operational teams partially offset by a very small pressure in the homelessness/temporary accommodation area which is being managed accordingly. The portfolio are on track to deliver their savings target, with a further £120k anticipated to deliver in the final quarter out of the £3.27m target.
5. Due to an underspend attributable to in-year lower than expected costs on staffing and a number of non-recurrent savings, it cannot be assumed that Health and Adult Wellbeing will continue to underspend in future years.
6. An overspend in Children's and Family services and young people's attainment is due to cost of placements, which continues to cause pressure.
7. Children's services is on an improvement journey following the court judgement last year which has impacted its ability to deliver savings and this has been acknowledged through the removal of further savings targets in 2022/23. The directorate has achieved £1.5m savings in year.
8. The overspend in the remaining portfolios reflects pressure on income targets as a result of

COVID-19 restrictions, and savings targets that have not been achievable in year. This has been offset by vacancies.

9. The central, treasury management, capital financing and reserves underspend is detailed in Appendix C and reflects the delayed need to borrow from a combination of high cash balances and slippage in capital investment spend, detailed in appendix B.

## Capital Budget

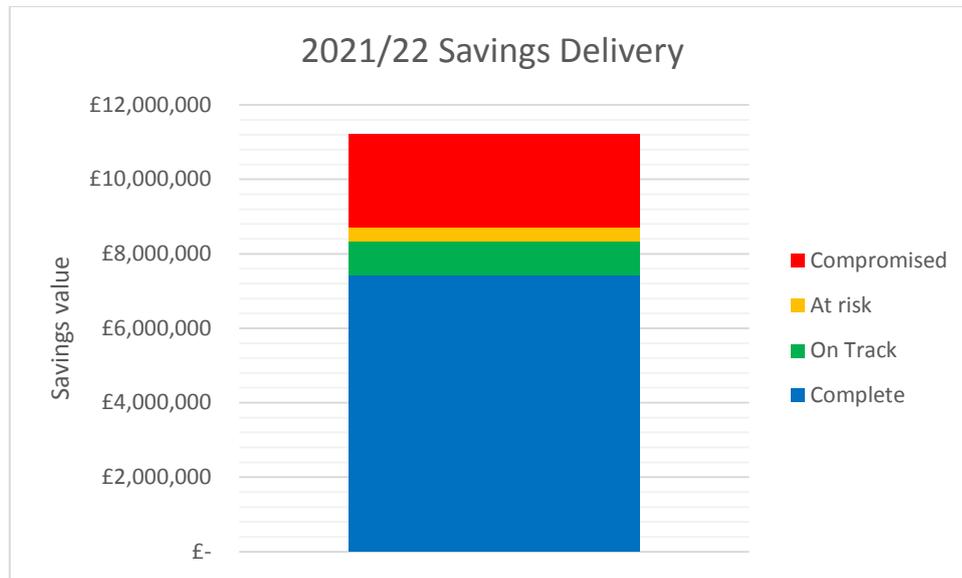
10. The original £97.870m capital budget for 2021/22 has been revised to £69.070m, the summary breakdown is shown in the table below, but this consists of £33.296m 2020/21 carry forwards of unspent budget, use of reserves of £0.056m and additional grants of £7.284m. Details of the exercise to re-profile project budgets that took place in quarter 2 are in appendix b table b, which saw a reduction of £69.436m.
11. The final forecast spend position is £49.244m, which is an underspend of £19.827m on the current 2021/22 budget of £69.070m. Full details for each project are in appendix b table a. This underspend consists of £5.765m projects that are likely to deliver below the project budget and projects that may no longer be required such as the car park fire suppression system. The remaining £14.062m are budgets that may not be committed in this financial year but will be rolled forward to 2022/23 as they are funded by grants or land may not be acquired in this financial year for housing but the budgets need to be retained for those projects. The full capital programme budget for this and all future years can be seen in detail by project in appendix b table c.

	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total
February 2021 Council Approved Budget	97,870	66,634	21,179	10	185,693
Reprofile	-69,436	6,440	41,861	21,135	-
20/21 Carry Forwards	33,296	-	-	-	33,296
Use of Reserves	56	-	-	-	56
Additional Grants	7,284	14,272	15,467	15,467	52,490
<b>Revised Capital Budget</b>	<b>69,070</b>	<b>87,346</b>	<b>78,507</b>	<b>36,612</b>	<b>271,535</b>

12. The Corporate Programme Management Office team continue to improve the structure and transparency of the capital programme through a consistent delivery framework. The framework includes process, guidance, support and assurance to senior management and stakeholders ensuring that the council's standards are upheld and clearly defined throughout the development and delivery of projects.

## Savings

13. The graph below shows the confidence in the delivery of savings planned for 2021/22. As can be seen below, at the end of December, 74% of the savings agreed at Council in February 2021 are forecast to be achieved – this is a small improvement on the quarter 2 projection. This is based on, £7.417m (66%) of the £11.205m savings for the having already been achieved by the end of December, and a further £0.919m on target to be achieved by the end of the year, leaving a total of £2.871m forecast as achieved, of which £363k is identified as amber.



14. The status of individual savings plans can be found in appendix E, a summary of savings plan status per directorate can be found below:

- Community Wellbeing are on track to deliver their £3.270m savings plan
- Children and Young people are set to deliver 52% of their £2.390m savings
- Economy and Environment are due to deliver 60% of their £4.348m savings
- Corporate are anticipated to meet their £1.197m savings programme

15. Whilst there is only one quarter remaining, directorates continue to monitor the delivery of these savings and to deliver as much as possible of the originally identified savings and will remain subject to scrutiny by senior officers and portfolio holders. A new savings plan has been identified for 2022/23 as part of the council decision on 11 February 2022 and will be subject to reporting from quarter 1 2022/23.

### Section 106 portfolio

16. Section 106 agreements are legally binding obligations between the council as the local planning authority and developers under Section 106 of Town and Country Planning Act 1990. The purpose of Section 106 Agreements is to make acceptable development which would otherwise be unacceptable in planning terms. The planning obligation within the Section 106 agreement may comprise of a financial contribution, for example, contributions towards infrastructure or schools.

17. The council's approach to Section 106 is set out in its Planning Obligations Supplementary Planning Document (SPD) and is designed to meet the relevant objectives of the Core Strategy and the other relevant strategies to support the significant increase in population and employment.

18. In November 2021 a Cabinet Report was signed off which approved the procurement route and implementation of new delivery proposals and processes and expenditure of up to £9.3m of Section 106 monies, including resources required, to deliver Section 106 schemes.

19. For Highways and Transport Section 106 agreement some professional services where necessary may be procured via the Public Realm Contract. For any other Section 106 agreements where necessary these may be procured externally via the Midlands Highways

Alliance Professional Services Partnership 3 or the North West Construction Hub Professional Service Framework as appropriate for professional services to manage the programmes of work and meet the tight timescales to commence development and delivery of the Section 106 Schemes.

20. In order to assist with the development and delivery of the Section 106 Works Programmes, two temporary Senior Project Managers have been recruited; one commenced in December 2021 and the other is scheduled to commence at the end of January 2022. These roles are to be funded from Section 106 monies. It is proposed to programme the £9.3m spend over a 3 year programme, but this is dependent on the outcome of the work undertaken by the Senior Project Managers and Professional Services Consultants.
21. A further decision by Cabinet will also be required at a future date to outline the council's Section 106 policy and procedure for the spend of future Section 106 monies to ensure it is spent in a timely and efficient manner.

### **Performance: Economy**

22. Of the 19 activities of the delivery plan, 1 has been completed (blue), 12 are on track (green), and 6 are at risk (amber); this position is worse than reported at the end of September 2021 as items have moved to amber.
23. All reported performance measures within the theme have met, or exceeded targets – there remains some work within the directorates to ensure all measures have targets established. All measures have shown an improvement on the same point last year where comparison can be made.
24. There remains two corporate risks in relation to our economic ambitions, in relation to the Hereford City Centre Transport Package and the Hereford City Centre Improvements; both are financial risks in relation to the works and remain consistent with last quarter's report.
25. There have been slight delays with the Leominster Heritage Action Zone. Whilst the grants for businesses to make improvements, such as renovations to shop fronts are beneficial, making contributions can be challenging for some local businesses in the current climate. This scheme is open until 2024, and interested parties can find more information [here](#).
26. The council's Covid-19 recovery plan continues to deliver benefits to the county's residents to support both their wellbeing and the wider economy. At the end of November, the Shop Local pre-paid card scheme went live, where households were able to register for a £15 pre-paid card to spend in local Herefordshire businesses. To date, 58,000 cards have been registered with £850,000 loaded on to them. So far, £228,000 of this money has been spent in over 1050 local businesses. Eight ebikes have been delivered for use across towns. Three communities have also launched community car clubs, to improve residents access to a vehicle – to date Leominster, Fownhope and Kington have all launched, with another 2 communities identified as likely to launch before March 2022.
27. Broadband coverage for the county stands as just over 93% of premises with access to superfast coverage (30Mbps and above) – this remains static though work in taking place by suppliers. In [November 2021](#) a decision was made to change the delivery programme based on Gigaclear being unable to fulfil its commitments in the south of the county due to escalating cost; whilst the north of the county will continue with delivery. This will impact up to 2,324 premises that receive under 30Mbps that were due to be reached by the supplier by March 2022. The council agreed for coverage to move to the Project Gigabit scheme introduced by national government in March 2021 and provides an opportunity for the whole county to lift to gigabit capable (1000Mbps) in time. There will be a time lag in delivery and premises affected by the change will be offered a

Digital House Grant. The existing community grant scheme has been extended and a new business support programme will be introduced.

28. Cabinet were due to consider the Market Town Investment Plans on 16 December 2021. However, due to the Plan B Covid-19 restrictions the meeting was cancelled. Subject to further restrictions, Cabinet are now due to consider the plans at the end of February 2022.
29. Delivery of the Hereford Enterprise Zone remains on track, with construction underway on the NMITE Skylon Park campus. The Midlands Centre for Cyber Security officially opened in December 2021, enabling the continued expansion of expertise of businesses already working in this sector.

### **Performance: Environment**

30. Of the 16 activities of the delivery plan, 6 are on track (green), 8 are at risk (amber), and 2 are compromised (red); this position is worse than reported at the end of September 2021.
31. Two thirds of reported performance measures within the theme have met, or exceeded targets – there remains some work in directorates to ensure all measures have targets established. 89% of measures have shown an improvement on the same point last year where comparison can be made.
32. A significant milestone was achieved in November 2021, as the cabinet agreed the approach to waste collection and recycling which will be introduced in November 2023. It was agreed that Herefordshire will adopt a three week cycle of collections for paper and card, plastics, cans and glass, and general waste, with weekly food waste and fortnightly garden waste collections (more information can be seen [here](#)). This is planned to have a significant impact on the proportion of waste recycled in the county and in turn reduce the amount of waste sent to landfill. As a result of the decision, work is now underway to outline the full capital costs and to develop the tender for the new contracts, both of which are currently planned to reach cabinet in July 2022.
33. Following its introduction, the new Climate and Nature Partnership Board has now appointed members, each with a wealth of expertise and knowledge, have met and have agreed the terms of reference. This group will support and drive the implementation of a countywide strategy and action plan to reduce Herefordshire's carbon footprint. Significant preparation work has also been completed this quarter before the start of the first Herefordshire citizen's climate assembly to be held in January 2022. This assembly invited residents of over 14,000 households to register their interest to take part in the assembly. From these volunteers, 48 Herefordshire residents have been picked to provide a robust representation of the entire community on "How should Herefordshire meet the challenges of climate change?" Recommendations from the assembly will be used to influence council policy and spending priorities to help Herefordshire become a zero carbon, nature-rich county by 2030.
34. A significant element of the Green Homes Grant has been returned to Government. There were major challenges in spending this grant due to the supply chain of both materials, but also fitters capable of delivering the retrofit schemes required to improve both the affordability, and carbon footprint of heating systems. The challenges in developing these schemes appear to be common across a number of areas within the country. Much of this grant will be returned to the council in phase two, allowing time to consider alternative mechanisms for delivery.
35. Both the Hereford Transport Strategy (EN2.1) and the Cycle Super Highway (EN2.4) are now part of the city master planning work, which will deliver a co-ordinated approach to transport, infrastructure and housing developments in the city. A lead post to bring this work together has now been appointed and will start in the next quarter. A Bus Service Improvement Plan has been drafted and submitted to Department for Transport setting our approach to becoming an *exemplar for rural bus services* – this can be found [here](#).

36. A planning application has been made for the first wetlands site, with a decision due shortly. The site is subject to the final stages of land purchase and has a contractor ready to commence construction in February 2022. The land purchase for a second site is also underway and the detailed design for this site is also being finalised, prior to submitting the planning application. Assessment and negotiation is underway for further sites.

### **Performance: Community**

37. Of the 27 activities of the delivery plan, 4 have been completed (blue), 14 are on track (green), 6 are at risk (amber), and 1 is compromised (red). Two projects are on hold pending a review (purple).
38. Seventy percent of reported performance measures within the theme have met, or exceeded targets – there remains some work to ensure all measures have targets established. Seventy-three percent of measures have shown an improvement on the same point last year where comparison can be made.
39. There are three corporate risks relevant to the community section; development of a sufficiency strategy to provide best value for money for children’s services, the availability of workforce for to support the Herefordshire care sector (market workforce economy) and the ability to recruit and retain social workers in children’s social care.
40. The infrastructure repairs required following Storm Dennis continue to progress; a contract for the 67 smaller jobs has now been let and a clerk of works appointed. The repairs required at Witney on Wye are now delayed, options/designs for repairs have had to be re-visited which will have an impact on completion dates. This scheme is particularly challenging, as road closures for works could potentially result in a 34 mile round diversion.
41. Additional options for the delivery of housing in the county are being considered, as schemes that will deliver significant numbers are not at planning application stage yet, this is in part due to the dependency on the city master planning work. Other sites with the potential for development have been identified, and their purchase could start to deliver smaller schemes and make progress on our County Plan objectives.
42. To meet future demands and build additional capacity in the care home market, in October 2021 the cabinet approved the development of a feasibility study for the development of a large-scale council-owned care home in the county. This is planned to build capacity in the Herefordshire care market, delivering a high-specification bespoke care home to support the needs of our county’s residents, whilst also meeting our Herefordshire future homes standards.
43. Hillside care home full programme of works nears completion, with the final business case for technological improvements due to be agreed in the fourth quarter. Initial proposals for an extension have now been re-considered with additional care home capacity being sought as part of the programme in point 39.
44. A new Care@Home framework went live in November 2021. This framework sets out how the council supports people with care needs in their own home with domiciliary care services; supporting vulnerable people with tasks such as personal care and taking medication. There are around 700 people supported by the council in receipt of these services with some individuals only requiring a couple of hours support a week, but others receiving multiple care calls each and every day, sometimes with two carers to ensure this care can be delivered safely. This is a challenging sector in Herefordshire, with a number of vacancies within both the council’s in-house services, but also for most private suppliers. The council has recently launched the Herefordshire Cares campaign to help support the current recruitment challenges, but also to prepare ourselves with the county’s future needs associated with our aging demography.

45. Forty Talk Community hubs have now been launched across the county, each giving people an opportunity to connect with their local communities, through a range of activities, groups and also providing signposting for people in need of support. This is on track to hit the target of 50 by the end of March 2022.
46. The Childrens Improvement Plan was approved by Cabinet in October 2021. The plan is the council's response to court judgements and the non-statutory improvement notice issued by the Department for Education in May 2021. An independently chaired board continues to monitor the progress made against this plan. Work has also started on drafting the year 2 version of the Improvement Plan for 2022/23, developing a greater focus on outcomes to be achieved over the course of the plan
47. There have recently been some changes to our ability to recruit locum childrens social workers within the region, which is anticipated to lead to quicker appointments, as well as a number of recruitments to substantive roles. This is really important as recruiting and retaining workers continues to be one of the biggest challenges for childrens safeguarding services, as it is for many councils across the region. The number of vacancies has an impact on remaining staff as they carry slightly higher caseloads which underpins some areas of poorer performance so far this year, in relation to timely delivery of assessments and visits; there have been some improvements in these, in terms of timely interventions, during the last quarter.
48. As part of the COVID recovery grant, there is a significant focus on schemes which help to restore and improve the physical activity and mental wellbeing of communities. Children have benefitted from free swimming lessons, 115 adults have learned to swim and 2,470 young people have signed up to free gym sessions. A number of grants have been approved including - 24 grants totalling £178k to support communities to access green space, 11 grants approved totalling £72k to support, grants to support increased yoga activities in the county and improved dance opportunities. There has also been investment in staff who are trained to support behavioural change, including physical activity and smoking cessation – 85 people were engaged with during quarter 3. A new mental health toolkit has been launched – Qwell – which has had positive early engagement and run a number of information sessions attended by a range of voluntary and public sector organisations. A “Now we're talking in the community” mental health campaign has been launched and will with run five differencing themes starting in January 2022.

### **Performance: Corporate**

49. Found in Appendix E are the measures of corporate performance, indicating the health of the organisation. For measures with baselines from last year, 66% have improved on this position. 44% of these measures have met targets; however this position is worse that reported at the end of September.
50. Sickness in the third quarter increased to an average of 7.63 days per FTE in a rolling 12 month period and this appears to be due to an increase of COVID-19 within the council's staff, replicating national trends.
51. As reported above, the council is now forecasting an overspend on its revenue budget, which is a worsened position from Q2. The capital budget forecast has reduced during the quarter, to an anticipated 71% on track to be delivered within the year, but savings delivery has improved during the third quarter to 74%. Processing of invoices has improved during the quarter.
52. The council continues to provide timely and responsive replies to complaints and Freedom of Information requests and Environmental Information Regulations, with 93% of complaints responded to on time and 96% of FOI and EIRs managed within timescales – from other work this is believed to favourably compare with other councils positions, particularly whilst considering the ongoing impact of COVID-19.

## **Community impact**

53. In accordance with the accepted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner.
54. Regularly reviewing performance with a view to identifying actions which will further drive improvement in outcomes or efficiencies helps ensure the council achieves its County Plan priorities.

## **Environmental Impact**

55. This report details how progress is being made in achieving the Delivery Plan which details how the council is working to deliver the environmental ambitions set out in the County Plan. Individual projects and deliverables included within the Delivery Plan will all be subject to their own governance arrangements and assessment of environmental and ecological impact.

## **Equality duty**

56. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
57. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Whilst this paper is not seeking any project specific decisions, in determining the council's budget allocation, the council is working towards its equality objectives (found here). In addition, projects identified within the delivery plan, where relevant, will be subject to an Equality Impact Assessment to ensure appropriate attention is given to our Equality Duty.
  58. These recommendations have no direct financial implications, however cabinet may wish to consider how money is utilised in order to meet the council's objectives.

## **Legal implications**

59. There are no legal implications arising from this report.

## Risk management

60. The risks associated with the council's business are recorded on the relevant service risk register and escalated in accordance with the council's Performance Management Framework and Risk Management Plan. The highest risks, i.e. those scoring greater than 16 after controls, are escalated to the council's Corporate Risk Register. These risks can be found in appendix E.

## Consultees

61. None in relation to this report.

## Appendices

Appendix A	Revenue Forecast
Appendix B	Capital Outturn
Appendix C	Treasury Management Forecast
Appendix D	Savings Delivery
Appendix E	Delivery Plan Dashboards

## Background papers

None Identified

## Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	Sarah Buffrey, Democratic Services Officer	Date 07/02/2022
Finance	Audrey Clements	Date <a href="#">Click or tap to enter a date.</a>
Legal	Alice McAlpine	Date 08/02/2022
Communications	Luenne Featherstone	Date 01/02/2022

Equality Duty	Carol Trachonitis	Date 01/02/2022
Procurement	Mark Cage	Date <a href="#">Click or tap to enter a date.</a>
Risk	Kevin Lloyd	Date 03/02/2022

Approved by	Andrew Lovegrove	Date 16/02/2022
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