

FINANCE, EFFICIENCY & ASSETS PORTFOLIO
Cllr Maggie Wright

Once again, we have been given a single year Settlement with long-promised changes to Business Rate Retention and Levelling Up expected to follow in 2023/24. It is therefore difficult to forecast how to plan our aspirations, our expectations and use our actual money wisely whilst still having such financial uncertainty. Added to this is the fact we remain in the middle of a world pandemic and recovery will continue long into the future. We have updated our MTFS this year as planned, but the single year settlement means that it contains a number of high level assumptions in terms of our future funding envelope. Unfortunately, that solid financial platform I spoke about achieving last year has not been possible.

The financial outlook for all local authorities continues to be uncertain. Councils have to present a balanced budget and account for extra growth in services. We are no exception and this year I am expecting there to be gaps between expenditure and income.

We have recently had a Financial Health Check through the LGA which was positive and made some recommendations which will be investigated to help improve our budgeting process, and strengthen our financial resilience monitoring. We need to build our Commercial Strategy and look closely at our fees and charges in order to identify any potential new or additional income streams. As part of this we will be working with our leisure contractor to review performance and the management fee.

We have an ambitious 5-year capital programme but are exposed to increasing interest rates and inflation. We have to look closely at affordability and our priorities of delivery, as well as investigating external funding opportunities.

Our 3 main income streams, Business Rates, New Homes Bonus and Council Tax are even more complicated and fragile than in previous years. We have a heavy reliance on business rate growth which may be seriously impacted when rebasing is brought in. At present there is a significant backlog at the Valuation Office which is leading to delays in recognising new growth in the rating list. This in turn means that we are still unclear as to the full extent of the growth brought about by Fosse Park West and Food Central. As ever, appeals are difficult to predict and all of this means that business rates income is ever moving.

New Homes Bonus has been extended for a further year giving us £1.021M including legacy payments, but there are no indications of alternative funding for future years. The Lower Tier Services Grant has been extended by a further year giving us £0.912m and a new Services Grant announced for 2022/23 of £0.154m is welcomed. However, whether any of these income streams will continue beyond 2022/23 is a massive unknown.

Council Tax represents our largest percentage funding source and it will be costly to us if it stalls or loses potential increases. This will of course be looked at during the Budget Scrutiny process and an online Residents Survey will be completed shortly.

Financial Services will continue to monitor and audit all financial information and continue to report to Cabinet and Full Council on a frequent basis. A very challenging future for Local Government Finances.

The Portfolio Priorities as listed are therefore even more important to ensure our budget stays on track throughout the challenging years ahead, and our staff which are our biggest asset are safe and managed effectively through a more flexible, agile way of working. I am looking forward to the relaunch of the Inphase Performance System and enhancing Performance Management across the Council. A Blaby District Plan Dashboard will ensure we can see at a glance if priorities are being achieved.

Continuous Improvement has been the focus of the Performance Team by providing support and advice for the Council. The use of the Uniform database system has been expanded to include new services such as Economic and Community Development, Work and Skills and the Community Hub. A priority for the coming year will be to support services, develop the system and to provide project management for the IT element of the Leicestershire Building Control Partnership. The InPhase contract for Performance Management has been renewed and I look forward to a full refresh of the system, and the review of Performance Framework for the Council, which will see improved reporting and collaboration. The Equalities agenda is becoming increasingly high up the agenda nationally and I am pleased to see the increased focus and awareness that this is being given. This work will continue to be a priority with a programme of training, to increase understanding of our duties and reinforce the Equality and Human Rights Policy and Objectives. I am looking forward to seeing the results of the Residents Survey for 2022 and how we can use the feedback from our community to improve services in the future, truly putting the customer at the heart of what we do. The team continue to support projects and programme management within the Council, ensuring that these are centred around the delivery of the corporate priorities in the Blaby District Plan 2021-24.

The HR Team will continue to support staff through the development of our hybrid way of working, adapting policies and supporting development of our staff to work and manage in an environment of home and office working. We have, this year, seen further impacts on the mental health and wellbeing of staff and members and we will renew our focus trying to offer support and wellbeing initiatives through various mechanisms. The payroll and HR system is due to be upgraded in the next year and we anticipate this will help automate some of our HR processes which are currently administratively intensive.

Portfolio Holder: Councillor Maggie Wright

Senior Officers: Strategic Director (S151), Strategic Director, Strategic HR Manager and Strategic Finance Manager

Portfolio Total

Finance, People and Performance - Total	2021/22 Approved Budget [A]	2021/22 Revised Estimate [B]	2022/23 Proposed Budget [C]	Variance [C] - [A]	Variance [C] - [B]
1. Establishment Costs	£1,318,023	£1,323,249	£1,313,607	-£4,416 -0.34%	-£9,642 -0.73%
2. Other Gross Direct Expenditure	£1,290,792	£1,264,854	£1,306,453	£15,661 1.21%	£41,599 3.29%
3. Direct Income	-£399,300	-£267,000	-£312,000	£87,300 -21.86%	-£45,000 16.85%
4. Net Direct Expenditure	£2,209,515	£2,321,103	£2,308,060	£98,545 4.46%	-£13,043 -0.56%
5. Overall No. of Posts (FTE)	28.16	29.19	29.19	1.03 3.66%	0.00 0.00%

EXECUTIVE SUMMARY

This portfolio incorporates the establishment costs relating to the Finance, Income & Collection, HR and Performance teams. The establishment budget for 2022/23 allows for a 2% estimated pay award, contractual increments where appropriate, and employer's national insurance and pension contributions. The social care levy of 1.25%, announced by Government in September 2021, forms part of the increase in national insurance contributions payable.

The establishment budget for this portfolio also includes central provisions for statutory sick pay, maternity pay, the apprenticeship levy, and a vacancy savings provision. The vacancy savings provision recognises that the Council is unlikely to be fully staffed throughout the financial year. For a number of years, including 2021/22, the provision was set at a very conservative £80,000. This was increased to £100,000 for 2022/23 when the establishment budget was presented to Cabinet in November 2021. However, the average underspend over the last five full financial years is £294,000. Whilst it is considered imprudent to increase the vacancy savings provision to that level, Cabinet have informally agreed that a more reasonable level of provision would be £200,000, and this has been included in the 2022/23 budget accordingly. This leads to an overall net reduction in the establishment costs shown within this portfolio.

In terms of other gross direct expenditure, the most significant movement is that external interest payable is expected to be around £45,000 lower than originally budgeted in 2021/22, with next year being around £25,000 lower. This is partially due to slippage in the planned Capital Programme but also because we have undertaken no external borrowing since 2020/21. This is a conscious decision due to the ongoing trend of investment rates being significantly lower than borrowing rates. The Council is effectively borrowing internally to save on interest costs but also reducing the counterparty risk associated with investment. Although this would point to a budget reduction, it is offset by other contractual increases such as bank charges, software maintenance, external audit fees, and Welland Procurement costs.

The main factor affecting direct income is the reduction in the Bank of England base rate which, until December has been as low as 0.1% since the start of the pandemic. As a result our investment income has seen a considerable fall, expected to be as much as £130,000 down in 2021/22. Members may recall that the Council included an income loss provision in the 2021/22 approved budget, and this, along with COVID-19 emergency funding from the Government, has helped to mitigate the reduction in income in 2021/22. As the base rate is expected to continue to rise again in the new year, the impact on 2022/23 is likely to be less marked but income is nevertheless forecast to be around £85,000 lower than the original budgeted level for 2021/22.

Financial Services

Financial Services	2021/22 Approved Budget [A]	2021/22 Revised Estimate [B]	2022/23 Proposed Budget [C]	Variance [C] - [A]	Variance [C] - [B]
1. Establishment Costs	£523,601	£523,601	£547,775	£24,174 4.62%	£24,174 4.62%
2. Other Gross Direct Expenditure	£964,219	£913,094	£959,227	-£4,992 -0.52%	£46,133 5.05%
3. Direct Income	-£230,000	-£100,000	-£145,000	£85,000 -36.96%	-£45,000 45.00%
4. Net Direct Expenditure	£1,257,820	£1,336,695	£1,362,002	£104,182 8.28%	£25,307 1.89%
5. Overall No. of Posts (FTE)	10.58	11.50	11.50	0.92 8.70%	0.00 0.00%

Reasons for Variances

1. The 2022/23 Establishment budget takes account of the estimated pay award yet to be confirmed, contractual increments where applicable, and increases to employer's national insurance and pension contributions.
2. The loan interest payable estimates have been reviewed based upon the draft 5 year Capital Programme and a reduction to the budget has been made. All expenditure budgets has been reviewed and reductions made where possible based on the current and expected expenditure.
3. Investment interest rates have continued to remain low following the impact of Covid-19. The income budget has been reduced in line with the actual and expected income.
4. Net impact of variances listed above.
5. Finance review approved in January 2021.

Income & Collections Team

Income and Collections	2021/22 Approved Budget	2021/22 Revised Estimate	2022/23 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£212,301	£212,301	£225,738	£13,437 6.33%	£13,437 6.33%
2. Other Gross Direct Expenditure	£20,863	£20,760	£21,625	£762 3.65%	£865 4.17%
3. Direct Income	-£168,300	-£166,000	-£166,000	£2,300 -1.37%	£0 0.00%
4. Net Direct Expenditure	£64,864	£67,061	£81,363	£16,499 25.44%	£14,302 21.33%
5. Overall No. of Posts (FTE)	6.00	6.00	6.00	0.00 0.00%	0.00 0.00%

Reasons for Variances

1. The 2022/23 Establishment budget takes account of the estimated pay award yet to be confirmed, contractual increments where applicable, and increases to employer's national insurance and pension contributions.
2. Budget revised in line with expenditure to date, and expected expenditure.
3. The budget relates to income for the recovery of summons and liability costs.
4. Net impact of variances listed above.
5. No change.

Audit & Fraud

Audit & Fraud	2021/22 Approved Budget	2021/22 Revised Estimate	2022/23 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£0	£0	£0	£0	£0
2. Other Gross Direct Expenditure	£116,584	£108,069	£127,811	£11,227 9.63%	£19,742 18.27%
3. Direct Income	£0	£0	£0	£0	£0
4. Net Direct Expenditure	£116,584	£108,069	£127,811	£11,227 9.63%	£19,742 18.27%
5. Overall No. of Posts (FTE)	0.00	0.00	0.00	0.00	0.00

Reasons for Variances

1. No establishment costs are applicable to this service.
2. Revised budget reduced in line with actual expenditure.
3. Not applicable.
4. See note 2 above.
5. Not applicable.

Performance

Performance	2021/22 Approved Budget [A]	2021/22 Revised Estimate [B]	2022/23 Proposed Budget [C]	Variance [C] - [A]	Variance [C] - [B]
1. Establishment Costs	£251,416	£251,416	£261,723	£10,307 4.10%	£10,307 4.10%
2. Other Gross Direct Expenditure	£36,070	£42,320	£29,070	-£7,000 -19.41%	-£13,250 -31.31%
3. Direct Income	£0	£0	£0	£0	£0
4. Net Direct Expenditure	£287,486	£293,736	£290,793	£3,307 1.15%	-£2,943 -1.00%
5. Overall No. of Posts (FTE)	5.42	5.42	5.42	0.00 0.00%	0.00 0.00%

Reasons for Variances

1. The 2022/23 Establishment budget takes account of the estimated pay award yet to be confirmed, contractual increments where applicable, and increases to employer's national insurance and pension contributions.
2. Increase in the revised budget relates to the carry forward of unspent budget from 2020/21 for Equalities/ Unconscious Bias training, and budget to support the re launch of the InPhase system, both were delayed during 2020/21 due to COVID-19.
3. Not applicable.
4. Net impact of variances listed above.
5. No change.

Human Resources

Human Resources	2021/22 Approved Budget	2021/22 Revised Estimate	2022/23 Proposed Budget	Variance [C] - [A]	Variance [C] - [B]
	[A]	[B]	[C]		
1. Establishment Costs	£330,705	£335,931	£278,371	-£52,334 -15.82%	-£57,560 -17.13%
2. Other Gross Direct Expenditure	£153,056	£180,612	£168,720	£15,664 10.23%	-£11,892 -6.58%
3. Direct Income	-£1,000	-£1,000	-£1,000	£0 0.00%	£0 0.00%
4. Net Direct Expenditure	£482,761	£515,543	£446,091	-£36,670 -7.60%	-£69,452 -13.47%
5. Overall No. of Posts (FTE)	6.16	6.27	6.27	0.11 1.79%	0.00 0.00%

Reasons for Variances

1. The 2022/23 Establishment budget takes account of the estimated pay award yet to be confirmed, contractual increments where applicable, and increases to employer's national insurance and pension contributions. Includes Vacancy Savings Provision which has been increased from £80,000 to £200,000.
2. The revised budget has been increased to allow for additional spend on recruitment and advertising to vacant senior posts, consultants fees expected to be required and Staff Welfare to support disabled employees in the workplace.
3. The income is for Disclosure and Barring Service (DBS) checks and clearances for other organisations.
4. Net impact of variances listed above.
5. 1 part time post added, and 1 post reduced hours.

Portfolio Priorities

- To lead the Council through the financial challenges in 2022/23 and beyond, with a potential budget gap of £5.5m in 2023/24.
- Understand costs and deliver a responsive, cost effective and high quality financial service.
- Instilling principles of good, sustainable procurement.
- Continue a culture of transparency with emphasis on financial control, audit, and having due regard for the prevention of fraud and management of risk.
- To maximise income collection and recovery of outstanding debt.
- To ensure that effective performance and fair practices are in place across the Council, including the development of a new performance framework.
- To ensure that staff are safe and managed effectively.
- To lead the Council in its implementation and delivery of the People Strategy.

Services

Financial Services

The Finance team is responsible for the provision and monitoring of financial information to maintain control of the Council's finances. The team also prepares the annual accounts, and looks after various other functions including treasury management, taxation, insurance, payroll, procurement, and payment of supplier invoices.

Income & Collection

The Income & Collection team is responsible for maximising income generation in respect of council tax, business rates, and overpayment of housing benefits, in terms of the collection of unpaid debt. The Council Tax Income and Debt Manager also ensures that all guidance in relation to fraud and risk management are up to date and procedures are in place to prevent fraud and manage risk.

Audit

Internal Audit Services is provided by North West Leicestershire as part of a shared service arrangement which includes Blaby and Charnwood.

Performance

This includes staffing and operational costs for the Performance and Systems team, including licences costs for corporate systems such as InPhase and Idox. The Performance and Systems team also help other services succeed by ensuring that our systems work effectively, projects are managed successfully, providing advice on measuring, monitoring and improvement of processes and performance, raising awareness of equality and diversity, and engaging with our customers.

Human Resources

The HR Team is responsible for the provision of transactional services, operational advice and strategic development for the Council's staff. HR ensures that services are appropriately resourced with skilled people and that staff are safe, managed effectively and have high levels of satisfaction in their work.

Key Points

<p>Doing things differently – plans for the coming year</p>	<p><u>Financial Services</u></p> <ul style="list-style-type: none">• Although the Chancellor's November budget alluded to a three year settlement commencing in 2022/23, ultimately the provisional settlement announced on 16th December 2021 is for a single year only. The Government's stated intention is to review and consult upon changes to the Business Rates Retention scheme and the implementation of Fair Funding during the course of 2022/23. The expectation is that these changes will come into effect in 2023/24 and that there will be a significant reduction in the Council's funding envelope due to the likelihood of a reset of the business rates baseline. The 2022/23 settlement includes an additional year of New Homes Bonus, albeit at a much reduced level, an extension to the Lower Tier Services Grant introduced in 2021/22, and a new Services Grant. Given the likelihood of a significant financial gap for 2023/24 onwards, further work will need to be undertaken next financial year to review opportunities to generate new and additional income, as well as to consider the potential to make further savings.• The second phase of the implementation of the upgraded Financial Management System has been successfully completed. This includes a new budget planning and monitoring module which will provide a more interactive experience for users, and better links to the MTFS.• The procurement of the joint HR/Payroll System is in progress, utilising a framework approach. Resource pressures in both the Finance and HR teams mean that implementation is likely to be delayed until 2022/23.• The Finance team is leading on the procurement of a new cash and cheque collection contract (including car parking machines), as part of a consortium with three other local authorities. The contract award is expected to be in place early in 2022/23.• The Income & Collections team is working with external agencies, including bailiffs and legal experts, to implement additional debt recovery measures in line with the Corporate Debt Policy. <p><u>Audit</u></p> <ul style="list-style-type: none">• The Internal Audit Shared Service will continue to comply with the Public Sector Internal Audit Standards (PSIAS). The annual audit plan and individual audit programmes will be developed using a risk based approach. This will ensure that our resources are focused on the areas of highest risk across the council so that our assurance work adds value. The Internal Audit Shared Service had an external inspection in early December 2020 (the PSIAS require this every 5 years). The assessor's opinion was that internal audit at Blaby, Charnwood and North West Leicestershire Councils conforms to the PSIAS. The assessor identified no areas of non-compliance with the standards that would affect the
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	<p>overall scope or operation of the internal audit activity and the team takes a flexible, structured and focussed approach to their audit assignments.</p> <ul style="list-style-type: none"> • The audit plan will include planned and ad-hoc advisory work, in addition to the continued support for assurance on the COVID-19 business grants, to ensure that the Internal Audit team can provide relevant support for both changes that are occurring due to external forces and new developments across the Council, and try to ensure that appropriate controls are built into new systems and ways of working. • The shared service continues well, providing further business continuity and sharing knowledge across the authorities. <p><u>Performance</u></p> <ul style="list-style-type: none"> • Continue to undertake a review of the Performance Framework for the Council • Deliver an integrated IT system as part of the LBCP delegated service project • Deliver training to all staff and members on Equality and Diversity • Review the consultation software to assess options available to ensure that surveys and engagement are effective. • Support the Council in delivering the actions identified by the Peer Review. • Review services in collaboration with staff to make improvements to service delivery <p><u>Human Resources</u></p> <ul style="list-style-type: none"> • Develop and support managers and staff in the new Blaby “Way We Work” (agile/hybrid working model) whilst continuing to respond to Covid • Further development of partnership working with staff, managers and Trade Unions on the People Strategy to ensure engagement with the development and progress of the Council. • Formally launch the structured learning programme for Blaby District Council with particular focus on skills for line managers, core skills development for all staff and opportunities for aspiring staff to support talent management and succession planning. • Implementation of a structured and effective health and wellbeing offer to improve the health of employees including mental wellbeing. • Development of HR Services including finalising the review of the join HR/Payroll system
Income generation	<p>Income from the Council’s central treasury function is included in this portfolio. Returns for 2021/22 have been significantly reduced as investment rates have fallen in the wake of the Covid-19 pandemic. There is likely to be a continuing impact in 2022/23 although some upturn is expected if the Monetary Policy Committee increase the base rate.</p>

Capital plans for the portfolio	The Finance team monitors and maintains oversight of the overall Capital Programme. None of the services within this portfolio have a significant call upon capital resources in 2022/23, although the cash receipting system will require an upgrade at a cost of around £20,000.
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Key Performance Indicators

PERFORMANCE INDICATOR – FINANCE	2021/22 Apr - Nov	2020/21 Full Year	2019/20 Full Year	2018/19 Full Year
Invoices Paid within 10 days	85.53%	87.99%	91.03%	91.44%

PERFORMANCE INDICATOR	2020/21 RESULTS	2021/22 YEAR TO DATE	COMMENTS
% total working days lost to sickness absence	4.07%	2.78%	To end of October 2021
The % of staff from ethnic minorities	9.73%	10.4%	
The % of staff who are disabled	5.9%	5.49%	

Customers

The Finance team's external customers include suppliers who invoice the Council for goods and services, and companies and individuals who owe the Council money. Otherwise, the team's customers are largely internal, i.e. colleagues from other service areas, and Members.

The Income and Collection team has a variety of customers, mainly residents of the district and business rate payers who have incurred debts by not paying Council Tax, Non-Domestic Rates or Housing Benefit overpayments. These range from customers that owe small to very large amounts of money to the Council. Some customers have other debts too, so the team work at collecting payments from them in a manageable way and signpost them to other agencies that can assist them. Often customers will have vulnerability issues that need addressing in other ways so key skills must be used when dealing with the debt collection.

Maintaining awareness of Equalities and Human Rights across the Council by staff and members to ensure fair access to services by customers remains a focus. Training, information articles and advice are provided by the Performance and Systems team supported by HR.

Risks

Corporate and service risks are regularly reviewed to ensure that they are up to date, still valid, and accurately rated. Significant risks attached to this portfolio include the following issues:

- **Overall Financial Risk** – The financial risks facing the Council are not necessarily specific to this portfolio but the Finance team's input into financial issues across all aspects of the Council's services will continue. Officers work closely with the various services to monitor budgets but also to provide sound financial input into all decisions that have financial implications.
- **Local Government Funding** – the Government has stated its intention to undertake two major reviews of the Business Rates Retention Scheme, and the wider Fairer Funding mechanism. The results of both of these reviews pose a significant risk to the Council's future financial position. New Homes Bonus is being phased out, and as yet it is unclear as to whether it will be replaced with a different funding stream.
- **Business Rates Appeals** – the Council still faces a risk in terms of businesses registering appeals against their rateable value. Where these are successful the Council loses 40% of any reduction in rates payable, and the extent to which these appeals are submitted and upheld is outside of the Council's control.
- **Debt** – in the immediate aftermath of the pandemic recovery action was suspended. Recovery action resumed mid-way through 2020/21 although court hearings are still being held remotely. The Government introduced legislation to permit deficits in respect of council tax and business rates to be spread over three years, commencing with 2021/22, in order that the impact of uncollectable debt is not felt in just one financial year. There remains a risk that recovery rates could deteriorate, in particular now that the furlough scheme has ended.
- **Audit** – insufficient resources to complete the audit plan due to unplanned corporate investigations or long term staff absences. As the service is provided through a shared service arrangement there is a risk that any party may want to withdraw from the arrangement which would impact all three partners.
- **Human Resources** - The non-delivery of the People Strategy may have an impact on staff absence, morale and overall performance.
- **Performance** - lack of progress in reviewing the performance framework may impact on rate of service improvement
- **Project / Programme Management** – if projects are not monitored and managed adequately this may result in delays and overspend
- **Equalities** – If legislation is not complied with then there may be challenge from customers, businesses and regulatory bodies. If equalities awareness and good practice are not continued then this may result in inappropriate and unfair treatment of staff and/or customers.
- **Idox Database and associated systems** – if the system is not maintained and working effectively, a number of statutory services and duties may not be able to be delivered.