



Report for:	<b>Finance &amp; Resources Overview and Scrutiny Committee</b>
Date of meeting:	<b>3<sup>rd</sup> November 2020</b>
Part:	<b>1</b>
If Part II, reason:	

Title of report:	<b>Finance &amp; Resources Performance and Operational Risk Report Quarter 2 2020/21</b>
Contacts:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources Nigel Howcutt, Assistant Director, Finance and Resources.
Purpose of report:	To provide Committee with analysis of quarterly performance and risk management within Finance & Resources for the 2nd quarter of 2020/21.
Recommendations	That Committee notes the contents of the report and the performance of Finance & Resources for Quarter 2, 2020/21.
Corporate objectives:	The provision of effective financial services and the allocation of resources such as assets and facilities support all five of the Council's corporate objectives, with particular reference to <i>Ensuring efficient, effective and modern service delivery</i> and, through Revenues, Benefits and Fraud division, <i>Building Strong and Vibrant Communities</i> .
Implications:	<u>Financial</u> Contained within the body of the report.
'Value for money' implications	<u>Value for money</u> Contained within the body of the report.
Risk implications	Contained within the body of the report
Equalities implications	None
Health and safety Implications	There are no health and safety implications.
Consultees:	Group Manager (Commercial Assets & Property Development) Group Manager (Financial Services) Group Manager (Revenues, Benefits and Fraud)
Background papers:	Previous performance reports to Scrutiny.

Glossary of acronyms and any other abbreviations used in this report:	F&R OSC- Finance and Resources Overview and Scrutiny Committee.
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1. Risk and Performance reports are presented to Overview and Scrutiny Committees on a quarterly basis. They provide Members with an opportunity to scrutinise performance against a range of key indicators, and to review how the key risks facing the Services are being managed.
2. The attached appendices provide comprehensive risk and performance information for Finance & Resources for Quarter 2 of 2020/21 (July – September).

Appendix A – Finance & Resources Qtr 2 Performance Report.

Appendix B – Finance and Resources Qtr 2 Operational Risk Register.

3. The Performance Report, Appendix A, highlights that there are 4 amber KPI's and 6 green where performance is good.
4. There are 5 out of 16 KPI's have been reported as red which is a decrease of 1 compared to the first quarter of 20/21. The KPI that has improved month on month is the collection rate of business rates, although this will require continual performance monitoring.
5. The 5 red rated KPI's are as a direct impact of the Coronavirus pandemic and are;
  - **RBF01 Average Time to decide a new claim for Housing Benefit** – For the majority of the quarter there has been increased workload as a result of the covid-19 pandemic, with a large increase in applicants, in particular the new cases linked to the increase in Temporary accommodation. In conjunction with this the service have given applicants more time to provide information and documents given the effect of the pandemic.
  - **FIN03 General Fund outturn projection** – See the agenda item on the second quarter budget monitoring position for more details.
  - **FIN08 Investment Income** – This income stream is below expectations due to 2 directly linked issues, of reduced cash balances and reduced investment interest.

The pandemic has resulted in lower cash balances than expected as income collected from capital receipts, council tax, business rates to fees and charges, whilst expenditure has increased where services need to react to the pandemic. At the same time interest rates on investments have plummeted in line with the world economy with some council investment funds now returning a 0% rate of return.
  - **FIN02a Time taken for debtors to pay** – This is adversely impacted by the pandemic with cash recovery ceased for a period and with businesses not operating during lock down. As of September debt

recovery actions are back to usual and performance is expected to improve in the third quarter.

- **CP02 – Percentage arrears on commercial property rents** – The arrears on the commercial portfolio are historically at or around 7% which is considered to be a market leading.

In the current market the arrears were expected to increase significantly and at 15% they are lower than previous projections. The majority of the commercial portfolio is in the retail sector and some landlords are reporting arrears as high as 87%.

The income collection and performance are being heavily scrutinised monthly and the bad debt provision as part of the monthly monitoring has been increased significantly.

At present the period from P6 to P12 is expected to be the hardest period to collect rental in as;

- Businesses have a more uncertain trading environment than Qtr 2,
- The job furlough scheme as it was is ending,
- The significant Government grants appear to have come to an end,
- Cash flow and reserves are starting to be diminished.

6. All scores as set out in the Operational Risk Register at Appendix B have been reviewed for 2020/21 Quarter 2, and comments added to the report. The scores reflected have not changed since quarter 1.
7. As you will note from Appendix B the operational risk scores and outcomes are all impacted by the coronavirus pandemic which was both unexpected and significant.
8. As at quarter 2 controls and mitigations in place for operational risks are deemed to be strong, and the council's ability to monitor and respond to the impact of the pandemic has also been strong.