

EAST HERTS COUNCIL

EXECUTIVE – 2 SEPTEMBER 2014

MONTHLY CORPORATE HEALTHCHECK – JULY 2014

REPORT BY THE LEADER OF THE COUNCIL

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- To set out an exception report on finance and performance monitoring for East Herts council for July 2014.

| <u>RECOMMENDATION FOR EXECUTIVE:</u> that: | |
|---|---|
| (A) | the budgetary variances set out in paragraph 2.1 of the report be noted; |
| (B) | the extension of the Conservation Officer’s contract as stated in paragraph 2.4 of this report, be approved; |
| (C) | a drawdown £135,000 from the Local Plan reserve as set out in paragraph 2.20 of the report, be approved; |
| (D) | the use of £35,200 from the Cost Of Change Reserve to support the Graduate Trainee Scheme in 2015/16 as detailed in paragraph 2.21 of the report, be approved; |
| (E) | the use of the Interest Equalisation Reserve as detailed in paragraph 2.22 of the report, be approved; and |
| (F) | changes to the capital programme as detailed in paragraphs 2.33 to 2.41 of the report and a supplementary estimate of £50,000 for additional work to be undertaken at Hartham swimming pool as set out in paragraph 2.37 of the report, be approved. |

1.0 Background

1.1 This is the finance and performance report for the council.

1.2 Each report will contain a breakdown of the following information by each corporate priority where remedial action is needed:

- Salary, capital and revenue variance.
- Performance information (based on the performance indicator suite that is reported on a monthly basis and where relevant quarterly data) and also the directorate's position in respect to payment of invoices and sickness absence.

1.3 **Essential Reference Paper 'B'** shows the dashboard performance indicator summary analysis.




Essential Reference Paper 'C' shows the full set of performance indicators that are reported on a monthly basis.



Essential Reference Paper 'D' shows summarised information on salary costs.

Essential Reference Paper 'E' shows detailed information on the capital programme.

Essential Reference Paper 'F' shows explanations of variances on the revenue budget reported in previous months.

The codes used in relation to performance indicator monitoring are as follows:

| Status | |
|---|-----------------------------------|
|  | This PI is 6% or more off target. |
|  | This PI is 1-5% off target. |
|  | This PI is on target. |

| Short Term Trends | |
|--|---|
|  | The value of this PI has changed in the short term. |
|  | The value of this PI has not changed in the short term. |

2.0 Report – Directorate Position

REVENUE FINANCIAL SUMMARY

2.1 The financial aspects of this report are based on budgetary

information from April 2014 to July 2014.

Following closure of the 2013/14 accounts Carry Forward Budgets were approved by the Executive on 1 July 2014. These have now be incorporated into the 2014/15 budgets.

The financial figures detailed below, are best estimates, for the first four months of the new financial year. Finance staff and budget holders will continue to monitor budgets through the year, and report any exceptions where necessary.

| | Position as at 31.07.14 | | | | Projected Position year end | |
|---|-------------------------|-----------------|---|--|-----------------------------|-----------------|
| | Favourable £000 | Adverse £000 | Favourable Variance since last month £000 | Adverse Variance since last month £000 | Favourable £000 | Adverse £000 |
| (1) People | | | | | | |
| Land Charge Income | 12 | 0 | 2 | 0 | 30 | 0 |
| Staff salaries (Essential Reference Paper 'D'). | 115 | 0 | 5 | 0 | 45 | 0 |
| B&B Charges | 2 | 0 | 1 | 0 | 3 | 0 |
| Renovation Grant – Repayment | 13 | 0 | 5 | 0 | 23 | 0 |
| (2) Place | | | | | | |
| Community Safety | 0 | 7 | 0 | 7 | 0 | 17 |
| DCLG Grant Income (Housing Options) | 0 | 0 | 0 | 0 | 0 | 50 |
| Kerbside Dry Recycle Collection | 0 | 26 | 0 | 7 | 0 | 80 |

| | | | | | | |
|--|-----|-----|---|----|-----|----|
| Trade Bin Disposal | 50 | 0 | 0 | 1 | 0 | 3 |
| Parking Enforcement Contract | 105 | 0 | 0 | 10 | 54 | 0 |
| RinGo Expenses | 0 | 2 | 0 | 2 | 0 | 16 |
| Refuse Contract | 0 | 9 | 0 | 9 | 40 | 0 |
| Green Waste Collection | 3 | 0 | 0 | 0 | 5 | 0 |
| Dry Recycling Income | 0 | 116 | 0 | 0 | 0 | 80 |
| Paper Banks Income | 2 | 0 | 0 | 0 | 0 | 3 |
| Recycling Misc. | 4 | 0 | 0 | 0 | 4 | 0 |
| Trade Waste Collection | 0 | 14 | 0 | 0 | 0 | 20 |
| Trade Bin Income | 31 | 0 | 0 | 0 | 50 | 0 |
| Clinical Contract Collections | 0 | 4 | 0 | 0 | 0 | 10 |
| Clinical Income | 15 | 0 | 0 | 0 | 39 | 0 |
| Street Cleansing Income | 10 | 0 | 0 | 0 | 5 | 0 |
| Market Fees | 0 | 3 | 0 | 0 | 0 | 20 |
| New Homes Bonus Grant Income | 8 | 0 | 0 | 0 | 33 | 0 |
| Contracted Litigation Service | 3 | 0 | 0 | 0 | 20 | 0 |
| (3) Prosperity | | | | | | |
| Environmental Health | 0 | 0 | 0 | 0 | 0 | 3 |
| Jackson Square Car Washing | 0 | 0 | 0 | 0 | 6 | 0 |
| Development Management Charges | 0 | 0 | 0 | 11 | 300 | 0 |
| Development Management Charges - Pre Application Advice | 195 | 0 | 0 | 0 | 15 | 0 |
| Other Devt. Management - Income | 15 | 0 | 0 | 0 | 22 | 0 |
| Other Devt. Management - Expenditure | 8 | 0 | 0 | 0 | 13 | 0 |
| De | | 0 | 0 | 0 | 6 | 0 |
| | 3 | | | | | |

| | | | | | | |
|--|------------|------------|-----------|-----------|------------|------------|
| Investment Income | 0 | 0 | 0 | 0 | 0 | 101 |
| TOTAL: | 591 | 181 | 13 | 38 | 692 | 403 |
| Net Projected Variance - Favourable | | | | | | 289 |
| Contingency Projected Underspend | | | | | | 306 |
| Total Favourable Variance | | | | | | 595 |

- 2.2 Subject to all other conditions being equal, this would result in underspend of £289,000 against service budgets and if the rest of the contingency budget is not required, this would be a total of £595,000 underspend.
- 2.3 A summarised salaries monitoring report for the period April to July 2014 is attached at **Essential Reference Paper 'D'**. A favourable variance of approximately £45,000 has been identified comparing projected salary costs for the financial year with the approved annual budget. The variance reflects the following:
- Vacancies within the planning section
 - 15 members of staff have opted out of the auto enrolment for the pension scheme which accounts for a substantial proportion of the under spend. Whereas the assumptions included in the budget were that all staff would be in the pension scheme following auto enrolment.

FINANCIAL ANALYSIS AND PERFORMANCE ANALYSIS

People

Financial analysis

- 2.4 CMT is requested that the conservation officer's contract within planning and building control should be extended to the end of the financial year. This will enable the officer to continue with the work being undertaken. The cost of this contract extension will be funded from other salary savings within the planning & building control service. This is already included in the salary monitoring as a cost to the section.
- 2.5 Income is being received from the repayment of the renovation grant which was not expected this year. At the end of July 2014, £13,000 had been received.
- 2.6 Development in the district was initially higher than anticipated, however this has not continued in June 2014 and July 2014. Outturn variance of land charges has been revised from £50k to 30k favourable.

Performance analysis

- 2.7 The following indicator was 'Green', meaning that the target was either met or exceeded for July 2014. It was:

- EHPI 181 – Time taken to process housing benefit new claims and change events

Please refer to **Essential Reference Paper 'C'** for full details.

Place

Financial analysis

- 2.8 The refuse contract is currently predicting an underspend at year end. Non-core work is currently low. Inflation is also lower than anticipated (1.01% rather than 1.6%) making a difference of £6k on the full year projection. £22k was added to this account for property growth but this should have been added to the dry recycling contract code. This will be corrected at the probable stage.
- 2.9 The green waste collection budget is currently on target but is slightly overstated due to inflation being lower than forecast.
- 2.10 The dry recycling service is expecting significant under recovery of income. Paper tonnage has continued to decline in line with national trends and income currently is £27k below profile. Comingled materials (glass, cans, plastics) - higher tonnage but not yet receiving higher price from removing soft plastics and therefore £23k under profile to date.
- 2.11 The paper bank income is currently under profile for the same reasons as kerbside paper above (see paragraph 2.12).
- 2.12 There is additional miscellaneous recycling income from the sale of obsolete plant.
- 2.13 Trade waste expenditure is currently slightly above profile due to increased business. This is however offset by increased income.
- 2.14 The trade bin income is currently performing better against profile due to increased business (based on Quarter 2 billing). A forecast of up to £50k additional income could be achieved by year end.
- 2.15 Clinical waste collections are expected to overspend due to extra business. However this is expected to be matched by a significant increase in expected income as a result of the extra business.
- 2.16 The street cleansing estimate is now slightly overstated due to

inflation being lower than forecast.

- 2.17 The reduced income in markets fees and charges is a consequence of trends in retail in town centre shopping habits, including the tendency for shoppers to now use internet shopping and the use of out of town retail parks. These local trends are reflected in the markets industry nationally and have been reported by market authorities across the UK.
- 2.18 An additional grant of £33k is anticipated as part of national adjustment to the new homes bonus scheme.

Contingency Budget – Commitments to date

- 2.19 The original 2014/15 budget includes a contingency sum of £513,000 which allows for unforeseen events to be funded in-year. Currently there is a balance of £306,000 which if not required during the year will result in a further favourable variance in addition to **£289,000 underspend reported** for the period. Future healthcheck reports will consider if there are further calls on this sum. These budgets are mainly for one-off areas of spend; however, some service growth has been identified (detailed below) for inclusion in the 2015/16 base budget.

| | Approved Budget £'000 | Expected Spend £'000 | Comment |
|---|--------------------------|-------------------------|---|
| Contingency budget at the start of the financial year Less Committed Budget: | 513 | | |
| People & Organisation | 9 | 0 | One-off Funding to support one HR officer to August 2014. This has now been extended to August 2015 with additional £20k funding approved as Special Item for 2014/15 only. Contingency Funding is no longer required in 2014/15, but will be required in 2015/16. |
| Facilities | 15 | 15 | One-off funding to support one temporary position and also to bridge funding gap in an existing role that has been graded upwards from grade 6 to grade 9 in Facilities Services. |
| Procurement | 8 | 8 | Procurement officer now employed full time by EHDC, contingency to fund 14/15 shortfall only. Growth item needed for future |
| Housing | 12 | 12 | To fund permanent increase in housing manager hours. This is a growth item required for future years |
| Environmental Health | 34 | 29 | One-off funding to support 4 posts of different grades in Environmental Health. Could potentially affect 2015/16 contingency budget depending on start dates. |

| | | | |
|---|------------|------------|--|
| Environmental Health | 12 | 12 | To support assistant waste services manager posts. |
| Head of Customer Services | 14 | 7 | On-going funding to support full time replacement of customer service manager from August 2014/15. Growth Item needed for future years |
| The Web Team | 13 | 12 | One-off cost to support the role of Information analyst within the Web Team for 6 months only. |
| Parking Services | 30 | 30 | One-off funding to support car park consultancy and signage cost |
| Parking Services | 52 | 0 | On-going funding to support evening enforcement contract. This contract is no longer going ahead therefore funding is not required. |
| Business & Technology Services | 11 | 11 | On-going funding for microsoft software licence. Growth Item needed for future years |
| HR | 40 | 31 | 2X Graduate trainee scheme for a 2 year term. Year one to be funded from contingency, Year 2 from cost of change reserve. |
| Accountancy Services | 20 | 20 | One-off funding to support the strategic review of the financial services function. |
| Citizen Advice Bureaux | 20 | 20 | On-going funding to support the citizen advice bureaux service for 2 years. Further funding required for 2015/16. |
| Contingency Utilised | 290 | 207 | |
| Contingency still to be utilised | 223 | 306 | |

Other Key Budget Commitments

- 2.20 The local plan upkeep programme is expected to spend approximately £265,000 this year. Available budget for 2014/15 is £90,000. It is expected that £40,000 funding will be received from Herts local enterprise project. Executive are recommended to approve a drawdown of £135,000 from local plan reserve to make up the budget shortfall.
- 2.21 Executive are requested to approve a budget of £35,200 from the cost of change reserve to support the graduate trainee programme in 2015/16. The 2014/15 budget is funded from the contingency budget. This is to support 2 graduate trainees.
- 2.22 Entry into property funds is rescheduled for around July 2015 as there is a waiting list. This will result in an adverse variance of £101k in Investment Income. It is recommended that the shortfall be financed from the interest equalisation reserve (balance as at 1 April 2014 was £2.257m).

Performance analysis

- 2.23 **EHPI 157a – Processing of planning applications: Major applications.** Performance was ‘Red’ for July 2014. One application was received in this period which was not determined in the required timescale. This was delayed as a result of the requirement for further information to be provided with regard to impact of development on ecological issues.
- 2.24 **EHPI 2.4 – Fly-tips: Removal.** Performance was ‘Green’ for July 2014. However members are advised that the service has identified an error in the data submitted from April 2014 to July 2014, due to the new computer system that was introduced at the start of the financial year. The table below details the updated performance data following the adjustment:

| Corporate Healthcheck Report | Previously reported | Performance data following adjustment |
|-------------------------------------|----------------------------|--|
| April | 2.52 days | 1.82 days |
| May | 1.83 days | 1.98 days |

| | | |
|------|-----------|-----------|
| June | 2.16 days | 1.76 days |
| July | 2.54 days | 1.50 days |

2.25 **EHPI 192 – Percentage of household waste sent for reuse, recycling and composting.** Performance data was not available at the time of writing this report. The data will be verbally updated by the Chief Executive and Director of Customer and Community Services.

2.26 The following indicators were 'Green', meaning that the targets were either met or exceeded for July 2014. They were:

- EHPI 157b – Processing of planning applications: Minor applications.
- EHPI 157c – Processing of planning applications: Other applications.
- EHPI 2.2 – Missed waste collections per 100,000 collections of household waste.

2.27 However despite meeting the target for July 2014 the following indicators showed a declining trend when performance is compared to the previous month:

- EHPI 2.2 – Missed waste collections per 100,000 collections of household waste.
- EHPI 157c – Processing of planning applications: Other applications.

Please refer to **Essential Reference Paper 'C'** for full details.

Prosperity

Financial analysis

2.28 It is anticipated that the income target for development management charges in 2014/15 will be exceeded by some £300,000. This represents £100,000 increase on the forecast provided in the June 2014 healthcheck.

2.29 Development management has also identified potential favourable variance in a number of budget areas which, if achieved, could result in a total favourable variance of approximately £22,000. These have

been reported in the revenue variance table above as other development income.

2.30 Based on a review of profile spend over the last three years and anticipated litigation requirements as of the date of this report, it is likely that the contracted litigation budget will be underspent by an estimated £20,100. It should be noted, however that this budget has a high degree of volatility as it relates to re-active action to legal activity instigated by external parties.

Performance analysis

2.31 The following indicators were 'Green', meaning that targets were either met or exceeded for June/Quarter 1 for 2014. They were:

- EHPI 6.8 – Turnaround of pre NTO PCN challenges.
- EHPI 6.9 – Turnaround of NTO Representations.
- EHPI 8 – % of invoices paid on time.
- EHPI 10.2 – Council tax collection, % of current year liability collected.
- EHPI 10.4 – NNDR (Business rates) collection, % of current year liability collected.
- EHPI 12c – Total number of sickness absence days per FTE staff in post.

Please refer to **Essential Reference Paper 'C'** for full details.

CAPITAL FINANCIAL SUMMARY

2.32 The table below sets out projected expenditure to 31 March 2015 against the capital programme. Members are invited to consider the overall position. **Essential Reference Paper 'E'** contains details of the 2014/15 capital programme. Comments are provided by the project control officers in respect of individual schemes.

| | Column 1 | Column 2 | Column 3 | Column 4 |
|----------------|--|---|--|-----------------------------------|
| Summary | 2014/15 Original Estimate | 2014/15 Revised Estimate | 2014/15 Projected Final Outturn | Variance Col 3 – Col 2 |
| | £'000 | £'000 | £'000 | £'000 |
| People | 1,970 | 2,005 | 883 | (1122) |

| | | | | |
|---------------------------------|--------------|--------------|--------------|---------------|
| Place | 874 | 1,111 | 1,111 | 0 |
| Prosperity | 671 | 1,251 | 1,144 | (107) |
| Re-profiling potential slippage | (250) | (250) | (250) | 0 |
| Total | 3,265 | 4,117 | 2,888 | (1229) |

- 2.33 The budget for the disabled facilities programme reflects likely need according to previous trends. Referral rate from Hertfordshire County Council (HCC) has been very low, so there is already potential to slip £200k to 2015/16 as that budget is currently less than anticipated. Residents' enquiries to this department are up following some promotional work, and HCC referrals have increased in July 2014. It is recommended that £200k be slipped to 2015/16. There may be the need to claw back or slip more later on in the year depending on referrals.
- 2.34 There is currently only one disabled facility discretionary scheme under consideration so far this year. Potential spend this year is projected to be £20,000. It is therefore recommended that £30k be slipped into the 2015/16 capital programme.
- 2.35 Two decent home grants have been approved. This means that there is £60,000 more than is required for this year. The proposal therefore is to slip £60K to next financial year, and consider scheme changes then.
- 2.36 There is currently no commitment to spend the future social housing scheme budget. Registered providers are currently awaiting the outcome of bids to the HCA. If unsuccessful they may approach the council for funding. First priority is to spend S106 sums which have been collected for affordable housing. It has been agreed with the Director of Neighbourhood Services to slip this budget of £820,740 into 2015/16. (This potential underspend was previously reported in the May 2014 healthcheck).
- 2.37 The facilities team is working with the leisure contractor at the Hartham swimming pool with a view to commissioning work to complete in the Christmas holidays, during a period of traditional low customer demand. The work involves the replacement of the swimming pools systems and plant for maintaining the air temperature and humidity. The plant is worn out and no longer meets current standards. It is also expensive to run in energy costs. Failure of the

plant would result in enforced closure of the pool. New plant will address this risk and reduce energy costs and the Council's carbon footprint. It is several years since the budget was set for this project when the original estimated cost was related to the provision of the new plant only. This is a major and complex piece of the plant and it is the view of officers that it is a specialist 'design and build' project. Sufficient budget needs be allocated to allow for externally resourced project management, and a contingency provision for inflationary cost increases. Therefore, it is requested that the capital provision be increased by £50,000 going from £100,000 to £150,000.

- 2.38 There is currently no urgent need for the refurbishment or replacement of pool filters (£20k) and circulating pumps (£20k) at Fanshawe swimming pool this year. It is therefore proposed to push this capital programme back to 2016-17. Under the joint provision agreement, Chauncy School would be required to fund 40% of the works.
- 2.39 The Leventhorpe air handling plant renewal project was scheduled for 2014/15, however some revenue repair work has been completed on the air handling system and this work is no longer necessary in the short term. It is therefore requested that this project is delayed till 2016/17 financial year within the capital programme. Under the joint provision agreement, Leventhorpe academy would be required to fund 40% of the capital works.
- 2.40 The air conditioning at the Leventhorpe gym has now failed completely and cannot be repaired. It is integral with the roof, which is also leaking. It is requested that £25,000 is bought forward from 2015/16 to 2014/15 with the aim of completing the works before next summer. The works have been informally discussed with the school and a formal approach will be made once the timing of the project is known. Quotations are being obtained and it is also requested that the £25,000 budget be increased to £30,000 to allow for contingency and inflationary increases.
- 2.41 The £40,000 energy grant budget for this year (£20k + £20k slippage from 2013/14) was to allow for wider range of incentives to be included in assistance policy. However, resource was directed to the re-launch of our insulation grants, which had support from external funding. There is therefore scope to reduce budget back down to £20k for this year, offering a saving of £20K.

3.0 Implications/Consultation

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers:

2013/14 Estimates and Future Targets Report, Essential Reference Paper B – For complete list of performance indicators that are being monitored for 2014/15

<http://online.eastherts.gov.uk/moderngov/ieListDocuments.aspx?CId=119&MId=1792&Ver=4>

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