

EAST HERTS COUNCIL

EXECUTIVE – 3 FEBRUARY 2015

MONTHLY CORPORATE HEALTHCHECK – DECEMBER 2014

REPORT BY THE LEADER OF THE COUNCIL

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- To set out an exception report on finance, performance and risk monitoring for East Herts Council for December and quarter three for 2014.

<u>RECOMMENDATIONS FOR EXECUTIVE: that:</u>	
(A)	the budgetary variances set out in paragraph 2.1 and the forecast outturn position in paragraph 3.4 of the report be noted;
(B)	the current position and action proposed to address seven performance indicators that are currently off target be noted, and advise if further information is required regarding the current position for: <ul style="list-style-type: none">• EHPI 181 – measure has been off target for the fifth consecutive month• EHPI 2.6 – measure have been off target for the second consecutive quarter. (Paragraphs 2.8 and 2.12)
(C)	the risk controls, as detailed at paragraph 6.1 of the report submitted, be approved or amended if necessary.

1.0 Background

1.1 This is the finance, performance and risk monitoring 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.
 - Risk information
- 1.3 This report also now includes forecast budget information on an exception basis for the Council's total revenue budget and uses the terminology of budget 'building blocks' introduced in the 'Budget Report and MTFP 2014/15 – 2018/19' on the Executive's agenda for 3 February 2015.
- 1.4 **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 the Expected Variance at the 31 March 2015 on the Net Cost of Services by Priority
Essential Reference Paper 'E' shows explanations of variances on the Revenue Budget reported in previous months.
Essential Reference Paper 'F' shows summarised information on salary costs.
Essential Reference Paper 'G' shows the amounts committed against the Contingency budget in 2014/15
Essential Reference Paper 'H' shows detailed information on the capital programme.
Essential Reference Paper 'I' shows the council's 2014/15 savings.
Essential Reference Paper 'J' shows the October to December 2014 strategic risk register.

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 or exceeding 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 Financial and Performance Analysis for each Council priority

- 2.1 This part of the report looks at financial and performance information on an exception basis for each of the Council's priorities. In terms of the budget 'building blocks' this part of the report is reviewing the Net Cost of Services.
- 2.2 The financial aspects of this report are based on budgetary information from April 2014 to December 2014. The financial figures are best estimates for the forecast outturn based on year to date information. Strategic Finance and budget holders will continue to monitor budgets throughout the year and report any exceptions where necessary.
- 2.3 Details of budget variances reported against the Net Cost of Services in previous months can be found in **Essential Reference Paper 'D'**. Executive should note that in previous Healthcheck reports we have shown this table in the main part of the report not as a separate Essential Reference Paper. Movements from the position reported in previous months are highlighted in the paragraphs that follow and in **Essential Reference Paper 'E'**.
- 2.4 The forecast outturn for the Net Cost of Services budget (Original Estimate) shows an underspend of £626,000. This represents 4.4% of the approved Net Cost of Services budget. As summarised in the table below

Service	2014/15 Original Estimate	2014/15 Revised Estimate	2015/16 Forecast Outturn	Variance Original to Forecast
	£000s	£000s	£000s	£000s
Customer and Community	5,915	6,199	6,153	238
Neighbourhood Services	3,240	3,419	2,686	(554)
Finance and Support Services	5,123	5,208	4,813	(310)
Total Net Cost of Services	14,278	14,826	13,652	(626)

2.5 A summarised salaries monitoring report for the period April to December 2014 is attached at **Essential Reference Paper 'F'**. Currently an adverse variance of approximately £41,000 has been identified comparing salary costs for the financial year with the approved annual budget.

2.6 The variance reflects the following:

- Minor overspends due to the vacancy factor not being achieved and the use of agency staff
- The impact of the national and local Pay Award as detailed in the Budget Report

People

Financial analysis

2.7 Following the withdrawal of the lease cars for staff and a review of the essential user allowance, car expenses are lower than the 2014/15 approved estimate; resulting in a favourable variance of £35,000.

Performance analysis

2.4 **EHPI 181 – Time taken to process housing benefit new claims and change events.** Performance was 'Red' for December 2014. This is the fifth consecutive month where this indicator has not met the target and the second consecutive month where this indicator has shown a declining trend. Performance has not been helped by a data matching exercise that the DWP are requiring the service to carry out, which is very resource intensive. Recruitment to the new posts which

were agreed as part of previous Corporate Healthcheck reports continues which is expected to help improvements in performance. The cumulative position is 13.78 days, compared to 13.72 days for the same period last year. The estimated outturn for 2014/15 is 10 days and therefore the service expects to meet its target at year end. Additional resource as well as the annual uprating of benefits in March will help to adjust the cumulative position positively.

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

Place

Financial analysis

- 2.5 The forecast favourable variance for dry recycling income has improved from the £10,000 previously reported to £43,000. This is due to an increase in the price received for paper tonnages and a higher market price and improvement in sorting processes.
- 2.6 Pest control income is lower than budgeted due to a poor wasp season and some businesses not renewing contracts for pest control. An adverse variance of £10,000 is reported.
- 2.7 An overspend against the Kerbside dry recycling collection budget of £83,000 has been previously reported. This has now increased to £95,000. This in part is due to a decision to haul materials to the reprocessor in exchange for a higher material price. This overspend is partially offset by the increase in dry recycling income reported in 2.11 above.

Performance analysis

- 2.8 **EHPI 2.6 – Percentage of residual waste (refuse) sent for disposal.** Performance was 'Amber' for Quarter 3 for the second consecutive quarter. Trend similar to that experienced last quarter. This is a rolling quarter covering the periods from September to November.
- 2.9 **EHPI 192 – Percentage of household waste sent for reuse, recycling and composting.** Although November 2014 performance has slightly declined from the previous month (this indicator reports one month in arrears), performance has improved when a comparison is made to the same period last year (52.68% in November 2014 compared to 50.61% in November 2013).

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

- EHPI 157a – Processing of planning applications: Major applications.
- 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.
- EHPI 2.4 – Fly-tips: Removal.

2.11 However despite meeting the target for December/Quarter 3 the following indicators showed a declining trend when performance is compared to the previous month/quarter:

- EHPI 157a – Processing of planning applications: Major applications.
- EHPI 157b – Processing of planning applications: Minor applications.
- EHPI 157c – Processing of planning applications: Other applications.

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

Prosperity

Financial analysis

2.12 The Housing Benefits Service in the Revenues and Benefits Section contains the largest of the Council's budgets. These budgets have been reviewed to reflect actual activity in 2014/15. A reduction in the Rent Allowances Transfer Payments and government subsidy has resulted in a fall in the net cost of the Housing Benefit Service. A favourable variance against the original budget of £470,000 is forecast.

2.13 A net favourable variance of £52,000 is reported due to increased income levels at Hertford Theatre. The income targets for the River room, Studio and Pantomime have exceeded targets.

2.14 The budgeted legal fees income from Section 106 agreements was overly optimistic and the forecast outturn is expected to result in an adverse variance of £25,000.

Performance analysis

2.15 The following indicators were 'Green', meaning that targets were either met or exceeded for December 2014. They were:

- 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.
- EHPI 6.8 – Turnaround of pre NTO PCN challenges.
- EHPI 6.9 – Turnaround of NTO Representations.
- EHPI 8 - % of invoices paid on time.

2.16 However despite meeting the target for December 2014 the following indicator showed a declining trend when performance is compared to the previous month:

- EHPI 12c – Total number of sickness absence days per FTE staff in post.

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

3 Total Revenue Budget and Forecast Outturn position

3.1 This part of the report reviews the forecast outturn position for the Council's total revenue budget

3.2 Priority Spend budget – The total budget for 2014/15 is £547k. There are no additional commitments on the budget in December. The uncommitted balance therefore remains £349k.

3.4 Contingency budget – The original 2014/15 budget is £513k, which allows for unforeseen events to be funded in-year. Currently there is a balance of £177,000. Which if not required by the end of the financial year will result in a further underspend in addition to the £626k reported in 2.4. There is a detailed table showing the current agreed commitments against the contingency budget is **Essential Reference Paper 'G'**

3.5 Non Domestic Rate (NDR) and Section 31 grants – Strategic Finance have reviewed the NDR and Section 31 grant income., It is anticipated that the total NDR income retained by East Herts will be

£719k lower than forecast. However this loss is more than matched by an increase in section 31 grant. A net increase of £318k is forecast.

3.6 It is anticipated that there will be an underspend of £1.2m in the total revenue budget at the end of this financial year. This is made up of:

- £626k of extra income and underspend in various budget items in net cost of services.
- A £318k net increase in the combined total income from NDR and section 31 grant income.
- A £307k surplus from the collection fund that was not included in the original estimate.

3.7 This could increase to £1.7m if the unallocated amounts in the Contingency Budget (£177k) and New Homes Bonus Priority Spend Fund (£353k) are not used. This forecast outturn is the same as that being reported in the Budget Report.

3.8 Full explanations of how this forecast outturn underspend has arisen have been given in the Budget Report which is on the same Executive agenda as this report. The Budget Report recommends for Council decision that the forecast underspend should be transferred to reserves.

4.0 **Capital Programme**

4.1 The table below sets out summarised projected expenditure to 31 March 2015 on the capital programme (shown in column 3) whilst **Essential Reference Paper 'F'** contains detailed information with comments from project control officers on the individual capital schemes.

4.2 The latest forecast shows a further underspend on the capital programme from that being reported in the Budget Report (a £228k underspend from the proposed Revised Estimate).

	Column 1	Column 2	Column 3	Column 4
Summary	2014/15 Original Estimate	2014/15 Revised Estimate	2014/15 Projected Outturn	Variance Col 3 – Col 2
	£'000	£'000	£'000	£'000
People	1,970	564	564	0
Place	874	860	660	(200)
Prosperity	671	1,346	1,319	(28)
Re-profiling potential slippage	(250)	0	0	0
Total	3,265	2,770	2,542	(228)

Notes: The Revised Estimate is that proposed in the Budget Report for Council approval
The brackets show an underspend against the capital programme budget

- 4.3 The Budget Report gives an explanation of the movements between the Revised and Original Estimates for the capital programme. This report highlights movements now forecast from the Revised Estimate (which was prepared in December – one month ago). The movement of £228k from the Revised Estimate comprises of schemes slipping into the new financial year as detailed below in paragraphs 4.4 -4.7 (£214,800) and schemes where minor savings have been made in the capital budget (£7,400).
- 4.4 The scheme to replace the Hartham Common tennis courts with 3 floodlit 3G 5-a-side pitches, has been delayed due to concerns about floodlighting raised by the Environment Agency. Following further work these plans have now been agreed by the Environment Agency and are currently being submitted to the Development Management Committee for approval. It is recommended that the remaining budget of £84,800 is reprogrammed as slippage into the 2015/16 capital programme.
- 4.5 The completion of the feasibility study required to implement the scheme to install solar panels at Wallfields has been delayed. It is therefore recommended that the budget of £45,000 is slipped into the 2015/16 capital programme.
- 4.6 The modernisation of the of the public convenience facilities at Bell Street, Sawbridgeworth is behind schedule. The Estates Team are

currently working on design specifications. It is recommended that the budget of £70,000 is reprogrammed as slippage into the 2015/16 capital programme.

- 4.7 The refurbishment of windows at the Wallfields office now needs to be reprogrammed for warmer summer months. It is recommended that the £15k budget is slipped into the to the 2015/16 capital programme
- 4.8 The capital budget for essential repairs to the Causeway car park (£30,000) is expected to underspend by £7,400.

5. **2014/15 Savings**

- 5.1 The external auditor requires the council to establish whether the 2014/15 savings offered up by Heads of Service and Managers and agreed by Members to set the 2014/15 Council Tax, have actually been achieved. This is monitored and reported on a quarterly basis. **Essential Reference Paper 'J'** sets out those savings and using a RAG system of Red, Amber or Green, Heads of Service and Managers have indicated the relevant RAG with accompanying narrative as to the savings status.
- 5.2 As at the end of the third quarter 98% of the £584,660 of planned savings have been classified as 'Green' or 'Amber' or alternative action taken.

6 **STRATEGIC RISKS**

- 6.1 Controls for the period October to December 2014 have been updated. The scores of all risks are also reviewed quarterly. All remain unchanged.

Please refer to **Essential Reference Paper 'J'** for full strategic risk register.

7 **Implications/Consultation**

- 7.1 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.

Budget Report and MTFP 2014/15 – 2018/19' Executive 3 February 2015.
<http://online.eastherts.gov.uk/moderngov/ieListDocuments.aspx?CId=119&MId=1792&Ver=4>

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