

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 22 MARCH 2016

REPORT BY THE DIRECTOR OF FINANCE AND SUPPORT SERVICES

QUARTERLY CORPORATE HEALTHCHECK – QUARTER 3 DECEMBER 2015

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- To provide a report on finance, performance and strategic risk monitoring for East Herts Council for 2015/16 as at December 2015.
- The revenue budget for 2015/16 is £14.544m. The forecast position as at 31 December 2015 shows an underspend of £677k in 2015/16. The main contributory factors are underspends against service budgets of £348k and underspends against corporate items totalling £329k.
- The capital budget for 2015/16 is £2.718m. The forecast position shows a variance of £32k overspent, this is made up of a £509k overspend and £477k to be slipped into the 2016/17 capital programme..
- Nine out of the 15 performance indicators in Corporate Business Scrutiny's basket (that have a target) are either on target or exceeding their target as at December/Quarter 3 for 2015. Two indicators are 1-5% off target (Amber) and the remaining four performance indicators are 6% or more off target (Red).
- For the short term trend seven indicators out of the 15 performance indicators in Corporate Business Scrutiny's basket are showing an improvement when performance is compared to the previous period. Two indicators have maintained the same level of performance and six have declined.

RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY:

That, in relation to the following items:

(A) The revenue budget forecast underspend of £677k (paragraph 2.1).

(B) Proposed slippage on the following capital schemes:

- Hertford Theatre, £13k (paragraph 3.2)
- The Bourne Ware, £41k (paragraph 3.3)
- Wallfields solar panel, £45k (paragraph 3.4)
- Environmental enhancements to town centres, £28k (paragraph 3.5)
- Market improvements, £22k (paragraph 3.6)
- Community Capital Grants, £41k (paragraph 3.7)
- Operational Building Rolling Programme, £74k (paragraph 3.8)
- North Drive Ware, £12k (paragraph 3.9)
- Print investment, £20k (paragraph 3.10)
- HR & payroll system, £55k (paragraph 3.11)
- Electoral management software, £75k (paragraph 3.12)
- Historic Building Grants, (£13k) (paragraph 3.13)
- Energy grants, £38k (paragraph 3.14)
- Land Management Programme, £26k (paragraph 3.15).

(C) The reported performance for the period October 2015 to December 2015.

The Executive be advised that the Corporate Business Scrutiny Committee has considered Items (A), (B) and (C) and has no comments to make.

1.0 BACKGROUND

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

1.2 In February 2015 Council agreed a balanced budget for the 2015/16 financial year. This report sets out the financial position for the year to date and provides forecasts for the outturn position.

1.3 In 2014 Council approved the performance measures that would be monitored. This report sets out the year to date performance against

those targets.

2.0 REVENUE BUDGET

2.1 The Council is forecast to underspend in 2015/16 by £677k. Table 1 below shows the current forecast outturn position as at 31 December 2015 by directorate.

Table 1: Revenue forecast outturn

Revenue	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Customer and Community Services	6,574	6,461	(113)
Neighbourhood services	3,053	3,261	208
Finance and Support services	5,255	4,812	(443)
Net cost of Services	14,882	14,534	(348)
Priority Spend Budget	150	150	-
Contingency Budget	370	41	(329)
Contributions to/(from) reserves	(858)	(858)	-
Total	14,544	13,867	(677)

2.2 The main variances in the forecast outturn are set out below by Directorate and can be found in **Essential Reference Paper B.**

2.3 The key service budget month on month variances in the forecast outturn are summarised below in Table 2:

Table 2: Month on month service budget variances.

Month on Month Variance	Variance £'000
Pay and Display income	(43)
Hertford Theatre, Panto & Cinema	(31)
Enforcement Contract	12
HCC contribution to district plan	(49)
Safestyle income	10
Flood Grant	(40)
Rent Deposit	(7)
Building Control Joint Venture contribution	(23)
Summons costs recovered	(47)
Other small variances	(39)
Total Month on Month Variance	(257)

Customer and Community Services

2.4 The forecast outturn position shows an underspend of £113k. This is £46k higher than previously reported. Table 3 below shows the breakdown by service.

Table 3: Customer and Community Services forecast outturn

Community & Customer Services	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Chief Executive and Director of Customer & Community	151	107	(44)
Business Development	360	431	71
Communications, Engagement & Culture	928	848	(80)
Customer Services & Parking	(474)	(608)	(134)
Environmental Services	5,609	5,683	74
Total:	6,574	6,461	(113)

Key variances arising this month:

- 2.4.1 Salaries within Customer and Community are expected to be £40k overspent. This is a £4k variance from the position reported in October.
- 2.4.2 The income at Hertford Theatre generated from the Pantomime and cinema ticket sales will be £31k higher than budgeted, due to increased ticket sales.
- 2.4.3 An additional £43k pay and display income is reported due to increased usage of the Council car parks.
- 2.4.4 The Enforcement contract is expected to fully spend against budget, resulting in expenditure being £12k higher than previously predicted. This is still within budget for 2015/16.

Key variances previously reported:

- 2.4.5 The cost of printing pay and display tickets will be £8k below 2015/16 budget due to a better price being negotiated with the suppliers.
- 2.4.6 An increased customer base in Commercial Waste has resulted in anticipated additional income of £67k in 2015/16. This forecast income has not changed from the variance reported in August 2015.
- 2.4.7 The contribution from Herts Council linked to Recycling (Alternate Financial Model – AFM) is expected to be lower than budget by £60k.
- 2.4.8 Following the community right to challenge the management fee to Bishops Stortford Town council for running the Market will exceed the approved budget by £47k. This is currently being managed as a pressure within the service
- 2.4.9 Following the sale of the lease for Bircherley Green Car Park in Hertford at the end of March 2015, the Council is no longer responsible for the running of the car park. Therefore a net overspend of £126k is reported mainly due to lost income. This is currently being managed as a pressure within the service.
- 2.4.10 Use of the RingGo pay by phone service in the pay and display car parks is expected to increase by 30% in 2015/16. The cost to the

motorist of using this council are passed on to the Council, an additional cost of £14k is predicted. This is currently being managed as a pressure within the service.

2.4.11 The consultation for Bishop's Stortford Parking Futures has been expanded in agreement with the Portfolio holder, with additional costs of £7k in 2015/16. This is currently being managed as a pressure within the service.

2.4.12 Sawbridgeworth and Buntingford town Councils will no longer be subsidising Pay and Display parking, resulting in a £25k reduction in income. As approved by Executive on 8th June 2015, this is to be funded through use of the New Homes Bonus Priority Spend budget.

2.4.13 A rent review of the Causeway car park in Bishop's Stortford has been completed, this will increase the rental cost to the Council by £58k per year. This is currently being managed as a pressure within the service.

Neighbourhood Services

2.5 The forecast outturn position shows a £208k overspend which is £105k less than previously reported. Table 4 below shows the breakdown by service.

Table 4: Neighbourhood Services forecast outturn

Neighbourhood Services	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Director of Neighbourhood	112	104	(8)
Corporate Support Team	108	107	(1)
Community Safety and Health	1,197	1,304	107
Housing Services	567	555	(12)
Planning and Building Management	1,069	1,191	122
Total:	3,053	3,261	208

Key variances arising this month:

- 2.5.1 The salary budget within Neighbourhood services is predicted to be £106k overspent. Additional funding for salaries is approved to come from Contingency (£8k) and from additional income (£60k); a total of £68k reducing the budget pressure to £38k. Use of the Local Plan reserve will be £19k less than budget due to a contribution from HCC (paragraph 2.5.2)
- 2.5.2 A contribution from Herts County Council of £49k has been received in respect of on the Local Plan, the use of the Local Development Framework Reserve will be lower as a result. This is reflected in the contribution to/from reserves figure in table 2.1.
- 2.5.3 Based on current trends the Building Control income received from Safestyle will be £50k lower than budget, due to a lower number of applications than expected. This is an increase of £10k from that previously reported and is currently being managed as a pressure within the service.
- 2.5.4 The use of the Flood Grant Reserve will be £39.5k less than previously reported. Surveys and preliminary works need to be completed before further works are carried out. The £39.5k will be spent in 2016/17 once these initial works are completed.
- 2.5.5 The ODPM Rent Deposit budget will underspend by £7k as it is increasingly difficult to find landlords who will accept applicants on benefits or rents that are affordable.

Key Variances previously reported:

- 2.5.6 It is expected that an element of the 2015/16 local plan expenditure in the Planning Policy service will slip into 2016/17, although the amount is still uncertain at this stage of the financial year. This is funded through the Local Development Framework reserve therefore there will be a reduction in the amount drawn down in 2015/16.
- 2.5.7 £30k additional income is anticipated in the Development Management Service from pre application fees to be received in February 2016 in relation to the Bishop's Stortford Goods Yard Site. This will be offset by increased agency staff costs as detailed above.
- 2.5.8 An additional £19k of S106 income is anticipated in Development Management.
- 2.5.9 The second receipt of £100k from Herts County Council as a

contribution towards Public Health promotions (paragraph 2.5.13) will be received in three equal instalments the first being received in January 2016. This will be transferred to reserves as expenditure is programmed in 2016/17.

2.5.10 The budget for PCSO's (Police Community Support Officers) will overspend by £19k as 4 posts are being funded rather than the budgeted 3. Additional funding has been received reducing this overspend by £11k to £8k.

2.5.11 The appeals expenditure budget in Development Management is expected to be £40k above budget. This is due to the use of consultants at Public Inquiry to present the Council's case and the instruction from the Executive for all major residential schemes submitted from July onwards to be subject to rigorous financial assessment.

2.5.12 The 2015/16 budget for Planning Application fees was increased in line with historic trends. Whilst the volume of planning applications received to 31st August is consistent with previous years the size of these are small in financial value. An under achievement in income of £189k is currently forecast. This is currently being managed as a pressure within the service.

2.5.13 A contribution towards Public Health promotions of £100k has been received from Herts County Council. As agreed at Council on 18 February 2015 match funding of £100k from East Herts will be used to support this project funded from the New Homes Bonus priority fund.

Finance and Support Services

2.6 The forecast outturn position shows an underspend of £443k and increase of £106k from previously reported. Table 5 below shows the breakdown by service.

Table 5: Finance and Support Services forecast outturn

Finance and Support Services	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Director of Finance & Support	118	128	10
Business and Technology Services	1,296	1,294	(2)
Corporate Governance and Risk	1,487	1,547	60
Democratic Services and Legal	1,131	1,195	64
Human Resources and OD	328	372	44
Revenues and Benefits Shared Service	319	80	(239)
Strategic Finance	530	138	(392)
Other Corporate Budgets	46	58	12
Total:	5,255	4,812	(443)

Key variances arising this month:

- 2.6.1 An underspend of £6k against Salary budgets is anticipated in Finance and Support Services. Funding of £25k has been agreed from the contingency budget, £32k from reserves and £52k from other sources. A total of £109k funded from other sources resulting in a £115k underspend.
- 2.6.2 A contribution of £23k towards the Building Control Joint Venture has been received to offset the agency cost incurred by Strategic Finance.
- 2.6.3 An additional £47k income is expected in Revenues and Benefits due to an improved position in Summons costs recovered.

Key Variances previously reported:

- 2.6.4 The purchase of the Bishops Quarter site in Bishops Stortford will lead to a net increase in revenue in 2015/16. This is currently forecast to result in additional net income of £427k this financial year.

- 2.6.5 A collective action (APPS) was bought against the Council by Property Search Companies relating to a dispute on the terms by which the Council provided property search information. The settlement sum due to be paid is anticipated to be no greater than £188k. A Government Grant of £110k has been received to partially offset this. The balance of £78k will be funded through the General Reserve, this is reflected in the figures shown in paragraph 2.1
- 2.6.6 The housing association lease at Charrington's House has expired and will not be renewed therefore there will be a shortfall in income of £41k in 2015/16. This is currently being managed as a pressure within the service whilst alternative tenants are identified.
- 2.6.7 External Audit fees are anticipated to be £30k lower than budget, due to a new External Auditor, EY, being appointed from 2015/16 with a lower fee agreed by PSAA (Public Sector Audit Appointments).
- 2.6.8 Worldpay transaction charges are forecast to be higher than budget, although this is offset by savings from bank charges, resulting in a £12k overspend. This is further offset by treasury management fees which are £5k lower than budget.

Non-departmental budgets

- 2.7 The Priority Spend budget for 2015/16 is £697k. As approved by Executive on 8th June 2015 £150k is allocated in 2015/16 with the remainder to be transferred to the New Homes Bonus Priority Fund Reserve. The uncommitted balance is £547k and future requests will be drawn down from the Reserve as they are approved. **Essential Reference Paper C** shows the amounts committed against the New Homes Bonus Priority Spend budget.
- 2.8 The Contingency budget of £370k allows for unforeseen events to be funded in-year. **Essential Reference Paper D** shows the amounts committed against the Contingency budget. As at 31st December the £41k funded through the contingency budget all relates to items approved by CMT prior to 1st April 2015.
- 2.9 A collective agreement was reached with Unison in September 2015 on the proposed changes to employee expenses policy with respect to car mileage rates, removing the essential lump payment of £1,239 per annum and reducing the mileage rate from 65p per mile to the HMRC rate of 45p per mile. To reach this agreement a

compensation payment was agreed to be made to employees in January 2016. This has been approved by both Local Joint Panel and HR Committee. The estimated cost of the compensation payment is £215k which will be funded from the transformation reserve, approved by Executive on 1 Dec.

3.0 CAPITAL PROGRAMME

3.1 The 2015/16 capital forecast expenditure is summarised in Table 6 below. **Essential Reference Paper E** sets out the detailed forecast on each scheme.

Table 6: Capital forecast outturn

Service	Approved budget £'000	Revised Budget £'000	Forecast outturn £'000	Proposed over/under £'000	Proposed slippage £'000
Customer and Community Services	782	955	758	(7)	(190)
Neighbourhood services	927	865	603	(211)	(51)
Finance and Support services	1,009	20,982	21,473	727	(236)
Total	2,718	22,802	22,834	509	(477)

Proposed Slippage:

- 3.2 The replacement of 6 lighting hoists at Hertford Theatre is partially complete, the remaining work is programmed for August 2016 when the Theatre will close for 2 weeks. It is requested that the £13k balance on this scheme slips into 2016/17.
- 3.3 Following a risk assessment installation of fitness and play equipment at The Bourne, Ware (£41k) will be delayed until 2016/17 due to difficulty sourcing appropriate suppliers to deliver the scheme in line with the consultation findings. It is requested that £41k is slipped into the 2016/17 capital programme.
- 3.4 The project to install solar panels at Wallfields has been delayed with a revised completion date of July 2016. Potential contractors have

been asked to provide revised costings and estimated solar Feed in Tariff payback (FiT) in line with reduced FiT arrangements (confirmed in January 2016 by Government). Slippage to 2016/17 of £45k is requested.

- 3.5 There are delays to the scheme for environmental enhancements to Ware Town Centre mainly due to granting of permissions. It is recommended that £28k is slipped into 2016/17.
- 3.6 A delay in receiving approval from HCC for EHC to lead on the Traffic Regulation Order needed for the market improvement scheme in Bull Plain has resulted in the expected completion date being delayed until September 2016. It is requested to slip £22k into 2016/17.
- 3.7 Spending against the Community capital grants budget is dependant on successful applicants being able to complete their project within the specified time frame. Take up was slow earlier in the year which resulted in the December funding round being oversubscribed. 12 applications were awarded a grant meaning that much of the budget will not be claimed until 2016/17. The balance of £41k is requested to be slipped into 2016/17.
- 3.8 It is requested that the remaining £74k budget on the operational building rolling programme is slipped into the 2016/17 capital programme to fund planned preventative capital maintenance of operational buildings in 2016/17.
- 3.9 The budget of £12k to reconstruct the road at North Drive Ware is insufficient to carry out effective surfacing of the road. It is hoped to link the upgrade of the road to private developments which are coming forward in the local area. It is requested to slip £12k to the 2016/17 capital programme.
- 3.10 It is requested to slip the £20k shared service print investment costs budget into the 2016/17 capital programme as the procurement hasn't been undertaken yet.
- 3.11 The new HR and payroll system will slip to the first quarter of 2016/17 as the procurement process is not yet complete. It is requested to slip £55k to the 2016/17 capital programme.
- 3.12 The procurement of Electoral management software was approved at CMT on 13th October 2015, this is to be drawn down from the ICT rolling programme budget. This scheme is now programmed for 2016/17 therefore it is requested to slip £75k into the 2016/17 capital

programme.

- 3.13 Higher take up of Historic building grants in the 3rd quarter of 2014/15 has resulted in the previously reported slippage of £36.7k reducing. Approval for negative slippage of £13k is requested.
- 3.14 Spend against the Energy grants budget has been low to date due to other free schemes continuing until April 2017. Officers have recently been informed that 3 external funding bids which would have utilised this budget have been unsuccessful. The Fuel Poverty Strategy is going to Executive in February 2016, if agreed, measures from this strategy will require these funds. It is recommended that £38k of this budget is slipped into the 2016/17 capital programme.
- 3.15 It is requested to slip £26k of the Land management programme into 2016/17, works commenced in September 2015 and wet weather has resulted in delays.

Key variances previously reported:

- 3.16 The Decent Homes Grants budget will be £130k underspent due to an absence of referrals. Referrals from health & care partners to tackle unsuitable housing is likely to develop, which together with trends suggest that the existing 2016/17 budget is sufficient to meet demand. There is therefore no need to slip this budget.
- 3.17 Expenditure associated with the purchase of Old River Lane of £946k including legal advice, property advice and Stamp Duty Land Tax will be added to the capital cost of the acquisition of £19,550k. This will be a revenue contribution to capital and will be funded from the Commercial Property Fund and New Homes Bonus.
- 3.18 The Finance and Support Services capital budget has increased to reflect the £19.55m acquisition cost of the Bishop's Quarter site.
- 3.19 A drawdown of £30k from the Operational Buildings budget was approved in December 2014 for air conditioning works at Buntingford Service Centre. Whilst this project was completed 5 months after the timetabled completion date a significant saving of £15k was achieved. It is requested that this is transferred back into the operational Buildings Rolling programme budget to be used for other capital projects. The uncommitted balance on this budget is £125k, a programme of minor works to improve Bishop's Quarter is currently being developed and will result in this budget being utilised.
- 3.20 There is a forecast £10k overspend on Commercial Waste bins

capital budget due to the rise in new customers (see paragraph 2.4.10) which is offset by an increased revenue forecast. There is currently no recommendation to adjust the budget for this projected overspend at this stage in the financial year.

- 3.21 Currently £200k of the £400k capital ICT rolling programme remains uncommitted. There is currently no recommendation to adjust the budget for this projected underspend at this stage in the financial year.

4.0 VIREMENTS

- 4.1 There are no virements to report to date.

5.0 SAVINGS

- 5.1 The approved savings for 2015/16 total £107k. 100% of the 2015/16 will be achieved.

- 5.2 **Essential Reference Paper F** sets out these savings.

6.0 DEBTORS

- 6.1 Total Outstanding debt as at 31st December 2015 is £1.636m. This is a 17% decrease from the previous quarter. £1m of the debts outstanding are not due until the 31st of January 2016.

- 6.2 The outstanding debt over 120 days old totals £524k, an increase of £37k (7%) from the previous quarter. Of this debt, over 90% relates to disputed invoices where negotiations are ongoing to collect the debt owed. The remainder of the debts over 120 days are invoices relating to environmental health enforcement, where a charge is held against property to pay the debt once the property is sold, or housing debts where repayments are being made with a payment plan over several months.

- 6.3 **Essential Reference Paper G** analyses the profile of aged debtors.

7.0 PERFORMANCE ANALYSIS

Performance against targets

- 7.1 Table seven shows movement in performance when compared to the last reporting period for measures where there is a RAG status.

Seven indicators are showing an improvement. Two indicators have maintained the same level of performance and six indicators show a decline in performance.

Table 7:		
Performance Indicator Short Name	Performance Status (RAG)	Movement since last reported
EHPI 10.2 – Council tax collection, % of current year liability collected	Green	Improved
EHPI 10.4 – NNDR (Business rates) collection, % of current year liability collected	Green	Improved
EHPI 5.1 – % of complaints resolved in 14 days or less	Green	Improved
EHPI 5.2b – % of complaints about the Council and its services that are upheld b) 2nd stage (appeal)	Green	Improved
EHPI 8 – % of invoices paid on time	Green	Improved
EHPI 9.3 – Average ICT Incidents per day	Green	Improved
EHPI 5.4 – % of complaints to the Local Government Ombudsmen that are upheld	Green	Stayed the same
EHPI 5.2a – % of complaints about the Council and its services that are upheld a) 1st stage.	Green	Declined
EHPI 9.1 – Percentage availability of core ICT systems during supported hours	Green	Declined
EHPI 2.12 – Service requests: environmental health	Amber	Stayed the same
EHPI 9.2 – Percentage Resolution of ICT Incidents Within 4 Hours	Amber	Declined
EHPI 9.8 – Delivery of Key Milestones in the ICT Strategy	Red	Improved

EHPI 11.1 – Rental income from market traders. (MAXIMISING INDICATOR)	Red	Declined
EHPI 9.4 – Percentage of Calls Abandoned on ICT Service Desk	Red	Declined
EHPI 9.6 – Satisfaction with ICT Services	Red	Declined

7.2 Please refer to performance indicator summary analysis in **Essential Reference Paper ‘H’** for full performance indicator analysis.

8.0 IMPLICATIONS/CONSULTATIONS

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

Background Papers

None.

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