

East Herts Council Report

Council/ Executive /Committee

Performance, Audit & Governance Oversight Committee

Executive

Date of Meeting:

17th March 2020 PAGO

11th February 2020 Executive

Report by: Councillor Geoff Williamson, Deputy Leader & Executive
Member for Financial Sustainability

Report title: QUARTERLY CORPORATE BUDGET MONITOR –
QUARTER 3 DECEMBER 2019

Ward(s) affected: ALL

Summary

- To provide a report on finance and performance monitoring for East Herts Council for 2019/20 as at 31st December 2019
- The net revenue budget for 2019/20 is £10.268m as set out in table 1, this is funded by Council Tax. The forecast outturn as at 31st December predicts a year end underspend of £10k
- The revised capital budget for 2019/20 is £77.812m, of which £78k is estimated to underspend and £64.292m is to be carried forward to future years

RECOMMENDATIONS FOR EXECUTIVE:

- a. The net cost of services budget forecast underspend of £35k in 2019/20 be noted (paragraph 2.5);**
- b. The capital budget for 2019/20 is £77.812m, of which £78k is estimated to underspend and £64.292m is to be carried forward to future years be noted (paragraph 5.1.1);**
- c. The reported performance for the period October 2019 to December 2019 be noted (paragraph 7);**

1.0 Proposal(s)

- 1.1 Not applicable

2.0 Background

- 2.1 On 19th December 2018 Council approved a balanced budget for 2019/20 financial year. This report sets out the financial position for the year to date and provides forecasts for the outturn position.
- 2.2 The Council's revenue budget is made up of 5 areas; these are shown in table 1 below. The report that follows provides details of the forecast outturn position against these areas.

Table 1 - Net Cost of Services

Original Budget 2019/20	Forecast outturn	Variance
£'000	£'000	£'000

Total Net Cost of Services	14,201	14,166	(35)
Corporate Budgets Total	1,669	1,523	(146)
Net Use of Reserves	(139)	(139)	0
Funding	(5,463)	(5,292)	171
Net Revenue Spend	10,268	10,258	(10)
Funded by Council Tax	(10,268)	(10,268)	0
Underspend	0	(10)	(10)

2.3 The report contains the following sections and Appendices:

Background Report Sections	
2.4	Net Cost of Services
2.12	Corporate budgets
3.1	Reserves
4.1	Funding
5.1	Capital budgets
6.1	Debtors
7	Performance analysis

Appendices	
A	Capital
B	Debtors
C	Performance monitoring
D	Communications Report

2.4 Net Cost of Services

2.5 The Council's net cost of services budget for 2019/20 is £14.201m. An underspend of £35k is forecast in 2019/20. Table 2 overleaf shows this current forecast outturn position broken down by service area

Table 2 – Revenue Forecast Outturn

		Original Budget 2019/20	Forecast outturn	Variance	Variance
		£'000	£'000	£'000	%
Net Cost of Services	Chief Executive & Directors	380	375	(5)	-1.3%
	Communications, Strategy & Policy	1,001	987	(14)	-1.4%
	HR & Organisational Development	513	538	25	4.9%
	Strategic Finance & Property	1,906	1,907	1	0.1%
	Housing & Health	2,394	2,390	(4)	-0.1%
	Democratic and Legal	1,300	1,274	(26)	-2.0%
	Planning & Building Control	582	588	6	0.9%
	Operations	3,473	3,484	11	0.3%
	Shared Revenues & Benefits Service	1,658	1,616	(42)	-2.5%
	Revenues & benefits retained costs	(336)	(458)	(122)	36.3%
	Housing Benefit Subsidy	(550)	(550)	-	0.0%
	Shared Business & Technology Services	1,880	2,015	135	7.2%
	Total Net Cost of Services	14,201	14,166	(35)	0.2%

2.6 Communications, strategy and policy

- 2.6.1 A forecast underspend of £14k is reported against the communications, strategy and policy budget. This is due to salary underspends in vacant posts.

2.7 HR & organisation development

- 2.7.1 A forecast overspend of £25k is reported against the HR & organisational services. £12k of this overspend relates to the funding of professional qualification development as previously agreed by LT to support the development of hard to fill posts in planning and environmental health services. Additionally employment costs relating to the apprenticeship staffing budget has been overspent due to not sufficiently factoring in pay rises based on age for the apprenticeships alongside a delay in moving an apprentice into a permanent role.

2.8 Democratic and legal

- 2.8.1 A forecast underspend of £26k is reported against the democratic and legal service. This is due to salary underspends and vacant posts across legal services and land charges.

2.9 Shared revenue and benefits

- 2.9.1 A forecast underspend of £42k is reported against the Shared revenues and benefits service. This mostly relates to an underspend in salaries costs.

2.10 Revenues and benefits retained costs

2.10.1 The revenues and benefits retained costs budget is forecast to overachieve by £122k. This is mostly due to government grant income received and not utilised within the year. Additionally a significant reduction in legal fees contributes to the overachievement of this budget.

2.11 Shared business & technology services

2.11.1 The shared business & technology services budget is forecasting an overspend of £135k. Of this, £50k is due to capitalising salary costs and the remainder due to additional IT license costs.

2.12 Corporate Budgets

2.12.1 Corporate budgets are costs and income received by the Council that are not service specific, these include income from the Council's investments, pension deficit contributions and New Homes Bonus grants to Town and Parish Councils

2.12.2 Table 3 overleaf shows the forecast outturn position against the corporate budgets.

Table 3 – Corporate budgets 2019/20 forecast outturn

	Original Budget 2019/20	Forecast outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Council	697	654	(43)
NHB Priority Spend	697	654	(43)
Interest Payments	669	669	0
Interest & Investment Income	(1,090)	(1,150)	(60)
Pension Fund Deficit contribution	696	696	0
Corporate Budget Total	1,669	1,523	(146)

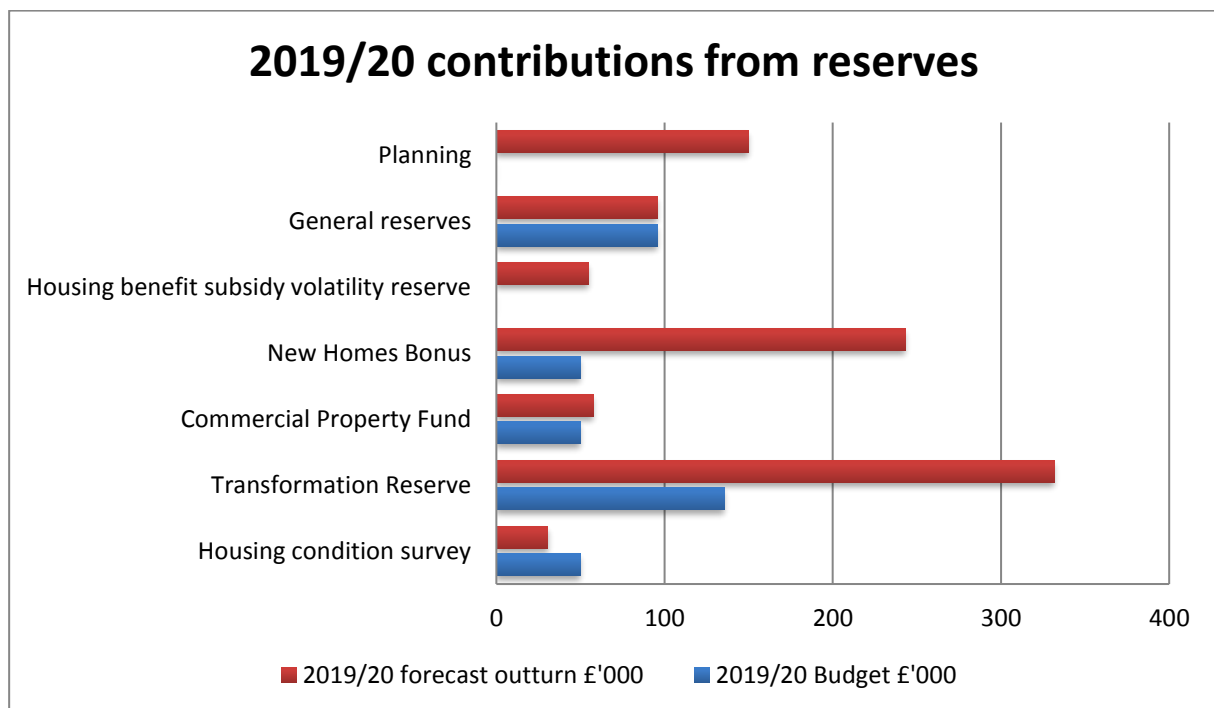
2.12.3 A variance of £43k is shown against the New Homes Bonus budgets. This is due to not receiving as much grant income from central government as initially expected. This also impacts the amounts awarded to town and parish councils and the contribution to reserves by the same amount.

2.12.4 The interest and investment income budget forecasts an overachievement in income by £60k. This is due to property fund investments exceeding anticipated performance.

3.1 Reserves

3.1.1 The Council holds earmarked reserves to fund unpredictable financial pressures and to smooth the effect of known spending over time. Graph 1 and 2 below reflect the forecast outturn position as at 31st December 2019

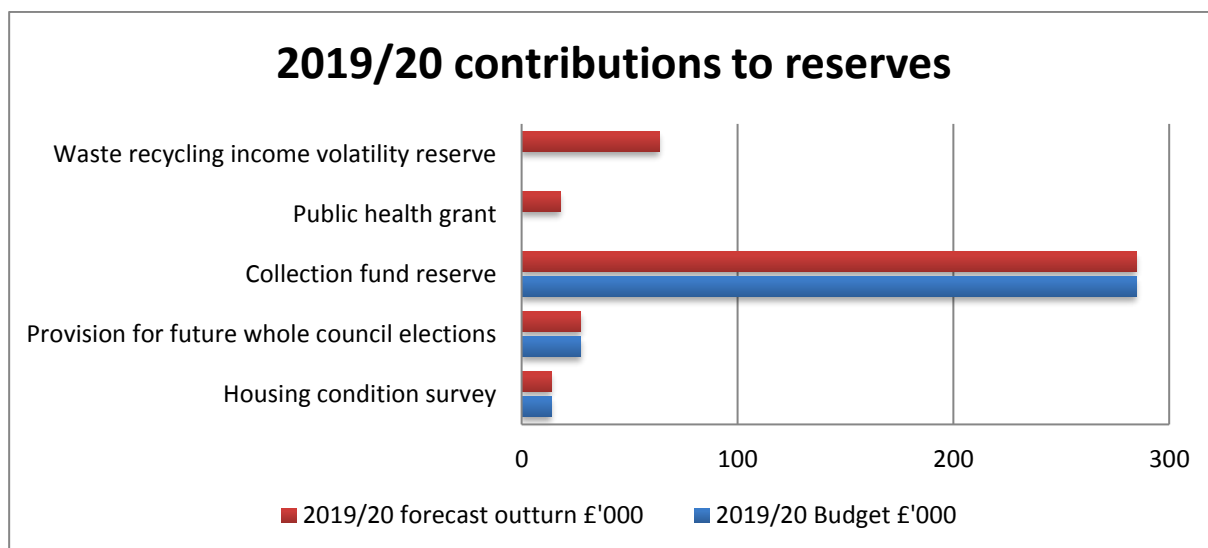
Graph 1: 2019/20 forecast contributions from reserves



3.1.2 As at 31st December 2019 it is forecasted that there will be a total contribution from reserves of £964k in 2019/20, which is £583k more than budgeted for:

- £105k of this is to fund the Gilston Garden project, agreed after the 2019/20 budget was set
- £283k towards planning costs (shown between planning and new homes bonus reserves)
- £55k contribution from the housing benefit subsidy volatility reserve
- £57k towards the new leisure services contract
- £43k funding for S106 post
- £17k Parks and open spaces consultancy costs
- £16k funding towards discounted business rates grant

Graph 2: 2019/20 forecast contributions to reserves



- 3.1.3 The forecast total contribution to reserves as at 31st December 2019 is £409k, which is £82k more than budgeted for:
- £64k relates to overachievement in recycling income.
 - £18k relates to Public Health grant income received which has been earmarked for use in 2020/21.

4.1 Funding

4.1.1 These income budgets are general and non-service specific income sources. The table below shows the value and source of these funding streams as at 31st December 2019

Table 4: 2019/20 funding

	Original Budget 2019/20	Forecast Funding 2019/20	Variance
Council Tax	(10,268)	(10,268)	0
NDR	(2,675)	(2,675)	0
New Homes Bonus	(2,788)	(2,617)	171
Total Funding	(15,731)	(15,560)	171

4.1.2 A forecast reduction in income of £171k is predicted against the new homes bonus budget. This is due to not receiving grant income as initially budgeted for.

5.1 Capital Programme

5.1.1 The revised capital budget for 2019/20 is £77.812m, of which £64.292m is to be carried forward to future years. Appendix A provides a detailed analysis of the projects and their budgets.

5.1.2 The forecast outturn against revised budget in 2019/20 is an underspend of £78k.

6.1 Debtors

6.1.1 The total outstanding debt as at 31st December 2019 is £1.796m.

6.1.2 The outstanding debt over 120 days totals £702k. Officers are proactively working to pursue this debt. Appendix B analyses the profile of aged debtors

7.0 Performance analysis

7.1 Please refer to performance indicator summary analysis in Appendix C for full details of all our performance indicators. Our latest results can be found at <https://eastherts.covalentcpm.com/login> and can be accessed at any point. All Members have a shared read only account. Log in details can be found via the [members section of the intranet](#).

7.2 Some performance highlights include:

- MC OP 2.4 - Fly Tip - Removal time continues to sit well within target and latest values are consistent with recent quarters.
- MC OP 191 - The latest figures available for % of household waste sent for reuse, recycling and composting is 1.7% higher than this time last year and at 54.23% is one of our highest recorded figures. The council ran a further recycling campaign over Christmas which is hoped will be reflected in subsequent results.

7.3 Some areas of concern with regard to performance include:

- MC OP 2.2 - Missed bin collections continue to marginally miss set targets month on month. The target will be reviewed in line with the new corporate strategy.
- MC CSP 5.13C - Website satisfaction: The new website launched in November and additional changes were made to the govmetric widget at the

same time. This has resulted in improved satisfaction ratings however over the quarter they are still below target. We expect satisfaction scores to be above target in Q4 when the full impact of changes will be observed. Overview and Scrutiny Committee are considering a more in depth analysis of website scores on 4th February.

- QC CSP5.1 Complaints closed within 10 working days has again missed set targets during Q2 although this has been a slight improvement on the previous quarter. Complaint handling is a major focus within the new Corporate Plan (under the Digital by Design theme) and a number of improvements are being considered for Q4 onwards.

7.4 In addition to these performance results, Appendix D shows the latest communications report, highlighting our Media coverage over the past quarter. This indicates we are continuing to grow our digital footprint via the main channels (Twitter, Facebook) and more recently launched accounts in LinkedIn and Instagram.

8.0 Reason(s)

8.1 As part of its budget monitoring process, the Council is required to produce budget monitoring reports in order to provide effective financial and performance management

9.0 Options

9.1 Not applicable

10.0 Risks

10.1 The Strategic Risk Register was refreshed on 23rd September 2019 by Leadership team and senior managers. The new content has been decided and the finer detail is being prepared. The revised register will be reported to Performance, Audit, Governance and

Oversight Committee in March 2020.

11.0 Implications/Consultations

Consultation was undertaken with budget managers to assist in writing this report.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

All statutory requirements have been considered in preparing this report

Specific Wards

No

12.0 Background papers, appendices and other relevant material

Appendix A: Capital

Appendix B: Debtors

Appendix C: Performance monitoring

Appendix D: Communications report

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