

EAST HERTS COUNCIL

EXECUTIVE – 7 OCTOBER 2014

MONTHLY CORPORATE HEALTHCHECK : AUGUST 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 August 2014.

<u>RECOMMENDATIONS FOR EXECUTIVE:</u>	
That:	
(A)	that the budgetary variances set out in paragraph 2.1 of the report be noted;
(B)	the Executive is asked to approve a virement of £20,000 from the Agency budget to the Salaries budget as set out in paragraph 2.5 of the report; and
(C)	the Executive is asked to approve an additional £12,000 from the contingency budget as set out in paragraph 2.15 of the report.

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.

1.3 **Essential Reference Paper ‘B’** shows the dashboard performance indicator summary analysis. Please note when reviewing the summary where a performance indicator is showing a deteriorating trend compared to the previous period, it does not mean it is necessarily ‘Red’ or ‘Amber’.

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.

Essential Reference Paper ‘G’ provides details of a capital bid.

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 Report – Directorate Position

REVENUE FINANCIAL SUMMARY

- 2.1 The financial aspects of this report are based on budgetary information from April 2014 to August 2014.

Following closure of the 2013/14 accounts carry forward budgets were approved by the Executive on 1 July 2014. These have now been incorporated into the 2014/15 budgets.

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

	Position as at 31.08.14				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 Charges Income	11	0	0	1		30	0
Staff Salaries (Essential Reference Paper D)	44	0	0	71		30	0
B&B Charges	3	0	1	0		3	0
Renovation Grant (Repayment)	13	0	0	0		23	0
(2) Place							
Community Safety	0	7	0	0		0	17
DCLG Grant Income (Housing Options)	0	0	0	0		0	50
Kerbside Dry Recycle Collection	70	0	96	0		0	87
Trade Bin Disposal	50	0	0	0		0	3
Parking Enforcement contract	117	0	12	0		54	0
Rin-Go Expense	0	4	0	2		0	16
Refuse Contract	76	0	85	0		29	0

Green Waste Collection	73	0	70	0	5	0
Dry Recycling Income	212	0	328	0	0	93
Paper Banks Income	0	5	3	0	0	3
Recycling Miscellaneous	4	0	0	0	4	0
Trade Waste Collection	4	0	18	0	0	20
Trade Bin Income	32	0	1	0	50	0
Clinical Contract Collection	0	2	2	0	0	10
Clinical Waste Disposal	1	0	0	0	0	4
Clinical Income	11	0	0	4	31	0
Street Cleansing Income	79	0	69	0	8	0
Market Fees	0	7	0	3	0	20
New Homes Bonus Grant	9	0	0	0	33	0
Contracted Litigation Service	5	0	2	0	20	0
Recycling Textile Bank	11	0	0	0	0	15
Recycling Contribution (From other LAs)	0	399	0	0	0	35
(3) Prosperity						
Environmental Health Misc. Hire	0	4	0	4	0	3
Jackson Square Car Washing	0	0	0	0	6	0

Development Management Charges	230	0	35	0	300	0
Development Management Charges (Pre Application Advice)	7	0	2	0	15	0
Other Development Management 21 (Income)	0	9	0	22	0	
Other Development management 3 (Expenditure)	0	0	0	13	0	
Investment Income	0	0	0	0	0	101
Internal Audit Services	16	0	0	0	0	5
Accountancy Services – Subscriptions	0	7	0	0	0	3
Parking Display Income	38	0	0	0	26	0
Parking New Charging Policy	0	41	0	0	0	12
Total	1,140	476	733	85	702	497
Net Projected Spend						205
Contingency Projected underspend						303
Total Variance – (Favourable)						508

- 2.2 Subject to all other conditions being equal, this would result in underspend of £205,000 against service budgets and if the rest of the contingency budget is not required, this would be a total of £508,000 underspend.
- 2.3 A summarised salaries monitoring report for the period April to August 2014 is attached at **Essential Reference Paper 'D'**. A favourable variance of approximately £30,000 has been identified comparing projected salary costs for the financial year with the approved annual budget.
- 2.4 The variance reflects the following:
- Vacancies within the planning section
 - Vacancy in the legal team
 - 15 members of staff have opted out of the auto enrolment for the pension scheme, whereas the assumptions included in the budget were that all staff would be in the pension scheme following auto enrolment.
 - There are also some areas of overspend due to the vacancy factor not being achieved and the use of agency staff

FINANCIAL ANALYSIS AND PERFORMANCE ANALYSIS

People

Financial analysis

- 2.5 A special item of £20k was approved last year for 2014/15 financial year to bring in an external resource to facilitate HR operations. However, following CMT approval on 24 June 2014 to extend the existing contract of a temporary member of staff to August 2015, it is recommended that the budget be moved from the Agency budget to the Salaries budget.

Performance analysis

- 2.6 **EHPI 181 – Time taken to process housing benefit new claims and change events.** Performance was 'Red' for August 2014 and has declined (i.e. has got worse) when compared to the previous month. A re-sizing report has been sent to the Finance Directors of Stevenage and East Herts to review the level of resources in the team. This report will be progressing through to CMT and Executive shortly.

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

Place

Financial analysis

- 2.7 Income from the Recycling Textile Bank Service is expected to under achieve by approximately £15k due to falling demand.
- 2.8 The Clinical Waste Disposal Service is expected to overspend by £4k due to extra business, however this will be offset by the income from the extra business.
- 2.9 The recycling contribution from other authorities is expected to be less based on current estimates from Hertfordshire County Council's Alternative Financial Model (AFM).

Performance analysis

- 2.10 **EHPI 157a – Processing of planning applications: Major applications.** Performance was 'Red' for August 2014. This is the second consecutive month where the measure has been off target. For this month two major application decisions were received. One of these was delayed beyond the target timescale due to additional investigation work that was required prior to determination and the completion of a legal agreement.
- 2.11 **EHPI 157b – Processing of planning applications: Minor applications.** Performance was 'Red' for August 2014 and has declined (i.e. has got worse) when compared to the previous month. A total of 32 decisions were made in this month. 13 of these were delayed beyond the target timescale. Delays resulted from the requirement for additional information to enable the determination of applications and a number of referrals from delegated to committee decision making.
- 2.12 **EHPI 2.4 – Fly-tips: Removal.** Performance was 'Red' for August 2014 and has declined (i.e. has got worse) when compared to the previous month. Two fly tips took longer than normal to remove due to a communication failure by a contractor and a question over ownership of land. However the year to date performance is better than anticipated.
- 2.13 **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 at this meeting.

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

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

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

Prosperity

Financial analysis

- 2.15 A new parking charging regime was approved by Executive on 5 August 2014 to be implemented during September 2014. The estimated cost of implementing what was a significant raft of changes and Traffic Regulation Orders was estimated at £30k which was to be funded from the contingency budget. The actual cost has come in at £42k so a further £12k is sought from the contingency budget to enable the project to be funded in full.
- 2.16 Parking and display income at August 2014, based on the pre-September charging regime was looking to exceed full year budget by £38k. A planned Free Parking Day scheduled for December 2014 which will impact income by approximately £12k reducing that prediction to £26k. These estimates will be used to baseline the impact of the review of parking charging changes which is due to be brought to Members in July 2015.
- 2.17 The Internal Audit Services is expected to overspend by £4,760 due to the increase in the daily rate of the Shared Internal Audit Service (SIAS) to £276.
- 2.18 An adverse variance of £2,500 in the Accountancy Services subscriptions budget is expected in the year due to LG Futures subscription which will provide briefings in relation to Government Funding.

Performance analysis

- 2.19 The following indicators were 'Green', meaning that targets were

either met or exceeded for August 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.

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

- EHPI 6.8 – Turnaround of pre NTO PCN challenges.
- EHPI 6.9 – Turnaround of NTO Representations.
- EHPI 8 – % of invoices paid on time
- EHPI 12c – Total number of sickness absence days per FTE staff in post.

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

Contingency Budget – Commitments to date

2.21 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 £303,000 which if not required during the year will result in a further favourable variance in addition to £205,000 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:	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	16	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	31	One-off funding to support 4 posts of different grades in Environmental Health. This 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. (New Charging Policy for Parking)
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	210	
Contingency still to	223	303	

be utilised			
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Other Key Budget Commitments

2.22 **Priority Spend budget** – The total budget for 2014/15 is £547k. The application of the Priority Spend budget to support the change in council policy on Off-street Pay and Display charges has been revised from £255k to £198k following consideration of the ‘Off-street Parking Places Orders’ report to Executive on 5 August 2014. There is no further commitment to this budget at the moment.

CAPITAL FINANCIAL SUMMARY

2.23 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)

2.29 Members are requested to support a capital bid for £30,000 additional funding to carry out essential maintenance on the council’s Causeway Car Park in Bishop’s Stortford. See **Essential Reference Paper ‘G’**

2.30 Since the council agreed a deal for the sale of the land for development, there has been no further investment in its maintenance, on the basis that it could be removed from the council’s control at any time.

2.31 The developer has, however, not shown any sign of taking over the site and informal discussions suggest that there is no sign of them doing so for the foreseeable future.

2.32 The standard of the car park has now deteriorated to a point where the council's Risk Assurance Officer has advised that the type and number of defects exceeds the tolerance levels agreed by Operational Risk Management Group (ORMG) in August 2014. Degradation of the marking is also close to rendering the car park unenforceable in some areas.

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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