

EAST HERTS COUNCIL

EXECUTIVE – 4 NOVEMBER 2014

MONTHLY CORPORATE HEALTHCHECK – SEPTEMBER 2014

REPORT BY THE LEADER OF THE COUNCIL

WARD (S) AFFECTED: All

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**Purpose/Summary of Report:**

- To set out an exception report on finance, performance and risk monitoring for East Herts Council for September/Quarter 2 for 2014.

<b><u>RECOMMENDATIONS FOR EXECUTIVE: that:</u></b>	
<b>(A)</b>	<b>the budgetary variances set out in paragraph 2.1 of the report be noted;</b>
<b>(B)</b>	<b>the current position for ‘EHPI 181 – Time taken to process housing benefit new claims and change events’ that is currently in the ‘red’ for the third consecutive occasion be noted, and to advise if further information regarding the current position is required (see paragraph 2.6);</b>
<b>(C)</b>	<b>a further drawdown of £55k from the Local Plan Reserve to fund additional expenditure on the Local Development Plan as set out in paragraph 2.13 of the report submitted, be approved;</b>
<b>(D)</b>	<b>a request for £30k capital bid for essential maintenance on the Council’s Causeway Car Park in Bishop’s Stortford, as set out in paragraph 2.29 of the report submitted, be approved;</b>
<b>(E)</b>	<b>the changes to the capital programme as detailed in paragraphs 2.33 to 2.35 of the report submitted, be approved; and</b>

<b>(F) the risk controls, as detailed at paragraphs 2.38 to 2.40 of the report submitted, be approved or amended if necessary.</b>
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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 **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.



**Essential Reference Paper 'G'** shows the council's 2014/15 savings.

**Essential Reference Paper 'H'** shows the July to September 2014 strategic risk register.

**Essential Reference Paper 'I'** 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 September 2014.

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.

	Current period		Variance since last month		Expected variance at year end	
	Favourable	Adverse	Favourable	Adverse	Favourable	Adverse
	£000	£000	£000	£000	£000	£000
<b>(1) People</b>						
Staff salaries (ERP D)	0	15	30	0	60	0
Land charges income	12	0	10	0	20	0
B&B charges	4	0	1	0	4	0
Renovation Grant (Repayment)	23	0	0	0	23	0
Assess accessibility of website	10	0	10	0	10	0
<b>(2) Place</b>						
New Homes Bonus grant	33	0	0	0	33	0
Contracted litigation service	8	0	0	0	20	0
Community Safety PCSOs	0	13	0	0	0	17
DCLG Housing Options Grant	0	50	0	0	0	50
Kerbside dry recycle collection	0	35	4	0	0	83
Trade bin disposal	50	0	0	1	0	4
Parking enforcement contract	129	0	57	0	111	0
Ring-Go expense	0	6	0	0	0	16
Refuse contract	0	7	0	1	28	0
Green waste collection	2	0	0	0	5	0
Dry recycling income	0	229	0	63	0	30

	Current period		Variance since last month		Expected variance at year end	
	Favourable	Adverse	Favourable	Adverse	Favourable	Adverse
	£000	£000	£000	£000	£000	£000
Paper banks income	0	4	0	0	0	3
Recycling miscellaneous	5	0	0	0	4	0
Trade waste collection	0	17	0	4	0	24
Trade bin income	29	0	0	12	38	0
Clinical contract collection	0	3	0	0	0	10
Clinical waste disposal	0	1	0	0	0	4
Clinical income	11	0	0	0	31	0
Street cleansing income	5	0	0	6	2	0
Market fees	0	10	0	0	0	20
Recycling textile bank	0	11	5	0	0	10
Recycling contribution (other LAs)	0	71	0	0	0	35
Wallfields electricity	11	0	5	0	5	0
Wallfields rent	0	4	0	12	0	12
Charington House electricity	95	0	97	0	97	0
Charington House service charge	0	17	0	27	0	27
Asset management consultant	0	10	0	6	0	6
NNDR costs	36	0	36	0	36	0

	Current period		Variance since last month		Expected variance at year end	
	Favourable	Adverse	Favourable	Adverse	Favourable	Adverse
	£000	£000	£000	£000	£000	£000
Building control safestyle partnership	0	0	12	0	12	0
Planning section supplies & services	2	0	5	0	7	0
Local development plan upkeep	9	0	0	55	0	55
Flood grant expenditure	0	21	0	21	0	21
Private sector tenancies	2	0	3	0	3	0
Housing options contributions	6	0	6	0	6	0
Single person homeless payments	6	0	6	0	6	0
<b>(3) Prosperity</b>						
Investment income	0	46	12	0	0	89
Internal audit service	15	0	0	0	0	5
Accountancy - subscriptions	0	6	0	0	0	3
Environmental health misc. hire	0	5	0	4	0	3
Development management charges	262	0	0	0	300	0

	Current period		Variance since last month		Expected variance at year end	
	Favourable	Adverse	Favourable	Adverse	Favourable	Adverse
	£000	£000	£000	£000	£000	£000
Planning pre-application charges	8	0	0	0	15	0
Development mgmt monitoring fees	6	0	0	0	8	0
Other development mgmt (income)	9	0	0	0	3	0
Other development mgmt (spend)	12	0	0	0	13	0
Jackson Square car washing	1	0	0	0	6	0
Parking display income	0	82	0	0	26	0
Parking new charging policy	0	12	0	0	0	12
PCN income	0	36	0	36	0	36
Car parking consultancy	5	0	5	0	5	0
Bishops Stortford car park	10	0	15	0	15	0
<b>TOTAL</b>	<b>816</b>	<b>711</b>	<b>319</b>	<b>248</b>	<b>952</b>	<b>575</b>
<b>Net Projected Underspend</b>						<b>377</b>
<b>Contingency Projected Underspend</b>						<b>296</b>
<b>Total Variance - FAVOURABLE</b>						<b>673</b>

- 2.2 Subject to all other conditions being equal, this would result in underspend of £377,000 against service budgets and if the rest of the contingency budget is not required, this would be a total of £673,000 underspend.
- 2.3 A summarised salaries monitoring report for the period April to September 2014 is attached at **Essential Reference Paper 'D'**. A favourable variance of approximately £60,000 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 The project to assess the accessibility of the East Herts Council website has been deferred until 2015/16 due to capacity issues. This will result in an underspend of £10k in the current year.

#### **Performance analysis**

- 2.6 **EHPI 181 – Time taken to process housing benefit new claims and change events.** Performance was 'Red' for September 2014 and has declined (i.e. has got worse) when compared to the previous month. This is the third consecutive month this indicator has been 'Red' and shown a declining trend. The backlog of work is being reduced supported by additional resources and improvement in the trend is anticipated from the next period.

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

### **Place**



## Financial analysis

- 2.7 Electricity costs at the Wallfields office have increased less than expected. This will result in an estimated underspend of £5k.
- 2.8 HMRC have now vacated the space they rent from the council at the Wallfields office. Rental income will therefore be £12k less than anticipated.
- 2.9 There is a favourable variance of £97k in respect of electricity costs at Charrington House. The council accrued for estimated electricity costs going back 4 years which had not been passed on by the landlord and which pre-date the fitting of a separate electricity meter. The landlord has agreed that these costs will not now be passed on to the council. The accrual is therefore no longer needed and has been reversed.
- 2.10 During the resolution of the Charrington House electricity issue (explained in the paragraph above) it was discovered that the council's air conditioning system was running off the landlord's electricity supply. These costs will be backdated for 1 year with an estimated additional cost of £27k to the council in 2014/15. The net underspend resulting from Charrington House electricity issues is therefore £70k.
- 2.11 Revaluations of council premises resulted in a reduction of £36k in business rate expenditure. This is offset by an additional £6k of revaluation fees. The net underspend is therefore £30k.
- 2.12 Building Control Service - The Safestyle UK Partnership commenced in October 2014. The council will undertake plan checking. Based on the anticipated number of monthly submissions, additional income of £12k is expected. Volumes are however at this stage uncertain.
- 2.13 Total expenditure on the Local Development Plan is expected to be £320k. This will be funded from the existing budget (£90k), money from the Herts Local Enterprise Project & PAS (£40k) and from a previously agreed use of reserves (£135k).
- 2.14 Expenditure on flood prevention shows an overspend of £21k which will be funded from a government grant of £125k received in 2013/14 and which currently forms part of earmarked reserves. The balance of the overspend reflects current known commitments.
- 2.15 Single Persons Homelessness monies received from Watford Borough Council over the last 2 years totals £36k (£30k carried

forward from 2013/14 and £6k in 2014/15). It is estimated that £12k will remain unspent by the end of 2014/15 and will be carried forward to future years.

## **Performance analysis**

- 2.16 **EHPI 157c – Processing of planning applications: Other applications.** Performance was 'Amber' for September 2014. Performance was slightly below target for September 2014, 118 out of 137 applications were determined on time. 19 'other' applications had gone over the time scale.
- 2.17 **EHPI 2.4 – Fly-tips: Removal.** Performance was 'Amber' for September 2014. Although performance did not achieve the target, performance has improved from the previous month, as fly tipping removal times have improved to expected levels.
- 2.18 Performance data was not available at the time of writing this report for the following indicators due to the service still awaiting recycling data to come in from Herts County Council. The data will be verbally updated by the Chief Executive and Director of Customer and Community Services in the Executive report on 4 November 2014 if available:
- EHPI 192 – Percentage of household waste sent for reuse, recycling and composting.
  - EHPI 2.6 – Percentage of residual waste (refuse) sent for disposal.
- 2.19 The following indicators were 'Green', meaning that the targets were either met or exceeded for September 2014. They were:
- EHPI 157a – Processing of planning applications: Major applications.
  - EHPI 157b – Processing of planning applications: Minor applications.
  - EHPI 2.2 – Missed waste collections per 100,000 collections of household waste.
- 2.20 However despite meeting the target for September 2014 the following indicator 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.

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

## **Prosperity**

### **Financial analysis**

- 2.21 A £36k (5%) adverse variance is expected in PCN income. This is due to an increase in motorist compliance and a reduction in performance by the PCN contractor.
- 2.22 Car parking consultancy expenditure is expected to underspend by £5k. It is anticipated that this money will now be spent in 2015/16. Any money underspent will need to be carried forward to use in 2015/16.
- 2.23 Special Item budget for Bishops Stortford Car Parking Futures no longer required due to consultation work not taking place. This will result in a favourable variance of £15k.

### **Performance analysis**

- 2.24 The following indicators were 'Green', meaning that targets were either met or exceeded for September 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.
- 2.25 However despite meeting the target for September 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 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**

2.26 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 £296,000 which if not required during the year will result in a further favourable variance in addition to £377,000 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 expenditure, 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 & Organisational Services	9	0	<b>One-off Funding</b> 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.
HR	40	32	<b>2x</b> graduate trainee scheme for a 2 year term. Year one to be funded from contingency, Year 2 from cost of change reserve.
Facilities	15	16	<b>One-off funding</b> to support one temporary position.
Procurement	8	8	Procurement officer now employed full time by EHDC, contingency to fund 14/15 shortfall only. <b>Growth item needed for future years.</b>
Housing	12	11	To fund permanent increase in housing manager hours. <b>This is a growth item required for future years.</b>
Community Safety & Health	34	30	<b>One-off funding</b> to support 4 posts of different grades in Community Safety & Health. This will affect 2015/16 contingency budget as funding was dependent on start dates.

<b>Environmental Services</b>	12	8	To support assistant waste services manager post while on maternity leave.
<b>Head of Customer Services</b>	14	7	<b>On-going</b> funding to support full time replacement of customer service manager from September 2014. <b>Growth Item needed for future years.</b>
<b>The Web Team</b>	13	12	<b>One-off cost</b> to support the role of Information analyst within the Web Team for 6 months only.
<b>Parking Services</b>	30	42	<b>One-off</b> funding to support car park consultancy and signage cost. (New Charging Policy for Parking)
<b>Parking Services</b>	52	0	<b>On-going</b> funding to support evening enforcement contract. <b>This contract is no longer going ahead therefore funding is not required.</b>
<b>Business &amp; Technology Services</b>	11	11	<b>On-going</b> funding for Microsoft software licence. <b>Growth Item needed for future years.</b>
<b>Accountancy Services</b>	20	20	<b>One-off</b> funding to support the strategic review of the financial services function.
<b>Citizen Advice Bureaux</b>	20	20	On-going funding to support the citizen advice bureaux service for 2 years. Further funding required for 2015/16.
<b>Contingency Utilised</b>	<b>290</b>	<b>217</b>	
<b>Contingency still to be utilised</b>	<b>223</b>	<b>296</b>	

**Other Key Budget Commitments**

2.27 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. If the remainder of this budget is unspent it will increase the councils reported underspend by an additional £349k. When added to the reported underspend of £673k this will give a total underspend of £1022k.

### **CAPITAL FINANCIAL SUMMARY**

2.28 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.

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Summary</b>	<b>2014/15 Original Estimate</b>	<b>2014/15 Revised Estimate</b>	<b>2014/15 Projected Final Outturn</b>	<b>Variance Col 3 – Col 2</b>
	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>
People	1,970	890	865	(25)
Place	874	1,111	1,090	(21)
Prosperity	671	1,251	1,132	(119)
Re-profiling potential slippage	(250)	0	0	0
<b>Total</b>	<b>3,265</b>	<b>3,252</b>	<b>3,087</b>	<b>(165)</b>

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 ‘I’**

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.
- 2.33 Two of the ten projects funded by Community Capital Grant are now complete and eight are still underway. Of the total approved expenditure of £142,680 it is estimated that £18,480 will slip into 2015/16. It is therefore recommended that £18,480 be slipped into the 2015/16 capital programme.
- 2.34 An external funding stream has not yet been identified for the Hartham Common, Hertford Parks Development Plan Project. It is recommended that the Council's £25k contribution to the project be slipped into the 2015/16 capital programme to allow potential external funding sources to be pursued.
- 2.35 An additional £28,500 is needed in the Integrated Development Management and Building Control Systems budget to fund the implementation of the new Planning and Building Control System. Of this amount, £20k is required for the building control phase of the project which will now be implemented separately. A further £8,500 is required for a new document management system. It is recommended that £28,500 be vired from the Applications budget to fund these costs.

### **2014/15 SAVINGS**

- 2.36 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 'G'** 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.
- 2.37 As at the end of the second quarter 98% of the value of planned



savings have been classified as 'Green' or 'Amber' or alternative action taken.

## **STRATEGIC RISKS**

2.38 Controls for the period July to September 2014 have been updated.

2.39 The scores of all risks are also reviewed quarterly. Due to controls implemented, the impact rating of both SR12 (Increased levels of demand from residents and businesses) and SR13 (Here to Help) have been reduced from 4 to 2. Scores therefore now fall within 'control' so will no longer feature on the Strategic Risk Register. All others remain unchanged.

2.40 The owners of SR2 and SR6 have changed, and the description of SR5b has expanded slightly, but these minor amendments have no impact as far as the content of the register is concerned.

### 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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