

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 25 NOVEMBER 2014

REPORT BY THE DIRECTOR OF FINANCE AND SUPPORT SERVICES

MONTHLY CORPORATE HEALTHCHECK – JULY 2014 TO SEPTEMBER 2014/ QUARTER 2

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- To set out an exception report on the finance and performance monitoring for East Herts Council for the period July to September /Quarter 2 for 2014.

<u>RECOMMENDATION FOR CORPORATE BUSINESS SCRUTINY:</u> that	
(A)	Performance be scrutinised and the Executive be advised of any recommendations.

1.0 Background

1.1 This is the monthly and quarterly finance and performance monitoring report for the council. Only performance data relevant to the scrutiny committee's remit is contained in this report. In addition Corporate Business Scrutiny (CBS) also receive details on performance indicators that are 'Red' and 'Amber' that would ordinarily be reported to Environment Scrutiny and Community Scrutiny. This is because of CBS's overall responsibility for performance management.

1.2 The report contains a breakdown of the following information by corporate priority:

- 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).

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/quarterly 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’ provides details of a capital bid.

Essential Reference Paper ‘I’ Provides guidance notes and definitions for the performance indicators relating to Corporate Business Scrutiny.

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.

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
(1) People						
Staff salaries (ERP D)	0	15	30	0	60	0
Land charges income	12	0	10	0	20	0
B and 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
(2) Place						
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 and 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
(3) Prosperity						
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
TOTAL	816	711	319	248	952	575
Net Projected Underspend						377
Contingency Projected Underspend						296
Total Variance - FAVOURABLE						673

- 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 was the third consecutive month this indicator had 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.
- 2.7 **EHPI 3a – Usage: number of swims (under 16).** Performance was 'Red' for Quarter 2. Performance was below target for Quarter 2. This downturn in under 16 swimming was the first time for nearly a

year and a half that the target had not been achieved. The service will continue monitoring this to see if any trends emerge.

- 2.8 **EHPI 3b - Usage: number of swims (16 – under 60 year olds).** Performance was 'Red' for Quarter 2. This was the second consecutive quarter where this performance indicator had been 'Red' in 2014/15. However performance had improved when compared to Quarter 1. This increase is in line with normal trends and is similar to performance in Quarter 2 for 2011/12. There is a downturn in adult swimming which in part is due to increasing gym membership (gym members can swim without this being recorded). Everyone Active has been seeking to stem the decline by adding additional early morning swims at Grange Paddocks and are looking at promotional activities.

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

Place

Financial analysis

- 2.9 Electricity costs at the Wallfields office have increased less than expected. This will result in an estimated underspend of £5k.
- 2.10 HMRC have now vacated the space they rent from the council at the Wallfields office. Rental income will therefore be £12k less than anticipated.
- 2.11 There was 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.
- 2.12 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.
- 2.13 Revaluations of council premises resulted in a reduction of £36k in business rate expenditure. This is offset by an additional £6k of

reevaluation fees. The net underspend is therefore £30k.

- 2.14 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.
- 2.15 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 and PAS (£40k) and from a previously agreed use of reserves (£135k).
- 2.16 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.
- 2.17 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

- 2.18 **EHPI 2.1d – Planning Enforcement: Initial Site Inspections.** Performance was ‘Red’ for September 2014. The target was not met due to a higher number of inspection cases in September period. 31 out of 51 site inspections were completed.
- 2.19 **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.
- 2.20 **EHPI 2.4 – Fly-tips: Removal.** Performance was ‘Amber’ for September 2014. Although performance did not achieve the target, performance had improved from the previous month, as fly tipping removal times have improved to expected levels.

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

Prosperity

Financial analysis

- 2.21 A £36k (5%) adverse variance was expected in PCN income. This was 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 is no longer required due to consultation work not taking place. This will result in a favourable variance of £15k.

Performance analysis

- 2.24 **EHPI 9.2 – Percentage Resolution of ICT Incidents within 4 Hours.** Performance was 'Red' for Quarter 2. Although performance shows an improvement compared to the previous quarter, this was the second consecutive quarter this performance indicator had been 'Red'. A new staff structure is taking effect from 1 October 2014 which will impact positively upon this indicator in Quarter 3 and Quarter 4 of this year.
- 2.25 **EHPI 9.5 – Percentage of ICT Calls Resolved at First Point of Contact.** Performance was 'Red' for Quarter 2. Although performance shows an improvement compared to the previous quarter, this was the second consecutive quarter this performance indicator had been 'Red'. This will be remedied once a new service desk team is in place. The recruitment process should be complete within the next month.
- 2.26 **EHPI 9.6 – Satisfaction with ICT Services.** Performance was 'Red' for Quarter 2. Although performance shows an improvement compared to the previous quarter, this was the second consecutive quarter this performance indicator had been 'Red'. Performance with users is at 66% and is above target while satisfaction amongst managers is low at 44%. Meetings with all management teams are being scheduled to better understand concerns and to explain how the ICT workload is being prioritised going forward.
- 2.27 **EHPI 9.1 – Percentage availability of core ICT systems during supported hours.** Performance was 'Amber' for Quarter 2. There have been reliability issues relating to the old Citrix environment during Quarter 2 that will be overcome once all systems have been

migrated into the new VDI environment. Performance overall for the year is marginally below target.

2.28 **EHPI 9.8 – Delivery of Key Milestones in the ICT Strategy.**

Performance not currently available as the ICT Strategy will be considered at Executive in December 2014.

2.29 Quarter 1 and 2 performance data are still not available for the complaints indicators listed below. This is due to the system for logging complaints was changed at the start of the 2014/15 financial year from LAGON to INFREEMATION and teething problems with the new system meant that the data cannot be extracted. The issue is currently being reviewed and will be resolved by late November 2014. Quarter 1 and 2 data will be reported in the next healthcheck report along with Quarter 3 data.

- EHPI 5.1 – % of complaints resolved in 14 days or less
- EHPI 5.2a – % of complaints about the Council and its services that are upheld: 1st stage
- EHPI 5.2b – % of complaints about the Council and its services that are upheld: 2nd stage – appeal
- EHPI 5.4 – % of complaints to the Local Government Ombudsman that are upheld

2.30 The following indicators were ‘Green’, meaning that the targets were either met or exceeded for September/Quarter 2 for 2014. They were:

- EHPI 8 – % of invoice paid on time
- EHPI 9.3 – Average Incidents per day
- EHPI 9.4 – Percentage of Calls Abandoned on ICT Service Desk
- EHPI 10.2 – Council tax collection, % of current year liability collected
- EHPI 10.4 – NNDR (Business rates) collection, % of current year liability collected

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

Contingency Budget – Commitments to date

2.31 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 and Organisational Services	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.
HR	40	32	2x 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	One-off funding to support one temporary position.
Procurement	8	8	Procurement officer now employed full time by EHDC, contingency to fund 14/15 shortfall only. Growth item needed for future years.
Housing	12	11	To fund permanent increase in housing manager hours. This is a growth item required for future years.

Community Safety and Health	34	30	One-off funding to support 4 posts of different grades in Community Safety and Health. This will affect 2015/16 contingency budget as funding was dependent on start dates.
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Environmental Services	12	8	To support assistant waste services manager post while on maternity leave.
Head of Customer Services	14	7	On-going funding to support full time replacement of customer service manager from September 2014. 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	42	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 and Technology Services	11	11	On-going funding for Microsoft software licence. Growth Item needed for future years.
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	217	
Contingency still to be utilised	223	296	

Other Key Budget Commitments

2.32 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 had 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

2.33 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	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
Total	3,265	3,252	3,087	(165)

2.34 Executive members agreed 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 'H'**

- 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. Executive members agreed that £18,480 be slipped into the 2015/16 capital programme.
- 2.34 An external funding stream had not yet been identified for the Hartham Common, Hertford Parks Development Plan Project. Executive members agreed 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. Executive members agreed 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.

CONCLUSION

- 2.38 In conclusion Members are asked to:

- Note the performance indicator analysis for the period July 2014 to September 2014/Quarter 2 in **Essential Reference Paper 'C'**
- Agree the recommendations at the start of this report.

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=2311&Ver=4>

Contact Member:

Councillor Tony Jackson – Leader of the Council.

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In terms of performance issues

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