

EAST HERTS COUNCIL

EXECUTIVE – 2 DECEMBER 2014

MONTHLY CORPORATE HEALTHCHECK – OCTOBER 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 October 2014.

<u>RECOMMENDATIONS FOR EXECUTIVE: That:</u>	
(A)	the budgetary variances set out in paragraph 2.1 of the report be noted;
(B)	a further drawdown of £6,500 from the Local Plan Reserve to fund the extension of hours and overtime arrangements in the Development Plans Section to support District Plan preparation work as set out in paragraph 2.6 of the report, be approved;
(C)	the current position and action proposed to address three performance indicators that are currently off target of which EHPI 181 has been off target for the third consecutive month, be noted the Executive to advise if further information regarding the current position is required (Paragraphs 2.9 and 2.23);
(D)	the use of £40,000 of the contingency budget to fund a housing needs survey to determine the future needs of social housing tenants, as detailed at paragraph 2.27 of the report, be approved;
(E)	the use of £75,000 of the contingency budget to fund the filling of a sink hole in Cherry Tree, Hertford, as detailed at paragraph 2.28 of the report, be approved;

(F)	changes to the capital programme as detailed in paragraphs 2.32 to 2.42 of the report, be approved; and
(G)	a request for a £30,000 capital bid to carry out the initial stages of a survey of gas emissions at the Pole Hole Landfill Site, as detailed in paragraph 2.44 to 2.45 of the report, be approved.

1.0 Background

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

1.2 Each report will contain a breakdown of the following information by each corporate priority where action may be recommended:

- 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.

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 'G1' and 'G2' 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 October 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	96	0	49	11	0
Land charges income	16	0	0	0	20	0
IT Licences	0	114	39	0	39	0
B&B charges	6	0	2	0	8	0
Renovation Grant (Repayment)	23	0	0	0	23	0
Assess accessibility of website	10	0	0	0	10	0
Leisure contract	0	38	0	17	0	17
(2) Place						
New Homes Bonus grant	33	0	0	0	33	0
Contracted litigation service	10	0	0	0	20	0
Police Community Safety Officers	0	20	0	5	0	22
DCLG Housing Options Grant	0	50	0	0	0	50
Kerbside dry recycle collection	0	45	0	0	0	83
Trade bin disposal	0	49	0	0	0	4
Parking enforcement contract	140	0	0	8	103	0
Ring-Go expense	0	8	0	0	0	16
Refuse contract	0	8	0	0	28	0
Green waste collection	2	0	0	0	5	0

	Current period		Variance since last month		Expected variance at year end	
	Favourable	Adverse	Favourable	Adverse	Favourable	Adverse
	£000	£000	£000	£000	£000	£000
Dry recycling income	0	264	40	0	10	0
Paper banks income	0	4	0	0	0	3
Recycling miscellaneous	5	0	0	0	4	0
Trade waste collection	0	21	0	2	0	26
Trade bin income	42	0	4	0	42	0
Clinical contract collection	0	3	6	0	0	4
Clinical waste disposal	0	1	0	0	0	4
Clinical waste income	14	0	0	16	15	0
Market fees	0	11	0	0	0	20
Recycling textile bank	0	17	0	0	0	10
Recycling contribution (other LAs)	0	71	0	0	0	35
Domestic paid loads income	4	0	6	0	6	0
Street cleansing contract	7	0	0	12	0	12
Public conveniences rent	0	3	0	6	0	6
Wallfields electricity	11	0	0	0	5	0
Wallfields rent	0	4	0	0	0	12
Charington House electricity	95	0	0	0	97	0
Charington House service charge	0	17	0	0	0	27
Premises NDR revaluation Costs	0	10	0	0	0	6
Premises NDR costs	36	0	0	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	5	0	12	0	24	0
Planning section supplies & services	5	0	3	0	7	0
Local development plan upkeep	0	8	0	0	0	55
Flood grant expenditure	0	31	0	10	0	31
Private sector tenancies	2	0	0	0	3	0
Housing options contributions	34	0	0	0	6	0
Single person homeless payments	0	15	0	0	6	0
Environmental pollution surveys	6	0	19	0	19	0
Engineering and Land Drainage	1	0	0	10	0	10
(3) Prosperity						
Investment income	0	52	0	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	0	0	3
Development management	295	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
charges						
Planning pre-application charges	9	0	0	0	15	0
Development mgmt monitoring fees	11	0	13	0	24	0
Other development mgmt (income)	10	0	7	0	10	0
Other development mgmt (spend)	12	0	0	0	13	0
Licence fee income	37	0	8	0	8	0
Jackson Square car washing	1	0	0	0	6	0
Parking display income	6	0	0	0	26	0
Parking new charging policy	0	12	0	0	0	12
PCN income	0	40	0	0	0	36
Car parking consultancy	5	0	0	0	5	0
Jackson Square car park	10	0	0	0	15	0
Environmental coordination	12	0	6	0	6	0
TOTAL	930	1023	165	135	1008	601
Net Projected Underspend						407
Contingency Projected Underspend						287
Amounts awaiting approval to be funded from contingency						(115)
Total Variance - FAVOURABLE					579	

- 2.2 Subject to all other conditions being equal, this would result in underspend of £407,000 against service budgets and if the rest of the contingency budget is not required, this would be a total of £579,000 underspend at the end of the year.
- 2.3 A summarised salaries monitoring report for the period April to September 2014 is attached at **Essential Reference Paper 'D'**. Currently a favourable variance of approximately £11,000 has been identified comparing projected salary costs for the financial year with the approved annual budget. See however paragraph 2.5 below.
- 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.
 - The cost of changing the position of Head of Strategic Finance from part-time to full-time.
 - Additional costs in building control resulting from the new partnership with Safestyle.
- 2.5 The salary estimates continue to show the 1% pay award assumed at the start of the year and included in the MTFP. However, a 2.2% pay award has recently been agreed by the National Joint Council on 14th November 2014. Meanwhile negotiations have commenced on the local pay award. Until both sets of discussions have concluded it is difficult to know what assumption to include in the forecast as there is a range of possibilities. The worst case scenario would however mean an increase to the current year's salaries budget of some £60k. The most up to date forecasts will be used for the Revised Estimate proposals to Council as part of the budget setting process.
- 2.6 A further £6,500 draw down is needed from the Local Plan Reserve which has a current balance of £444,000. This is to fund the extension of hours and overtime arrangements in the Development Plans Section to support District Plan preparation work. It is recommended that the further drawdown be approved.

FINANCIAL ANALYSIS AND PERFORMANCE ANALYSIS

People

Financial analysis

- 2.7 A favourable variance of £39,000 on the IT Licences budget is expected due to licence cost savings from the implementation of Civica Financials and £10,000 of growth no longer required.
- 2.8 The leisure contract budget includes a savings item of £17,000 for a 3G artificial turf pitch development at Hartham Common. This item was flagged as 'Amber' in 'ERP H – Savings' in last month's healthcheck report. The saving is no longer considered achievable for 2014/15 due to slippage in the associated capital project caused by the need to review design proposals in response to concerns raised by the Environment Agency. Savings may however be achievable in 2015/16 or future years depending on when the capital project can be carried out. An adverse variance of £17,000 is therefore reflected in the Net Projected Underspend figure and will be closely monitored for 2015/16.

Performance analysis

- 2.9 **EHPI 181 – Time taken to process housing benefit new claims and change events.** Performance was 'Red' for October 2014. This is the third consecutive month where performance has been off target. For the performance period 9 September 2014 to 7 October 2014 cumulative performance is at 13.38 days, performance for the month is 13.28 days. The service is currently resizing to reflect the increase in demands placed upon it and new permanent staff are expected to be in post by January 2015. This will enable stability and longer term planning on performance than has been previously possible when reliant on agency staff. Consequently the cumulative position is expected to improve and be within the performance target by the end of the financial year.

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

Place

Financial analysis

- 2.10 The forecast outturn for dry recycling income has improved from an

adverse variance of £30,000 previously reported to CMT to a favourable variance of £10,000. The decline in paper tonnages has reversed. Income has also benefitted from a higher market price and improvement in sorting processes.

- 2.11 The forecast outturn for clinical waste income has been reduced from a favourable variance previously reported to CMT of £31,000 to a favourable variance of £15,000. The reduction is due to a forecasting error. The favourable variance is driven by higher demand for the service than was originally expected.
- 2.12 The domestic paid loads income budget is forecast to show a favourable variance of £6,000 due to an increase in demand above expectations.
- 2.13 The street cleansing contract is forecast to show an adverse variance of £12,000 due to an increased level of fly tipping.
- 2.14 The public conveniences rent budget includes a savings item of £5,600 for the modernisation of the Bell Street toilets. This item is no longer considered achievable in the current financial year due to slippage in the associated capital project and was flagged as 'Red' in 'ERP H - Savings' in last month's healthcheck report. An adverse variance of £5,600 is therefore reflected in the Net Projected Underspend figure.
- 2.15 Building Control Service - The Safestyle UK Partnership commenced in October 2014 and expected gross income of £12,000 was reported in last month's healthcheck report. Volumes are higher than anticipated and the expected gross income has now been increased to £24,000. Note that additional expenditure caused by increasing volumes relates to potential overtime payments and is expected to be minimal.
- 2.16 The Environmental Pollution Survey budget of £19,000 will no longer be spent as the work has now been included as part of a proposed larger capital scheme as detailed in paragraph 2.44 and 2.45.
- 2.17 Due to the flood event in February the Engineering and Land Drainage budget is no longer deemed sufficient to cover the winter months. An overspend of £10,000 is forecast.

Performance analysis

- 2.18 **EHPI 192 – Percentage of household waste sent for reuse,**

recycling and composting. Performance data was not available at the time of writing this report for this indicator due to the service still awaiting data from Herts County Council. The data will be verbally updated by the Chief Executive and Director of Customer and Community Services at the Executive meeting on 2 December 2014 if available

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

- EHPI 157a – Processing of planning applications: Major applications.
- EHPI 157b – Processing of planning applications: Minor applications.
- EHPI 157c – Processing of planning applications: Other applications.
- EHPI 2.2 – Missed waste collections per 100,000 collections of household waste.
- EHPI 2.4 – Fly-tips: Removal.

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

Prosperity

Financial analysis

2.20 The environmental coordination budget is showing a favourable variance of £6,000. There has been a lower than expected number of bids for environmental grants in 2014/15.

2.21 A favourable variance of £11,000 for Development Management Monitoring Fees & Discharge of Conditions has previously been reported to CMT. Due to a further increase in activity the variance has been increased by an additional £13,000 to £24,000.

2.22 Additional taxi, gambling, alcohol and entertainment licences issued are expected to result in a favourable variance in licence fee income of £8,000.

Performance analysis

2.23 **EHPI 6.8 – Turnaround of pre NTO PCN challenges.** Performance was 'Red' for October 2014 and **EHPI 6.9 – Turnaround of NTO Representations** performance was 'Amber' for October 2014. This is the first time both measures have been off target. This is due to

problems with the migration of the contractors parking system to a new server and the subsequent running issues encountered with new processes and time outs of the system. Therefore the backlog has increased and the performance indicator target has not been met. Many of the problems encountered in October have now been resolved and a significant improvement is expected in November.

2.24 The following indicators were 'Green', meaning that targets were either met or exceeded for October for 2014. They were:

- EHPI 10.2 – Council tax collection, % of current year liability collected.
- EHPI 10.4 – NNDR (Business rates) collection, % of current year liability collected.
- EHPI 8 – % of invoices paid on time.
- EHPI 12c – Total number of sickness absence days per FTE staff in post.

2.25 However despite meeting the target for October 2014 the following indicator showed a declining trend when performance is compared to the previous month:

- 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 £287,000 which if not required during the year will result in a further favourable variance in addition to £407,000 underspend reported elsewhere in this report for the period. There are two items being brought forward for consideration in this Healthcheck that may reduce that uncommitted contingency sum further. The items being funded from contingency are mainly for one-off areas of expenditure, however, some service growth has been identified (detailed below) which will need to be considered for inclusion in the 2015/16 base budget. (See recommendation D).

2.27 The Council is planning to carry out a housing needs survey designed to determine the future needs of social housing tenants. The survey is expected to cost £40,000. It is recommended that this cost be funded from the contingency budget.

2.28 Funding is required to fill a sink hole in Cherry Tree, Hertford. The current estimate is that this will cost £75,000 with a risk that it may be significantly higher. It is recommended that this cost be funded from the contingency budget. (See recommendation E).

2.29 If the amounts in 2.27 and 2.28 are approved this would reduce the unused contingency budget to £172k.

	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	One-off Funding to support one HR officer post to August 2014. Contingency Funding is however no longer required in 2014/15 as £20k funding has been approved as a Special Item for 2014/15 only. The post has now been approved until August 2015. A growth item will therefore be required for 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	11	11	To fund permanent increase in housing manager hours. This is a growth item required for future years.
Community Safety & Health	30	30	One-off funding to support 4 posts of different grades in Community Safety & Health. This is a growth item required for future years.
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	21	21	One-off cost to support the role of Information analyst within the Web Team for 6 months only.
Parking Services	42	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 & 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. Growth Item needed for future years.
Contingency Utilised	305	226	
Contingency still to be utilised	208	287	

Other Key Budget Commitments

2.30 Priority Spend budget – The total budget for 2014/15 is £547k. There are no additional commitments on the budget in October. The uncommitted balance therefore remains £349k. When added to the reported underspend of £579k this will give a total underspend of £928k at the year end.

2.31 Strategic Finance is currently reviewing and modeling all key income sources for inclusion as part of the revised estimates and budget setting process. This process has further improved our understanding of key income sources, particularly the interaction between NNDR and s31 grant income. Including s31 grants into the current years revised estimates will mean a further underspend (in addition to that already reported in paragraph 2.2) against the original budget of approximately £1 million. This estimate may however change as NNDR is a volatile income source and dependent on the economic activity within the area. These grants contribute to the cost of implementing the reliefs that Central Government have chosen to implement such as flood relief, specific business relief etc.

CAPITAL FINANCIAL SUMMARY

2.32 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	864	564	(300)
Place	874	1,091	860	(231)
Prosperity	671	1,168	1,316	148
Re-profiling potential slippage	(250)	0	0	0
Total	3,265	3,124	2,740	(383)

2.33 The Pool Hall Air Handling Renewal scheme has been delayed as the procurement process has taken longer than expected. This is because of the complexity of the scheme. The works will now need to be rescheduled. It is recommended that budget of £135,000 be slipped into the 2015/16 capital programme.

2.34 Disabled facilities grant referrals from Hertfordshire County Council has been far lower than anticipated. The County Council's waiting list has reduced and it is unlikely that referrals will increase significantly in 2015/16. It is recommended that the budget be reduced by £106,760 with the reduction treated as savings.

2.35 No discretionary disabled facilities grants applications have been received and it is now unlikely that any grant will be paid out this year. It is recommended that the budget of £20,000 be treated as savings.

2.36 Anticipated expenditure in respect of decent homes grants approved is £40,000. It is recommended that the remaining budget of £20,000 be treated as slippage into 2015/16.

2.37 At the current rate of take up of energy grants, expenditure of only £1,000 is likely. Additional measures are now being taken to advertise and promote these grants. It is therefore recommended that the remaining budget of £19,000 be slipped into the 2015/16 capital programme.

- 2.38 Work on the Bourne Play Area Development in Ware is nearing completion. Residents and local Members have requested the installation of a fence around the play area at an additional cost of £15,000. It is recommended that an overspend of £15,000 be approved for this scheme with £5,000 of the overspend to be funded from s106 contributions. (See recommendation F)
- 2.39 Revised plans for the Castle Weir Micro Hydro Scheme have been submitted to the Environment Agency however a response has not yet been received. This is likely to delay the scheme until 2015/16. It is recommended that £200,980 be slipped into the 2015/16 capital programme.
- 2.40 The Heart of Bishop's Stortford Market Improvement Scheme is on hold awaiting further development opportunities that may emerge from the Henderson's development. It is recommended that £45,300 be slipped into the 2015/16 capital programme.
- 2.41 Various small IT capital projects with budgets of less than £30,000 each and a current net underspend position of £28,000 have been discussed at a special meeting of the Information Technology Support Group (ITSG). The £28,000 comprises a number of small value savings, virements and slippage relating to these projects.
- 2.42 The existing budget is insufficient to carry out the project to reconstruct road and drainage in North Drive, Ware. An alternative option is being considered of linking the works to planned local developments however this will not happen before the end of the current year. It is recommended that budget of £13,440 be slipped into the 2015/16 capital programme.
- 2.43 The Repairs and Renewals (Flood Grants) Scheme has attracted grant applications estimated at £220,000. This balance currently recorded as an overspend, however the Scheme will be fully funded by a grant from DEFRA reclaimed on a quarterly basis. There will therefore be no impact on Council resources.
- 2.44 Executive to approve a new capital bid of £30,000 to carry out the initial stages of a survey of gas emissions at the Pole Hole Landfill Site. The works are planned to be carried out over two years with £30,000 to be spent in 2014/15 and the remaining £20,000 to be spent in 2015/16. The capital bid is set out in detail in **Essential Reference Paper 'G1' and 'G2'**.
- 2.45 The purpose of the urgent works is to investigate by way of drilling

bore holes possible gas migration from the site to nearby residential dwellings. Following advice from the Specialist Environmental Health Officer and the Environment Agency it is recommended that the initial stages of the project (Milestones 1 and 2) commence in January 2015.

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&MIId=1792&Ver=4>

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