

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY – 24 NOVEMBER 2015

REPORT BY THE DIRECTOR OF FINANCE AND SUPPORT SERVICES

QUARTERLY CORPORATE HEALTHCHECK – QUARTER TWO/ SEPTEMBER 2015

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- To provide a report on finance, performance and strategic risk monitoring for East Herts Council for 2015/16 as at September 2015.
- The revenue budget for 2015/16 is £14.133m. The forecast position as at 30 September 2015 shows an underspend of £556k in 2015/16. The main contributory factors are underspends against service budgets of £149k and underspends against corporate items totalling £407k. This is in comparison to the £448k overspend in service budgets and £302k underspend against corporate items (a total overspend of £144k) reported in the Quarter One/June Healthcheck report.
- The capital budget for 2015/16 is £2.718m. The forecast position shows a variance of £581k underspent.
- Overall 10 out of the 16 performance indicators in Corporate Business Scrutiny's basket (that have a target) are either on target or exceeding their target as at September 2015/Quarter Two. The remaining six performance indicators are off target.
- Overall for the short term trend eight indicators out of the 16 performance indicators in Corporate Business Scrutiny's basket are showing an improvement when performance is compared to the previous period. Two indicators have maintained the same level of performance and six have declined.

RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY:

That, in relation to the following items:

(A)	The revenue budget forecast underspend of £556k (paragraph 2.1).
(B)	The use of the General Reserve to fund the settlement of the collective action bought against the Council in respect of Land Charges for £78k (paragraph 2.6.3)
(C)	The use of the transformation reserve to fund the compensation payments in respect of changes to the employee expenses policy of £198k (paragraph 2.9)
(D)	Proposed slippage on the following capital schemes: <ul style="list-style-type: none">• Hartham Common, preliminary works, £25k (paragraph 3.3)• Castle Weir, Micro Hydro Scheme, £201k (paragraph 3.4)• Historic Building Grants, £36.7k (paragraph 3.5)• Fanshawe Swimming pool, air conditioning, £15k (paragraph 3.6)
(E)	Members to note the indicators that could be a risk of decline in the future as set out in paragraph 7.2.
(F)	Members to note the amendment to the indicator set out in paragraph 7.4.

The Executive be advised that the Corporate Business Scrutiny Committee has considered Items (A), (B), (C), (D), (E) and (F) and has no comments to make.

1.0 BACKGROUND

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

1.2 In February 2015 Council agreed a balanced budget for the 2015/16 financial year. This report sets out the financial position for the year to date and provides forecasts for the outturn position.

1.3 In 2014 Council approved the performance measures that would be monitored. This report sets out the year to date performance against those targets.

2.0 REVENUE BUDGET

2.1 The Council is forecast to underspend in 2015/16 by £556k. Table 1 below shows the current forecast outturn position as at 30 September 2015 by directorate.

Table 1: Revenue forecast outturn:

Revenue	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Customer and Community Services	6,574	6,503	(71)
Neighbourhood services	3,053	3,297	244
Finance and Support services	5,255	4,933	(322)
Net cost of Services	14,882	14,733	(149)
Priority Spend Budget	150	150	-
Contingency Budget	370	41	(329)
Contributions to/(from) reserves	(1,269)	(1,347)	(78)
Total	14,133	13,577	(556)

2.2 The key service budget variances in the forecast outturn are summarised below in Table 2. The quarterly variance shows a movement of £597k from an overspend of £448k to an underspend of £149k.

Table 2: Service budget variances since Quarter one.

Quarter on Quarter Variance	Variance £'000
Graduate Scheme	(18)
Refuse Contract	49

Kerbside Recycling	120
Clinical Waste	19
Environmental Services	113
Environmental co-ordination grants	(10)
Leisure Services	(21)
Hertford Theatre – Pantomime	(30)
Hertford Theatre – cinema	(25)
Car Park Pay and Display income	(34)
Herford Car Parks	(12)
Planning and Building Control Salaries	(62)
Planning Policy – local plan	(51)
Development Management pre application fee	(30)
Development Management- Appeals	40
Development Management – S106	(19)
Environmental Health Promotions	(100)
Police Community Support Officers	(11)
Revenues and Benefits salaries	(31)
Revenues and Benefits	(15)
Old River Lane	(427)
Land Charges	78
Other small variances	(120)
Total Quarterly Variance	(597)

2.3 The main variances in the forecast outturn are set out below by Directorate and can be found in **Essential Reference Paper B.**

Customer and Community Services

2.4 The forecast outturn position shows an underspend of £71k. Table 3 below shows the breakdown by service.

Table 3: Customer and Community Services forecast outturn

Community and Customer Services	ORIGINAL BUDGET	FORECAST OUTTURN	VARIANCE
--	------------------------	-------------------------	-----------------

	£'000	£'000	£'000
Chief Executive and Director of Customer and Community	151	108	(43)
Business Development	360	422	62
Communications, Engagement and Culture	928	883	(45)
Customer Services and Parking	(474)	(542)	(68)
Environmental Services	5,609	5,632	23
Total:	6,574	6,503	(71)

Key variances arising this month:

- 2.4.1 Salaries within Customer and Community are expected to be £42k overspent. This represents a £20k improvement on the forecast overspend reported in August 2015. The additional funding of £18k from reserves highlighted in July 2015 will no longer be utilised as the recruitment of a candidate to the graduate post has been unsuccessful.
- 2.4.2 An underspend of £73k against the Refuse and Recycling contract is expected due to contract inflation being lower than budgeted for. This is a reduction of £49k against the previously reported £122k underspend.
- 2.4.3 The Kerbside Recycling budget is anticipated to be £120k over the 2015/16 budget. This is due to an additional £65k expenditure on the cost of dealing with contaminated recycling. The kerbside recycling income budget is forecast to be £55k below budget due to lower price received for recyclables.
- 2.4.4 There is lower demand for Clinical waste sharps containers and sacks this year due to cyclical purchasing by customers, who tend to buy in bulk. The 2014/15 outturn was higher than the estimate for this reason. This will lead to an anticipated £19k shortfall in income in 2015/16.
- 2.4.5 Due to a low take up of grants the Environmental co-ordination budget will be underspent by £10k.

- 2.4.6 The Leisure Services budget will be underspent by £21k in 2015/16. This is made up of an £11k reduced cost of ground maintenance and a £14k reduction in the management fee due to the Council's capital investment at Hartham Leisure Centre.
- 2.4.7 The Pantomime at Hertford Theatre is anticipated to generate additional income of £30k above the original budget.
- 2.4.8 Demand at the cinema at Hertford Theatre has exceeded expectations, resulting in £25k additional income forecast in 2015/16.
- 2.4.9 Predicted Pay and Display income at the Councils car parks continues to be above profiled income levels. An additional £301k is expected in 2015/16, this is £34k above the level forecast as at 30 June.

Key variances previously reported:

- 2.4.10 An increased customer base in Commercial Waste has resulted in anticipated additional income of £67k in 2015/16.
- 2.4.11 The contribution from Hertfordshire Council linked to Recycling (Alternate Financial Model – AFM) is expected to be lower than budget by £60k.
- 2.4.12 Following the community right to challenge the management fee to Bishops Stortford Town council for running the Market will exceed the approved budget by £47k. This is currently being managed as a pressure within the service
- 2.4.13 Following the sale of the lease for Bircherley Green Car Park in Hertford at the end of March 2015, the Council is no longer responsible for the running of the car park. Therefore a net overspend of £126k is reported mainly due to lost income. This is currently being managed as a pressure within the service.
- 2.4.14 Use of the RingGo pay by phone service in the pay and display car parks is expected to increase by 30% in 2015/16. The cost to the motorist of using this council are passed on to the Council, an additional cost of £14k is predicted. This is currently being managed as a pressure within the service.

2.4.15 The consultation for Bishop's Stortford Parking Futures has been expanded in agreement with the Portfolio holder, with additional costs of £7k in 2015/16. This is currently being managed as a pressure within the service.

2.4.16 Sawbridgeworth and Buntingford town Councils will no longer be subsidising Pay and Display parking, resulting in a £25k reduction in income. As approved by Executive on 8th June 2015, this is to be funded through use of the New Homes Bonus Priority Spend budget.

2.4.17 A rent review of the Causeway car park in Bishop's Stortford has been completed, this will increase the rental cost to the Parking Service by £58k per year. This is currently being managed as a pressure within the service.

Neighbourhood Services

2.5 The forecast outturn position shows a £244k overspend. Table 4 below shows the breakdown by service.

Table 4: Neighbourhood Services forecast outturn

Neighbourhood Services	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Director of Neighbourhood	112	125	13
Corporate Support Team	108	107	(1)
Community Safety and Health	1,197	1,236	39
Housing Services	567	604	37
Planning and Building Management	1,069	1,225	156
Total:	3,053	3,297	244

Key variances arising this month:

2.5.1 The salary budget within Neighbourhood services is predicted to be £129k overspent. Additional funding for salaries is approved to come from Contingency budget (£8k), contributions from reserves (£13k) and from additional income (£50k); a total of £71k reducing the

budget pressure to £58k. This budget pressure has increased by £23k since August 2015 mainly due to increased agency staff costs in Development Management.

- 2.5.2 It is expected that an element of the 2015/16 local plan expenditure in the Planning Policy service will slip into 2016/17, although the amount is still uncertain at this stage of the financial year. This is funded through the Local Development Framework reserve therefore there will be a reduction in the amount drawn down in 2015/16.
- 2.5.3 £30k additional income is anticipated in the Development Management Service from pre application fees to be received in February 2016 in relation to the Bishop's Stortford Goods Yard Site. This will be offset by increased agency staff costs as detailed above.
- 2.5.4 The appeals expenditure budget in Development Management is expected to be £40k above budget. This is due to the use of consultants at Public Inquiry to present the Councils case and the instruction from the Executive for all major residential schemes submitted from July onwards to be subject to rigorous financial assessment.
- 2.5.5 An additional £19k of S106 income is anticipated in Development Management.
- 2.5.6 The second receipt of £100k from Hertfordshire County Council as a contribution towards Public Health promotions (paragraph 2.5.10) will be in January 2016. This will be transferred to reserves as expenditure is programmed in 2016/17.
- 2.5.7 The budget for PCSOs (Police Community Support Officers) will overspend by £19k as 4 posts are being funded rather than the budgeted 3. Additional funding has been received reducing this overspend by £11k to £8k.

Key Variances previously reported:

- 2.5.8 The 2015/16 budget for Planning Application fees was increased in line with historic trends. Whilst the volume of planning applications received to 31st August is consistent with previous years the size of these are small in financial value. An under achievement in income of £189k is currently forecast. This is currently being managed as a pressure within the service.

2.5.9 Based on current trends the Building Control income received from Safestyle will be £40k lower than budget, due to a lower number of applications than expected. This is currently being managed as a pressure within the service.

2.5.10 A contribution towards Public Health promotions of £100k has been received from Hertfordshire County Council. As agreed at Council on 18 February 2015 match funding of £100k from East Herts will be used to support this project funded from the New Homes Bonus priority fund.

Finance and Support Services

2.6 The forecast outturn position shows an underspend of £322k. Table 5 below shows the breakdown by service.

Table 5: Finance and Support Services forecast outturn

Finance and Support Services	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Director of Finance and Support	118	124	6
Business and Technology Services	1,296	1,294	(2)
Corporate Governance and Risk	1,487	1,535	48
Democratic Services and Legal	1,131	1,186	55
Human Resources and OD	328	379	51
Revenues and Benefits Shared Service	319	210	(109)
Strategic Finance	530	147	(383)
Other Corporate Budgets	46	58	12
Total:	5,255	4,933	(322)

Key variances arising this month:

2.6.1 An overspend of £24k against the Salary budgets is anticipated in Finance and Support Services. Funding of £25k has been agreed

from the contingency budget, £39k from reserves and £52k from other sources. A total of £116k funded from other sources resulting in a £92k underspend, a £9k improvement since August 2015.

2.6.2 The purchase of the Old River Lane site in Bishop's Stortford will lead to a net increase in revenue income in 2015/16. This is currently forecast to result in additional net income of £427k this financial year. There is a corresponding in year reduction in interest income received of £144k as a result of using cash balances to fund this investment. This variance is not shown in this report but will be reflected in the updated Medium Term Financial Plan. Full details of the implications of this acquisition can be found in **Essential Reference Paper I.**

2.6.3 A collective action (APPS) was bought against the Council by Property Search Companies relating to a dispute on the terms by which the Council provided property search information. The settlement sum due to be paid is anticipated to be no greater than £188k. A Government Grant of £110k has been received to partially offset this. The balance of £78k will be funded through the General Reserve, this is reflected in the figures shown in paragraph 2.1.

Key Variances previously reported:

2.6.4 The housing association lease at Charrington's House has expired and will not be renewed therefore there will be a shortfall in income of £41k in 2015/16. This is currently being managed as a pressure within the service whilst alternative tenants are identified.

2.6.5 External Audit fees are anticipated to be £30k lower than budget, due to a new External Auditor, EY, being appointed from 2015/16 with a lower fee agreed by PSAA (Public Sector Audit Appointments).

2.6.6 Worldpay transaction charges are forecast to be higher than budget, although this is partially offset by savings from bank charges, resulting in a £12k overspend. This is further offset by treasury management fees which are £5k lower than budget.

Non-departmental budgets

2.7 The Priority Spend budget for 2015/16 is £697k. As approved by Executive on 8th June 2015 £150k is allocated in 2015/16 with the remainder to be transferred to the New Homes Bonus Priority Fund

Reserve. The uncommitted balance is £547k and future requests will be drawn down from the Reserve as they are approved. **Essential Reference Paper C** shows the amounts committed against the New Homes Bonus Priority Spend budget.

- 2.8 The Contingency budget of £370k allows for unforeseen events to be funded in-year. **Essential Reference Paper D** shows the amounts committed against the Contingency budget. As at 30th September the £41k funded through the contingency budget all relates to items approved by CMT prior to 1st April 2015.
- 2.9 A collective agreement was reached with Unison in September 2015 on the proposed changes to employee expenses policy with respect to car mileage rates, removing the essential lump payment of £1,239 per annum and reducing the mileage rate from 65p per mile to the HMRC rate of 45p per mile. The final decision on whether to accept the policy rests with Local Joint Panel, which meets on 2 Dec 2015, and HR Committee, which meets on 13 January 2016. To reach this agreement a compensation payment was agreed to be made to employees in January 2016. The estimated cost of the compensation payment is £198k which will be funded from the transformation reserve.

3.0 CAPITAL PROGRAMME

- 3.1 The 2015/16 capital forecast expenditure is summarised in Table 6 below. **Essential Reference Paper E** sets out the detailed forecast on each scheme.

Table 6: Capital forecast outturn

Service	Approved budget £'000	Revised Budget £'000	Forecast outturn £'000	Proposed over/under £'000	Proposed slippage £'000
Customer and Community Services	782	1,180	945	(235)	226
Neighbourhood services	927	903	766	(137)	36.7

Finance and Support services	1,009	20,999	20,790	(209)	15
Total	2,718	23,082	22,501	(581)	277.7

Key variances arising this month:

- 3.2 The Finance and Support Services capital budget has increased to reflect the £19.55m acquisition cost of the Old River Lane site.
- 3.3 It is proposed that the capital project for preliminary works at Hartham Common associated with the development of the major play site project to be undertaken in 2016/17, is reprogrammed to 2016/17 to allow greater investigation work to take place to create an appropriate brief. It is recommended that the £25k budget is slipped into 2016/17.
- 3.4 The Castle Weir Micro Hydro Scheme is subject to a rigorous approval by the Environment Agency (EA). The Land Drainage team and the EA are to agree operation protocols following improvement works and automation of the main weir gates. It is recommended that the £201k budget for this is slipped into 2016/17.
- 3.5 Take up of Historic Building Grants has been limited in the first half of 2015/16 leading to a lower level of expenditure. It is recommended that £36.7k is slipped into 2016/17.
- 3.6 The scheme for replacement air conditioning at Fanshawe Swimming pool offices is on hold pending a decision on joint provision capital expenditure. It is recommended that the £15k budget is slipped into 2016/17.
- 3.7 There will be a forecast underspend of £100k against the Decent Homes Grant capital budget due to the current lack of referrals and time from initial assessments to completion of works. There is no recommendation to slip this budget to 2016/17 at this point as the 2016/17 is deemed to be sufficient to meet the likely demand.

Key variances previously reported:

- 3.8 A drawdown of £30k from the Operational Buildings budget was approved in December 2014 for air conditioning works at Buntingford Service Centre. Whilst this project was completed 5 months after the timetabled completion date a significant saving of £15k was

achieved. This has been transferred back into the operational Buildings Rolling programme budget to be used for other capital projects. The uncommitted balance on this budget is £125k, a programme of minor works to improve Old River Lane is currently being developed and will result in this budget being utilised.

3.9 There is a forecast £10k overspend on Commercial Waste bins capital budget due to the rise in new customers (see paragraph 2.4.11) which is offset by an increased revenue forecast. There is currently no recommendation to adjust the budget for this projected overspend at this stage in the financial year.

3.10 Currently £200k of the £400k capital ICT rolling programme remains uncommitted. There is currently no recommendation to adjust the budget for this projected underspend at this stage in the financial year.

4.0 VIREMENTS

4.1 There are no virements to report to date.

5.0 SAVINGS

5.1 The approved savings for 2015/16 total £107k. 100% of the 2015/16 savings will be achieved. **Essential Reference Paper F** sets out these savings.

6.0 DEBTORS

6.1 Total Outstanding debt as at 30th September 2015 is £1.045m. This is a 89% increase from the previous quarter mainly due to £830k of invoices raised in respect of the Revenues and Benefits shared service at the end of September 2015, these invoices are not due to be paid until the end of October 2015.

6.2 Essential Reference Paper G analyses the profile of aged debtors

7.0 PERFORMANCE ANALYSIS

Performance against targets

7.1 Table seven shows movement in performance when compared to the last reporting period for measures where there is a RAG status. Seven indicators are showing an improvement. Two indicators have maintained the same level of performance and six indicators show a

decline in performance.

Performance Indicator Short Name	Performance Status (RAG)	Movement since last reported
EHPI 10.2 – Council tax collection, % of current year liability collected	Green	Improved
EHPI 10.4 – NNDR (Business rates) collection, % of current year liability collected	Green	Improved
EHPI 181 – Time taken to process Housing Benefit new claims and change events	Green	Improved
EHPI 9.2 – Percentage Resolution of ICT Incidents Within 4 Hours	Green	Improved
EHPI 9.3 – Average ICT Incidents per day	Green	Improved
EHPI 9.4 – Percentage of Calls Abandoned on ICT Service Desk	Green	Improved
EHPI 9.6 – Satisfaction with ICT Services	Green	Improved
EHPI 5.4 – % of complaints to the Local Government Ombudsmen that are upheld	Green	Stayed the same
EHPI 5.2a – % of complaints about the Council and its services that are upheld a) 1st stage.	Green	Declined
EHPI 9.1 – Percentage availability of core ICT systems during supported hours	Green	Declined
EHPI 2.12 – Service requests: environmental health	Amber	Stayed the same
EHPI 8 – % of invoices paid on time	Amber	Declined
EHPI 157c – Processing of planning applications: Other applications	Amber	Declined
EHPI 9.8 – Delivery of Key Milestones in the ICT Strategy	Red	Improved

Table 7:

EHPI 5.1 – % of complaints resolved in 14 days or less	Red	Declined
EHPI 5.2b – % of complaints about the Council and its services that are upheld b) 2nd stage (appeal)	Red	Declined

Potential future issues

7.2 Further analysis by the Performance Team shows that the following measures are either ‘Amber’ or ‘Red’ already and at risk of further decline. The indicators are:

- EHPI 157c – Processing of planning applications: Other applications. This indicator is ‘Amber’ and has had a declining long term trend for the past five consecutive months and is at risk of moving to ‘Red’.
- EHPI 8 – % of invoices paid on time. This indicator is ‘Amber’ and is the first time showing a declining long term trend.
- EHPI 5.1 – % of complaints resolved in 14 days or less. This indicator is ‘Red’ and is the first time showing a declining long term trend.
- EHPI 5.2b – % of complaints about the council and its services that are upheld: 2nd stage – appeal. This indicator is ‘Red’ and is the first time showing a declining long term trend.

7.3 Please refer to performance indicator summary analysis in **Essential Reference Paper H** for full performance indicator analysis.

Proposed changes to performance indicators

7.4 Please note and agree the following change:

- **EHPI 9.5 – Percentage of ICT Calls Resolved at First Point of Contact.** It had been agreed with the portfolio holder that this performance indicator be removed from the monitoring basket.

8.0 IMPLICATIONS/CONSULTATIONS

8.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper A.**

Background Papers:

Essential Reference Paper B shows the revenue outturn forecast variances.

Essential Reference Paper C shows the amounts committed against the priority spend budget.

Essential Reference Paper D shows the amounts committed against the contingency budget.

Essential Reference Paper E shows detailed information on the capital programme.

Essential Reference Paper F shows the achievement of the Council's 2014/15 savings to date.

Essential Reference Paper G shows the council's sundry debtors arrears as at 30th September 2015.

Essential Reference Paper H shows the full set of performance indicators that are reported on a monthly basis.

Essential Reference Paper I shows information relating to the purchase of Old River Lane.

Contact Member: Councillor Geoff Williamson – Executive Member for Finance and Support Services.
geoffrey.williamson@eastherts.gov.uk

Report author: Philip Gregory – Head of Strategic Finance, Extn: 2050. philip.gregory@eastherts.gov.uk

Contact Officers: For financial budget monitoring:
Alison Street – Principal Accountant, Extn: 2056.
alison.street@eastherts.gov.uk

For performance monitoring:
Karl Chui – Performance Monitoring Officer, Extn: 2243. karl.chui@eastherts.gov.uk