

EAST HERTS COUNCIL

EXECUTIVE – 1 DECEMBER 2015

QUARTERLY CORPORATE HEALTHCHECK – QUARTER TWO/
SEPTEMBER 2015

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND
SUPPORT SERVICES

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 12 performance indicators in Executive's basket (that have a target) are either on target or exceeding their target as at September 2015/Quarter 2 and the remaining two performance indicators are off target.
- Overall for the short term trend 10 indicators out of the 18 performance indicators in Executive's basket are showing an improvement when performance is compared to the previous period. One indicator has maintained the same level of performance and seven have declined.
- The performance system analyses where current performance is less than the average for the preceding 12 months/ 4 quarters this is flagged as a potential long term trend. 6 of the 18 indicators have

been flagged for this reporting period and further analysis behind each can be found in paragraph 7.4.

<u>RECOMMENDATIONS FOR EXECUTIVE:</u> That:	
(A)	the comments of the Corporate Business Scrutiny Committee on the Quarterly Corporate Healthcheck, be received;
(B)	the revenue budget forecast underspend of £556k be noted (paragraph 2.1);
(C)	the use of the transformation reserve to fund the compensation payments in respect of changes to the employee expenses policy of £198k be approved (paragraph 2.9);
(D)	proposed slippage on capital schemes of £277.7k (paragraphs 3.3 and 3.6) be noted;
(E)	<p>the current explanation for long term trends for:</p> <ul style="list-style-type: none"> • EHPI 151 – Number of homeless households living in temporary accommodation at the end of the quarter • EHPI 152 – The number of applicants accepted as owed the main homelessness duty to secure accommodation. • EHPI 2.6 – Percentage of residual waste (refuse) sent for disposal • EHPI 12c – Total number of sickness absence days per FTE staff in post <p>be noted (Paragraph 7.4);</p>
(F)	the amendment to the indicator set out in paragraph 7.7, be noted; and
(G)	the risk controls and addition to the Strategic Risk Register (paragraphs 8.1 to 8.3) be approved.

1 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 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 & 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 & Benefits salaries	(31)
Revenues & 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 & Customer Services	ORIGINAL BUDGET £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Chief Executive and Director of Customer & Community	151	108	(43)
Business Development	360	422	62
Communications, Engagement & Culture	928	883	(45)
Customer Services & 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 Council's 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 2015.

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 & 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 J.**
- 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 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. It is requested that this is 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 2.4.10) 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 VIREMENTS

- 4.1 There are no virements to report to date.

5 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 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 & 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 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. Five indicators are showing an improvement. One indicator has maintained the same level of performance and five indicators show a decline in performance.

Table 7:

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 7.2 – Turnaround of PCN Challenges and Representations	Green	Improved
EHPI 157a – Processing of planning applications: Major applications	Green	Improved
EHPI 7.3 – Percentage of appeals to the traffic penalty tribunal against the number of PCNs issued	Green	Stayed the same
EHPI 157b – Processing of planning applications: Minor applications	Green	Declined
EHPI 2.2 – Waste: missed collections per 100,000 collections of household	Green	Declined
EHPI 12c – Total number of sickness absence days per FTE staff in post	Green	Declined
EHPI 8 – % of invoices paid on time	Amber	Declined
EHPI 157c – Processing of planning applications: Other applications	Amber	Declined

Trend only performance indicators

7.2 Table eight shows movement in performance when compared to the last reporting period for the measures where no targets have been set, e.g. only trend data is analysed.

Table 8:

Indicator (Trend only)
There were higher volumes of planning appeals in September but the number of appeals allowed has reduced when compared to August for EHPI 204 (Planning appeals allowed)
There has been a slight decrease in EHPI 192 (Percentage of household waste sent for reuse, recycling and composting) since July.
There has been a slight increase in EHPI 151 (Number of homeless households living in temporary accommodation at the end of the quarter) since Quarter 1.
There has been a slight decrease in EHPI 152 (The number of applicants accepted as owed the main homelessness duty to secure accommodation) since Quarter 1.

There has been a slight decrease in **EHPI 153** (Number of applicants that presented to the council as homeless) since Quarter 1.

There has been a slight decrease in **EHPI 2.6** (Percentage of residual waste (refuse) sent for disposal) since Quarter 1.

7.3 Table 9 shows the long term trend analysis (current value compared to the average performance for the last 12 months or the last 4 quarters) for those indicators that are showing a significant long term decline.

Table 9:

Service & Indicator	Commentary
Housing Services	
EHPI 151 – Number of homeless households living in temporary accommodation at the end of the quarter	The council owned temporary accommodation (hostel) remains full with 12 households with the average length of stay for those with a homeless duty before moving onto a housing association tenancy is 12 weeks. There is no clear cause to the higher number and is just subject to when households are ready to move onto a housing association tenancy.
EHPI 152 – The number of applicants accepted as owed the main homelessness duty to secure accommodation.	The number of homeless acceptances was only one off compared to the same period last year. The primary reason for homelessness is due to the end of a private sector assured short hold tenancy because the landlord requires the property back. Work is underway to profile homelessness presentations, results of this and how it might explain performance will be available from Quarter 3.
Environment Services	
EHPI 2.6 – Percentage of residual waste (refuse) sent for disposal	This is a rolling quarter from June to August as data is reported one month in arrears. The reason for the declining long term trend is because DEFRA has yet to update the number of new properties in the district since 1 April 2015 and this has resulted in a slightly higher number of kilograms per household. In addition more waste is being presented at the kerbside as the

	economy grows and dry recycling (paper) is reducing due to increase use of electronic media.
HR and Organisational Development	
EHPI 12c – Total number of sickness absence days per FTE staff in post	Long term trend for total number of sickness absence lower due to higher levels of long term sickness absences. Managers have been alerted to the trend and it is being discussed regularly at DMT meetings.

Potential future issues

7.4 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.

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

Proposed changes to performance indicators

7.6 Please note and agree the following changes:

- **EHPI 204 – Planning appeals allowed.** After reviewing this indicator it was established that there were no clear pattern that could be identified in the monthly frequency due to the volatile nature of this indicator and low monthly volume of appeals being made. The service proposes that this indicator be changed from monthly reporting to quarterly reporting as this will address the low monthly volume of appeals and better identify where the seasonal highs and lows are. It is proposed that this change will be applied immediately. So the next update will be reported in December for quarter three.

8 STRATEGIC RISKS

- 8.1 Controls implemented in the period July to September 2015 have been recorded. Please refer to **Essential Reference Paper I** for more information.
- 8.2 There have been no changes to scores since the previous quarter.
- 8.3 One new risk was introduced with effect from July 2015; 'safeguarding adults'. Please see SR15.
- 8.4 A further new risk concerning Old River Lane has been introduced. Given that the Council completed the acquisition in October 2015, the risk will feature in the risk register for the period October to December 2015.
- 8.5 All strategic and operational risks can be viewed on the Council's performance management system, Covalent (www.covalentcpm.com/eastherts).

9 IMPLICATIONS/CONSULTATIONS

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

Background Papers:

None

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