

## EAST HERTS COUNCIL

EXECUTIVE – 6 DECEMBER 2016

QUARTERLY CORPORATE HEALTHCHECK – QUARTER 2  
SEPTEMBER 2016

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REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND  
SUPPORT SERVICES

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WARD (S) AFFECTED:        All

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### Purpose/Summary of Report:

- To provide a report on finance, performance and strategic risk monitoring for East Herts Council for 2016/17 as at September 2016.
- The revenue budget for 2016/17 is £14.134m. The forecast position as at 30 September 2016 shows an overspend of £177k in 2016/17.
- The revised capital budget for 2016/17 is £6.157 m. The forecast position shows a variance of £1.576m underspent.
- Nine out of the 17 performance indicators in the corporate basket (that have a target) are either on target or exceeding their target as at October/Quarter 2 for 2016. Two performance indicators are 1% to 5% off target (Amber) and five performance indicators are 6% or more off target (Red). One indicator cannot be analysed as no feedback was provided in respect to customer satisfaction with telephone enquiries for October.
- In respect to trend performance, 13 indicators out of the 28 performance indicators in the corporate basket are showing an improvement when performance is compared to the previous period. Two indicators have maintained the same level of performance and eight have declined. There are five indicators where the trend performance cannot be analysed because:
  - a) Four indicators are new for 2016/17 and are reporting data for the first time so there is no previous period data to produce a trend comparison.
  - b) One indicator cannot be analysed as no feedback was provided in respect to customer satisfaction with telephone enquiries for

October.

| <b><u>RECOMMENDATIONS FOR EXECUTIVE:</u> That:</b> |   |
|--|---|
| <b>(A)</b>   | <b>the revenue budget forecast overspend of £177k, as detailed at paragraph 2.1, be noted;</b>    |
| <b>(B)</b>   | <b>the capital budget forecast underspend of £1.576m, as detailed at paragraph 6.1, be noted;</b> |
| <b>(C)</b>   | <b>the reported performance for the period August 2016 to October 2016, be noted; and</b>         |
| <b>(D)</b>   | <b>the risk management controls detailed at paragraphs 9.1 to 9.5 be approved.</b>                |

## **1 BACKGROUND**

- 1.1 This is the finance, performance and risk monitoring report for the council.
- 1.2 In February 2016 Council agreed a balanced budget for the 2016/17 financial year. This report sets out the financial position for the year to date and provides forecasts for the outturn position.
- 1.3 Following the Senior Management restructure in April 2016 the 2016/17 revenue and capital budgets have been realigned in line with the new structure.
- 1.4 In 2016 Council approved the performance measures that would be monitored. This report sets out the year to date performance against those targets.
- 1.5 This report contains the following sections and Essential Reference Papers:

| <b>REPORT SECTIONS</b> |                          |
|------------------------|--------------------------|
| <b>2</b>               | <b>Revenue budgets</b>   |
| <b>3</b>               | <b>Corporate budgets</b> |
| <b>4</b>               | <b>Reserves</b>          |
| <b>5</b>               | <b>Financing</b>         |
| <b>6</b>               | <b>Capital budgets</b>   |
| <b>7</b>               | <b>Debtors</b>           |

|   |                        |
|---|------------------------|
| 8 | Performance monitoring |
| 9 | Risk                   |

| ESSENTIAL REFERENCE PAPERS |                            |
|----------------------------|----------------------------|
| B                          | Revenue budget             |
| C                          | Capital Monitor            |
| D                          | Debtors, aged debt profile |
| E                          | Performance monitoring     |
| G                          | Risk                       |

## **2 REVENUE BUDGET**

- 2.1 The Council is forecast to overspend in 2016/17 by £177k. Table 1 below shows the current forecast outturn position as at 30th September 2016 by Head of Service.
- 2.2 In the budget report approved by Executive in February 2016 the budgeted use of reserves to fund revenue services was £936k (38% of the total use of reserves). The forecast outturn position as at 30<sup>th</sup> September 2016 is £945k. Further information on the use of reserves can be found in section 4 below.
- 2.3 In the report at the end of Quarter one (June 2016) an underspend of £424k was reported to Corporate Business Scrutiny and Executive. The Councils budgets are monitored on a monthly basis and the information included in this report represents the position as at the end of Quarter Two.

**Table 1: Revenue forecast outturn**

|                                       | <b>Original Budget 2016/17</b> | <b>Forecast outturn</b> | <b>Variance</b> | <b>Use of Reserves</b> |
|---------------------------------------|--------------------------------|-------------------------|-----------------|------------------------|
|                                       | <b>£'000</b>                   | <b>£'000</b>            | <b>£'000</b>    | <b>£'000</b>           |
| Chief Executive & Directors           | 466                            | 420                     | (46)            | -                      |
| Communications, Strategy & Policy     | 1,162                          | 1,155                   | (7)             | (100)                  |
| HR & Organisational Development       | 469                            | 480                     | 11              | (59)                   |
| Strategic Finance & Property          | 1,445                          | 1,592                   | 147             | (181)                  |
| Housing & Health                      | 2,434                          | 2,273                   | (161)           | (203)                  |
| Democratic and Legal                  | 1,102                          | 1,221                   | 119             | -                      |
| Planning & Building Control           | 1,045                          | 1,102                   | 57              | (241)                  |
| Operations                            | 4,439                          | 4,593                   | 154             | (161)                  |
| Shared Revenues & Benefits Service    | 273                            | 158                     | (115)           | -                      |
| Shared Business & Technology Services | 1,299                          | 1,317                   | 18              | -                      |
| <b>Total Net Cost of Services</b>     | <b>14,134</b>                  | <b>14,311</b>           | <b>177</b>      | <b>(945)</b>           |

2.4 The main variances in the forecast outturn are set out below by Head of Service.

### **Strategic Finance and Property**

2.5 Following the senior management restructure the salary budget has been aligned with the new structure resulting in a £177k predicted underspend.

2.6 Redundancies in Communications, Strategy and Policy of £133k are shown against the corporate budgets in Strategic Finance these will be funded from the underspend mentioned in paragraph 2.5

2.7 The Council is looking to replace its financial management system, consultants have been bought in to provide guidance and assistance. This will cost £39k in 2016/17 and will be funded through use of the Transformation reserve.

- 2.8 Consultation costs for the Bishops Stortford town centre planning framework is £95k in 2016/17. This will be funded through use of the priority spend reserve.
- 2.9 The management fees for the property funds that the Council has invested in are lower than budgeted, resulting in a £50k underspend in 2016/17. This is a saving item on the MTFP for future years.
- 2.10 The budget for the office space that the Council uses at Charringtons House is forecast to be overspent by £52k as part of the office space is no longer sublet to Circle Anglia Housing Association
- 2.11 An overspend of £43k is anticipated in respect of the rent that the Council receives as landlord of Charringtons House due to office space remaining vacant for longer than expected.

### **Housing and Health**

- 2.12 An underspend of £169k is reported against the Environmental Health Promotion budget. Part of this budget is funded by a contribution from HCC and part from EHC, the profile of this expenditure has altered from when the budget was set in February 2016 resulting in an underspend in 2016/17.
- 2.13 The total fee for the Pole hole site works has increased this is due to the requirements of additional equipment at the site as ground conditions were worse than originally anticipated and an increase in time taken for works to be carried out. This has resulted in a £35k cost in 2016/17.

### **Democratic and Legal**

- 2.14 There are increased salary costs of £70k in Democratic and Legal Services due to the use of agency staff, staff appointment expenses, overtime payments and redundancy costs.
- 2.15 Income from land charges is expected to be £33k below the 2016/17 budget due to less activity in the housing market.

### **Planning and Building Control**

- 2.16 An overspend of agency staff costs of £163k in Development management are partially offset by a £50k underspend against the

salary budget and £31k additional income.

## **Operations**

- 2.17 It is anticipated that pay and display income from car parks will be 5% above the 2016/17 budget. Resulting in an additional £143k of income. This is due to car park usage being greater than assumed when the budget was set. This increase in income is in line with the 2015/16 outturn position.
- 2.18 Consultants have been engaged to carry out an off street parking need survey, to identify future parking provision requirements in the district. This is estimated to cost £33k and is to be funded through the additional pay and display income as per paragraph 2.13.
- 2.19 It is anticipated that £70k less income will be distributed to EHC from HCC in 2016/17 with regards to the Alternate Financial Model (AFM) which allocates funding to the districts across Hertfordshire based on the level of waste diverted from landfill. This is a complex formula based on the levels of waste recycled and sent to landfill at East Herts and the other districts, which results in variations from the budget.
- 2.20 A change to the disposal of dry recyclable materials resulting in a gate fee being charged rather than income being generated is expected to lead to an overspend of £74k in 2016/17. The MTFP proposals for 2017/18 reflect this change.

## **Shared Revenues & Benefits**

- 2.21 An increase in the summons costs recovers of £77k is reported. This is in line with the outturn position for 2015/16 and is reflected in the changes to the MTFP for 2017/18.

## **Shared Business and Technology Services**

- 2.22 A overspend of £19k is reported against the IT licences budget this relates to the licence for the HR system and is a one off cost.

## **3 CORPORATE BUDGETS**

- 3.1 Corporate budgets are costs and income received by the Council that are not service specific these include income from the Councils investments, pension deficit contributions and New Homes Bonus grants to Town and Parish Councils.

3.2 Table 2 below shows the forecast outturn position against the corporate budgets. Details of movements against the original budget are shown in the paragraphs below.

**Table 2: Corporate budgets forecast outturn**

|   | <b>Original Budget 2016/17</b> | <b>Forecast outturn</b> | <b>Variance</b> |
|---|--------------------------------|-------------------------|-----------------|
|   | <b>£'000</b>                   | <b>£'000</b>            | <b>£'000</b>    |
| NHB Grants to Town & Parish Councils          | 901                            | 901                     | -               |
| Contingency Budget                            | 150                            | 14                      | (136)           |
| Interest Payments                             | 662                            | 662                     | -               |
| Interest & Investment income                  | (902)                          | (920)                   | (18)            |
| RCCO (Revenue Contribution to Capital Outlay) | 25                             | 25                      | -               |
| Pension Fund Deficit contribution             | 600                            | 600                     | -               |
| <b>Corporate Budgets Total:</b>               | <b>1,436</b>                   | <b>1,282</b>            | <b>(154)</b>    |

3.3 Currently there is only £14k committed from the contingency budget in 2016/17, £2k is to fund posts in Environmental Health and £12k is to fund external lone working. Any balance on this budget at the end of the year will be transferred to the transformation reserve.

3.4 Income from investments and interest is difficult to predict given recent events following BrExit and uncertainty over the Bank of England interest rates. The £18k favourable forecast outturn position represents the additional income from the Councils investment in two property funds being above the budgeted figure, this is slightly below the 2015/16 outturn position.

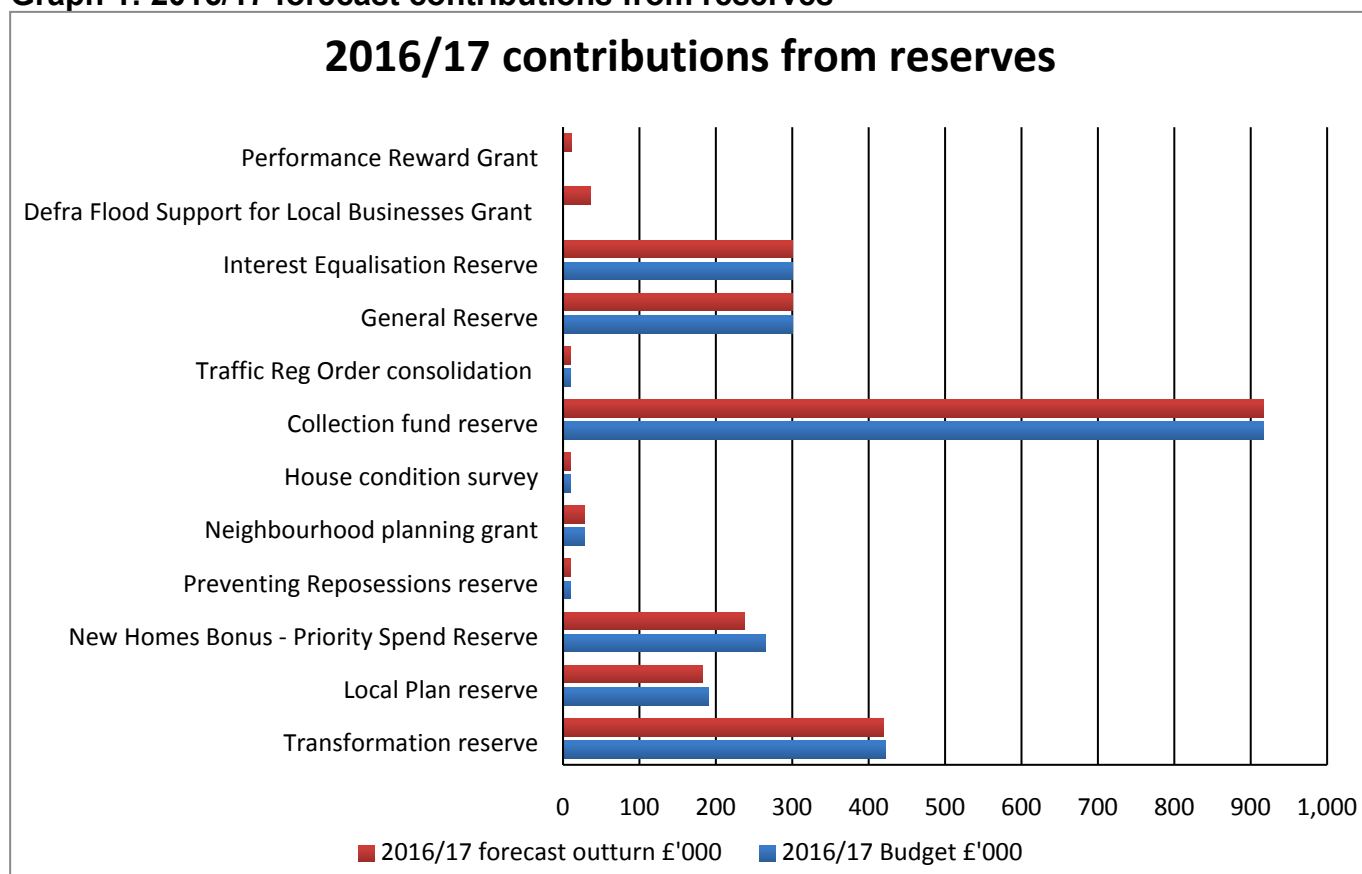
## **4 RESERVES**

4.1 The Council holds earmarked reserves to fund unpredictable financial pressures and to smooth the effect of known spending over time. Graphs 1 and 2 below reflect the forecast outturn position as at 30 September 2016.

4.2 Funding from reserves will offset expenditure shown in section 2 of this report whilst a contribution to reserves will be shown as income in the

revenue forecast outturn.

**Graph 1: 2016/17 forecast contributions from reserves**



4.3 As at 30<sup>th</sup> June 2016 it is forecast that there will be contribution from reserves of £2.462m in 2016/17 this is £9k higher than approved as part of the 2016/17 budget setting process. The significant variances are reported in the following paragraphs.

4.4 The transformation reserve was created to fund transitional staffing costs and service improvements. The total use of reserve is £4k below 2016/17 budget. This is made up of:

- £39k funding for costs relating to consultants for the procurement of a new financial system
- £16k to fund a new graduate from October 2016
- £30k funding for Building Control project
- £200k reduced use of reserve relating to a review of Community Safety Service
- £20k to fund temporary posts in Environmental Health
- £17k to fund apprentice salaries in 2016/17
- £31k to fund leisure consultants

4.5 The New Homes Bonus – Priority spend reserve was established from unspent New Homes Bonus monies and utilised to fund items

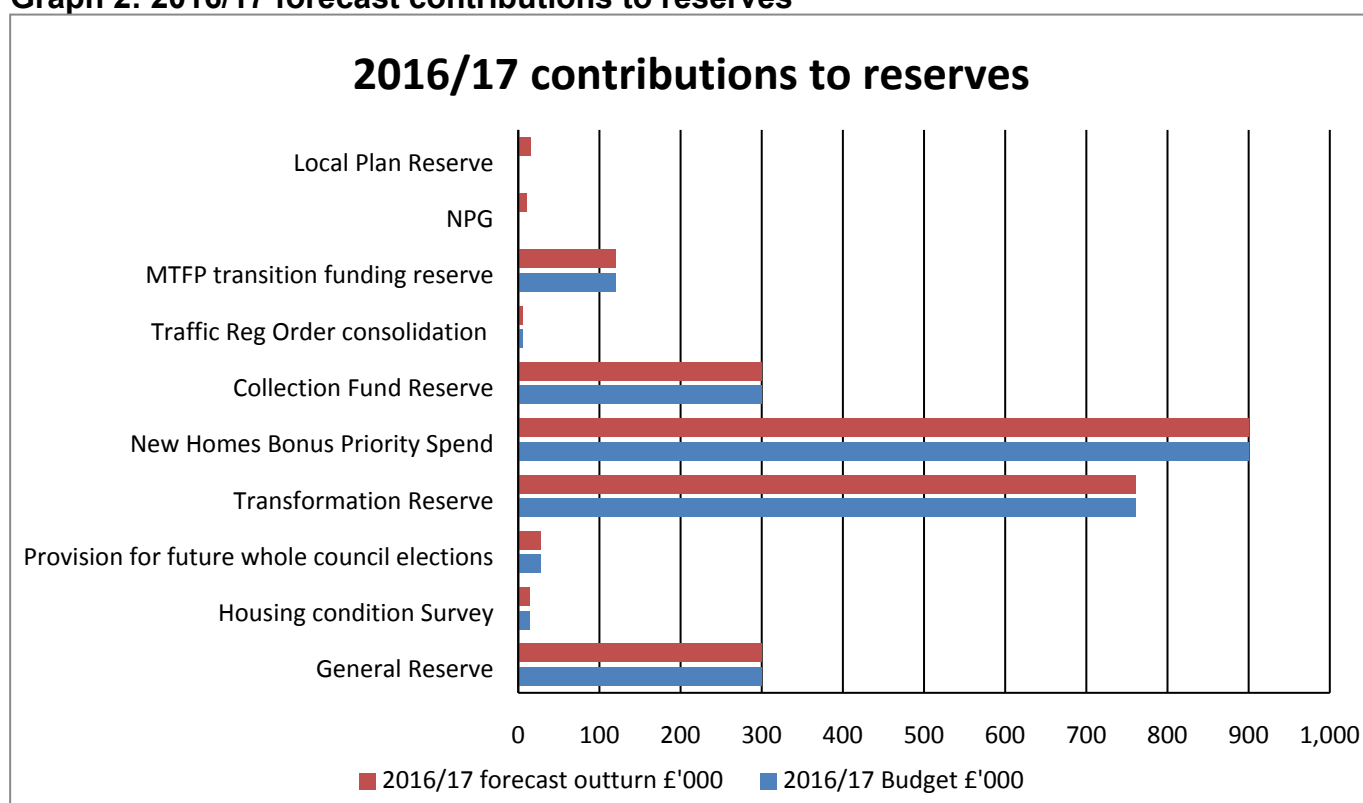


agreed by Leadership Team and Executive. The use of this reserve is £27k below budget. The main items are:

- £200k reduced use of reserve for Old River Lane Planning costs.
- £100k to fund East Herts contribution to Public Health projects, to match funding received from Hertfordshire county Council.
- £95k for Bishop’s Stortford consultation costs

4.6 The DEFRA flood support for local business was established from an unspent element of a DEFRA grant received to enable the Council to support local businesses following flooding in 2013/14. It is anticipated that £37k (the balance on the reserve) will be spent in 2016/17.

**Graph 2: 2016/17 forecast contributions to reserves**

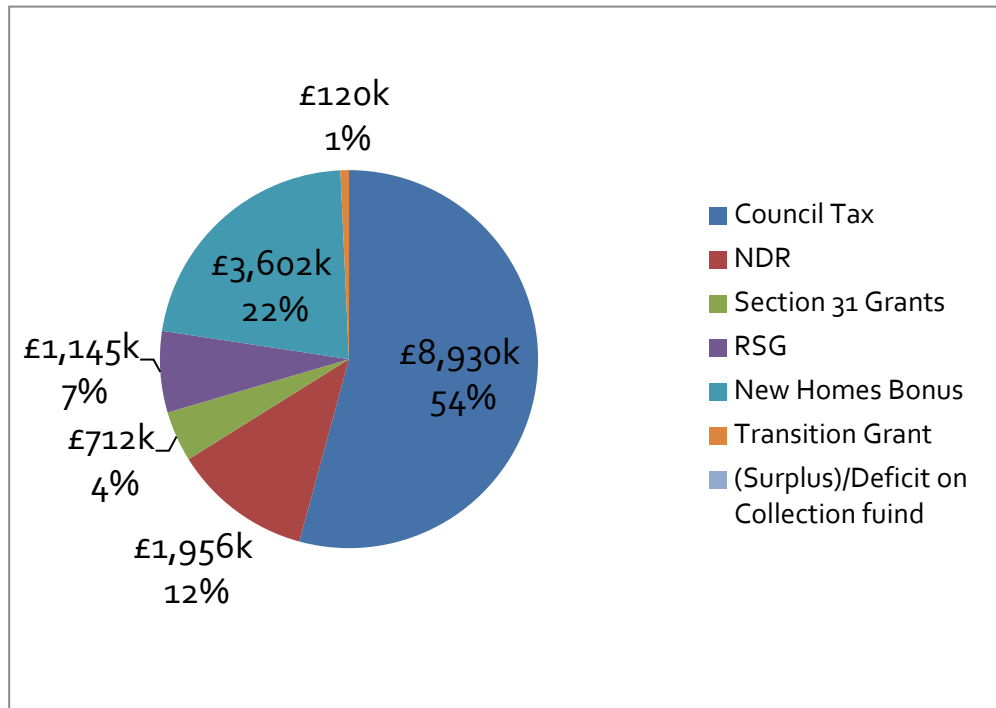


4.7 The forecast outturn contribution to reserves has increased by £25k to £2.453m from the 2016 /17 budgeted position. This is due to;

- £10k - Neighbourhood Planning Grant received from the DCLG in relation to Bishop’s Stortford south referendum which will be transferred to the Neighbourhood Planning Grant reserve.
- £15k – contribution from Harlow Council to be distributed to partners across the Housing Market Area. This will be transferred to the Local Plan reserve.

## 5 FINANCING

5.1 These income budgets are general and non-service specific income sources. The following pie chart shows the value and percentage split of these budgets.



## 6 CAPITAL PROGRAMME

- 6.1 The revised 2016/17 budget has increased from £5.58m to £6.157m. This is an increase of £577k, this relates to grants for Network Homes for the Ridgeway scheme and Gladstone Road scheme. As at 30<sup>th</sup> September 2016 an underspend of £1.576m is reported. Details of the movements against budget that make up this underspend can be found in the following paragraphs.
- 6.2 The 2015/16 capital forecast expenditure is summarised in Table 3 below. **Essential Reference Paper C** sets out the detailed forecast on each scheme.

**Table 3: Capital forecast outturn**

|  | 2016/17<br>Original<br>Budget | 2016/17<br>Revised<br>Budget | 2016/17<br>Total to<br>Date | 2016/17<br>Forecast<br>Outturn | Variance<br>between<br>Forecast<br>Outturn &<br>Revised<br>Budget |
|--|-------------------------------|------------------------------|-----------------------------|--------------------------------|---|
|  | £'000                         | £'000                        | £'000                       | £'000                          | £'000   |
| Strategic Finance & Property                           | 764                           | 929                          | 259                         | 1,239                          | 310   |
| Shared Business &<br>Technology Services<br>Operations | 675                           | 1,076                        | 87                          | 971                            | (105)   |
| Housing & Health                                       | 1,030                         | 1,325                        | 174                         | 1,033                          | (292)   |
| Planning & Building Control                            | 2,028                         | 2,711                        | 258                         | 1,162                          | (1,549)   |
| Communications, Strategy &<br>Policy                   | 92                            | 68                           | 35                          | 68                             | -   |
| Director   | 20                            | 48                           | 9                           | 41                             | (7)   |
| Director   | -                             | -                            | -                           | 67                             | 67  |
| <b>TOTAL</b>   | <b>4,609</b>                  | <b>6,157</b>                 | <b>822</b>                  | <b>4,581</b>                   | <b>(1,576)</b>  |

6.3 A £310k overspend is predicted against the capital schemes that sit under the Head of Strategic Finance and Property. This includes;

- an estimated £600k for demolition of Number 1 The Causeway building. This was not included in the original capital programme for 2016/17 as is a result of decisions taken in year. This will be funded from the Commercial Property Reserve.
- £180k underspend against the operational building rolling programme.
- Capital works at the Council's swimming pools are part of a leisure review that is currently taking place, revised schemes are expected to be submitted for 2017/18, a £112k underspend in 2016/17 is reported.

6.4 The rolling programme budget to be utilised on ICT projects is showing a £105k underspend. £293k of the £398k budget has been committed by ITSG (IT Steering Group) in 2016/17.

6.5 A £292k underspend is reported against the budgets that come under the Head of Operations. This includes;

- The scheme to provide a small hydro-electricity turbine at the castle weir in Herford is currently under discussion with the Environment Agency. Project completion is anticipated in early 2017/18. A underspend of £201k is reported in 2016/17.

- Progress on the capital scheme to modernise the public conveniences at Bell Street in Sawbridgeworth is being made at a very slow pace. Project completion is not expected in 2016/17, a £67k underspend is reported.
- An overspend of £36k is reported on the refurbishment of Hartham Pavillion, as the priced specification came in over the budgeted amount. This overspend will be fully funded from section 106 contributions.
- The capital scheme for Hartham common major play works will be reviewed in 2017/18 pending the review of Leisure facilities. A £25k underspend is reported.
- A £42k underspend is reported on the markets improvement budget. Options appraisals for markets will be taken to Scrutiny in March 2017.

6.6 Underspends of £1.549m are reported against the capital schemes under Housing and Health. These include;

- A countywide review of Disabled Facilities Grants is underway. However the outcomes of this review are not expected to impact on referral rates until 2017/18. In line with the 2015/16 outturn this budget is expected to be £294k underspent in 2016/17. This is funded by a ring fenced government grant.
- There is currently only £3k committed against the Decent Homes Grant capital scheme. It is unlikely that more than £50k will be required in 2016/17, resulting in an underspend of £50k.
- There are only a few cases in the pipeline in respect of the capital Energy Grants, a maximum spend in 2016/17 of £100k is anticipated, this will leave £50k unspent.
- Underspend of £289k against the £577k grants to Network Homes (mentioned in paragraph 6.1) as 50% of the grant is to be paid on completion (not expected until 2018).

6.7 Capital grants totalling £67k to town and parish councils will be fully funded from section 106 contributions in 2016/17, these are:

- Watton-at-Stone Parish Council - new tennis courts (£38k)
- Bishops Stortford Town Council – path works on Sworders Field

## 7 DEBTORS

7.1 Total Outstanding debt as at 30<sup>th</sup> September 2016 is £1.466m. This is

a 20% increase from the previous quarter.

- 7.2 The outstanding debt over 120 days old totals £577k. Of this debt, over 90% relates to disputed invoices where negotiations are ongoing to collect the debt owed. The remainder of the debts over 120 days are invoices relating to environmental health enforcement, where a charge is held against property to pay the debt once the property is sold, or housing debts where repayments are being made with a payment plan over several months.
- 7.3 **Essential Reference Paper D** analyses the profile of aged debtors

## 8 PERFORMANCE ANALYSIS

### Performance against targets

#### Corporate priority: Improve the health and wellbeing of our communities

- 8.1 Performance indicators for this priority are generally showing an improving trend and are meeting their targets with the exception of two indicators:
- **EHPI 141 – Participation in Team Herts volunteering.**  
Performance was 'Red' for the first six months of 2016/17. Since launching the scheme in April and following the appointment of the TeamHerts Volunteering Coordinator in August 2016 two individuals have joined the flexible volunteering database, along with five volunteer involving organisations (these are organisations who wish to promote their one off, short term volunteering opportunities). Further work is planned to increase the number of participants through awareness raising events e.g. drop in sessions; introduction to volunteering sessions; promotion of the project to other voluntary organisations and key partners e.g. housing associations.
  - **EHPI 5.13c – Customer Satisfaction (GovMetric) – Website.**  
Performance was 'Red' in October. Only 29% of respondents gave a 'Good' satisfaction score during October. 14% gave an 'Average' score whereas the majority, 57% gave a 'Poor' satisfaction score for the website. There were 120 respondents. This follows a similar theme to every other month and the mixed response follows a similar patten to that reported in every other month in 2016.

### **Corporate priority: Enhance the quality of people's lives**

8.2 Performance indicators for this priority are generally showing an improving trend and are meeting their targets with the exception of two indicators:

- **EHPI 2.2 – Waste: missed collections per 100,000 collections of household.** Performance was 'Red' in October. Missed collections have exceeded the target of 30 for October; this was anticipated as a result of changes in the garden waste rounds to assist with the ever increasing communal properties. The contractor will be made aware the target has been exceeded and will be expected to implement measures to bring missed collection back below target.
- **EHPI 157c – Processing of planning applications: Other applications.** Performance was 'Amber' for October. There were 107 out of 124 applications determined on time.

### **Corporate priority: Enable a flourishing local economy**

8.3 Both indicators supporting this priority are showing a declining trend, with one of them also being off target:

- **EHPI 8 – % of invoices paid on time.** Performance was 'Amber' for October with 97.50% of invoices paid within 30 days, against a target of 98.50%. Several services had minimal late invoices but Planning and Building Control had 10.

### **Corporate priority: Corporate Health**

8.4 The majority of measures are showing an improving trend and are on target with the exception of two indicators:

- **EHPI 5.1 – Percentage of complaints resolved in 14 days or less.** Performance was 'Red' for quarter 2 for 2016/17. During the second quarter of this year 14 complaints (out of 27 stage 1 and stage 2 complaints received) were dealt with within 14 days, equating to 51.85%. During this quarter, as is common with most Q2 periods, there were a lot of complaints regarding complex or detailed planning issues which took longer than 14 days (or 10 working days) to resolve. In most of these cases, the customer was kept informed as to how this was progressing. Heads of service receive weekly updates via the infreemation system to let them

know what complaints in their areas are live.

- **EHPI 5.2 – % of complaints about the Council and its services that are upheld: 1st stage.** Performance was 'Red' for quarter 2. Of the 25 stage 1 complaints received out of 27 complaints in total, 9 were upheld. This makes a % of 36%. Of these 9, 3 were related to the Operations team, 2 of which were related to non bin collection, the other related to a contractors conduct. 3 were within Health and Housing, one of which was only partially upheld and was upheld on the grounds of the tone of the email rather than the content or decision. The other two related to historic paperwork and one which was raised with a contractor. The remaining 3 were from Strategic finance (2) and Planning & Building Control where procedural errors and a complex land management issue was the reasons for the outcome.

8.5 Please refer to performance indicator summary analysis in **Essential Reference Paper E** for more detailed analysis.

## **9 STRATEGIC RISKS**

- 9.1 The Strategic Risk Register was last considered by The Executive on 6 September 2016.
- 9.2 Controls implemented during the period July to September 2016 have been recorded and scores amended as necessary. Please refer to **Essential Reference Paper G** for more information.
- 9.3 In quarter two the current likelihood scores for SR4 and SR7 have both reduced from 3 to 2, and the current likelihood score for SR9 has reduced from 4 to 2. These changes are due to the controls implemented.
- 9.4 Target likelihood scores have been reduced for SR9 and SR15 from 3 to 2, and SR12 from 2 to 1. (Target scores, introduced for 2016/17, demonstrate where Officers believe the likelihood and / or impact can be mitigated).
- 9.5 The Strategic Risk Register was considered by Audit and Governance Committee on 23<sup>rd</sup> November 2016. Any comments will be reported verbally.

## **10 IMPLICATIONS/CONSULTATIONS**

10.1 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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