

EAST HERTS COUNCIL

EXECUTIVE – 4 APRIL 2017

QUARTERLY CORPORATE HEALTHCHECK –
QUARTER 3 DECEMBER 2016

REPORT BY 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 2016/17 as at December 2016.
- The revenue budget for 2016/17 is £14.134m. The forecast position as at 31 December 2016 shows an overspend of £89k in 2016/17.
- The revised capital budget for 2016/17 is £6.157 m. The forecast position shows a variance of £1.122m underspent.
- 13 of the 16 indicators that had a target against them achieved or exceeded their targets. There were two were not concluded as their monthly/quarterly figures were unavailable
- Of the 8 Performance Indicators that are trend only data,
 - a) Five 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 is a long established indicator which has no target
 - c) Two indicators have not provided there monthly position.

RECOMMENDATIONS FOR EXECUTIVE: That:

(A)	the revenue budget forecast overspend of £89k in 2016/17 be noted (paragraph 2.1);
(B)	the capital budget forecast underspend of £1.122m be noted (paragraph 6.1);

(C)	the reported performance for the period October 2016 to December 2016 be noted; and
(D)	the risk management controls (paragraphs 9.1 to 9.4) be approved.

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 2014 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:

REPORT SECTIONS	
2	Revenue budgets
3	Corporate budgets
4	Reserves
5	Financing
6	Capital budgets
7	Debtors
8	Performance monitoring
9	Risk

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

2 REVENUE BUDGET

- 2.1 The Council is forecast to overspend in 2016/17 by £89k. Table 1 below shows the current forecast outturn position as at 31 December 2016 by Head of Service followed by variance explanations for each 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 use of reserves as at 31 December 2016 is £1,067k. Further information on the use of reserves can be found in section 4 below.
- 2.3 In the report at the end of Quarter Two (September 2016) an overspend of £177k 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 Three.

Table 1: Revenue forecast outturn

	Original Budget 2016/17	Forecast outturn	Variance
	£'000	£'000	£'000
Chief Executive & Directors	466	430	(36)
Communications, Strategy & Policy	1,165	1,177	12
HR & Organisational Development	469	481	12
Strategic Finance & Property	1,445	1,839	394
Housing & Health	2,407	2,558	151
Democratic and Legal	1,102	1,200	98
Planning & Building Control	1,044	1,132	88
Operations	4,490	4,577	87
Shared Revenues & Benefits Service	273	198	(75)
Shared Business & Technology Services	1,298	1,318	20
Total Net Cost of Services	14,159	14,910	751
Corporate Budgets (Section 3)	1,436	1,282	(154)
Contributions to reserves	1,227	829	(398)
Contributions (from) reserves	(2,174)	(2,284)	(110)
TOTAL:	14,648	14,737	89

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. Redundancies and pension strain costs of £317k will be partially funded from this underspend, the balance will be funded from the Transformation Reserve.

2.6 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.

- 2.7 Consultation costs for the Bishop's Stortford town centre planning framework is £95k in 2016/17. This will be funded through use of the priority spend earmarked reserve.
- 2.8 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.
- 2.9 In 2015/16 the Council sublet part of the office space that it uses in Charringtons House. This arrangement came to an end after the 2016/17 budgets were set. This results in a £55k overspend against the budget.

Housing and Health

- 2.10 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.
- 2.11 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.
- 2.12 A government grant was received to support local businesses following flooding damage in 2013/14, the unspent element of this grant was transferred to a reserve in 2014/15. £37k will be spent in 2016/17 to support businesses which will be funded from this reserve.
- 2.13 The forecast outturn figures exclude the Disabled Facilities Grant income for 2016/17 as this is income that is used to fund capital activities. This results in a £244k overspend against the 2016/17 budget.

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 fee 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 in Bishop's Stortford, Hertford and Ware to identify future parking provision requirements. The total cost is estimated to be £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. A growth proposal has been included in the 2017/18 budget to reflect this reduction in income on an ongoing basis.
- 2.20 A change to the disposal of dry recyclable materials resulting in transport cost rather than income being generated is expected to lead to an overspend of £74k in 2016/17.

Shared Revenues & Benefits

- 2.21 An increase in the summons costs recovered will result in £77k additional income in 2016/17. 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

	Original Budget 2016/17	Forecast outturn	Variance
	£'000	£'000	£'000
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	-
Corporate Budgets Total:	1,436	1,282	(154)

3.3 Currently £14k has been committed from the contingency budget in 2016/17; £2k is allocated to fund posts in Environmental Health and £12k is allocated to fund the external lone working solution, a growth proposal for which has been included in the 2017/18 budget on an ongoing basis. 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 following

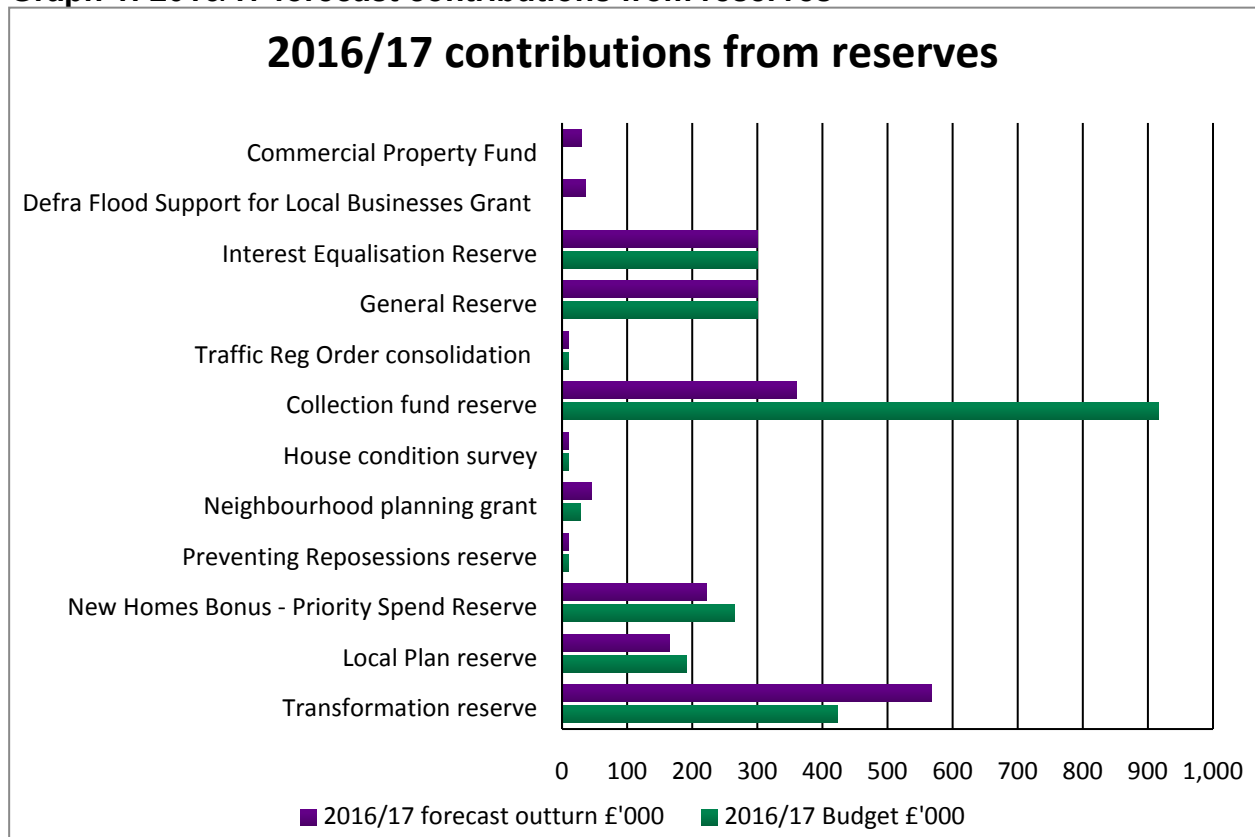
Brexit and continued uncertainty over the Bank of England interest base rate. The £18k favourable forecast outturn position represents additional income from the Councils investment in two property funds, this is slightly below the 2015/16 outturn position.

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 31 December 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 31 December 2016 it is forecast that there will be contribution from reserves of £2.284m in 2016/17 this is £110k 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 £146k above 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
- £149k to fund pension strain costs and redundancies

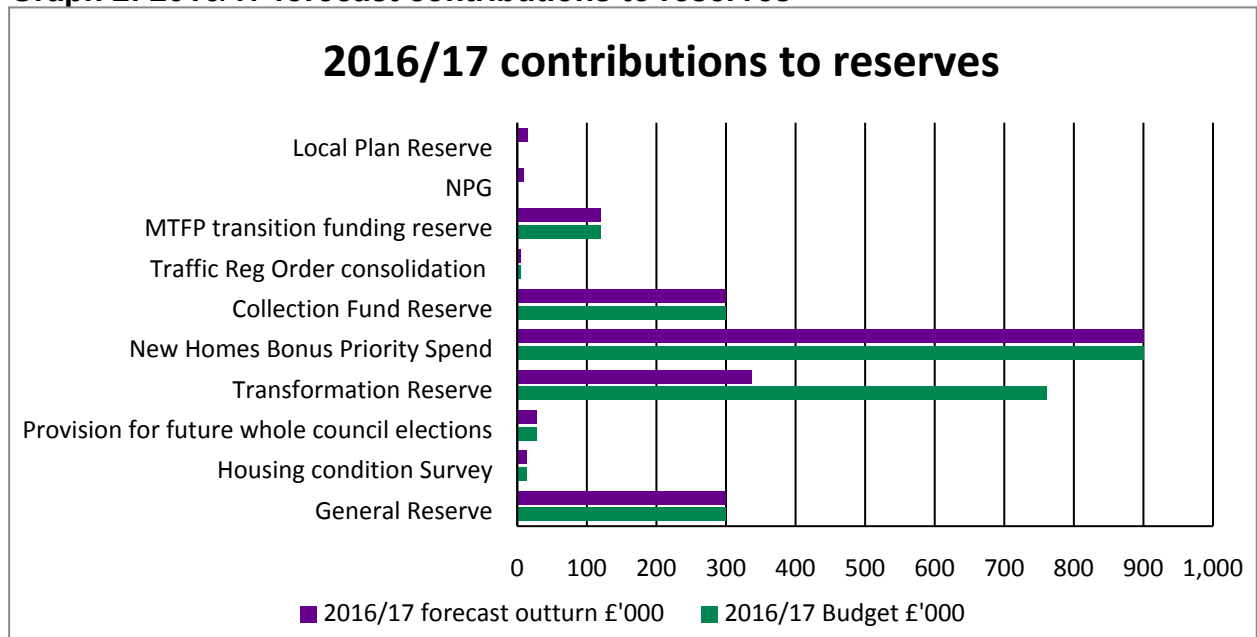
4.5 The New Homes Bonus – Priority spend reserve was established from unspent New Homes Bonus monies and utilised to fund items agreed by Leadership Team and Executive. The use of this reserve is £43k below budget. The main items are:

- £200k reduced use of reserve for Old River Lane Planning costs, £95k of the reserve will be used to fund Bishop's Stortford consultation costs.
- £100k to fund East Herts contribution to Public Health projects, to match funding received from Hertfordshire county Council.
- £10k to fund consultants for setting up a Business Improvement District
- £25k to fund consultants with regards to East Herts Digital Transformation.

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.

4.7 The Collection Fund Reserve was set up to smooth the impact of surplus's and deficits from the Council Tax and Non Domestic Rates Collection Funds on the budget. The anticipated use of this reserve has been reviewed which resulted in a £360k use in 2016/17 rather than the £917k that was budgeted.

Graph 2: 2016/17 forecast contributions to reserves

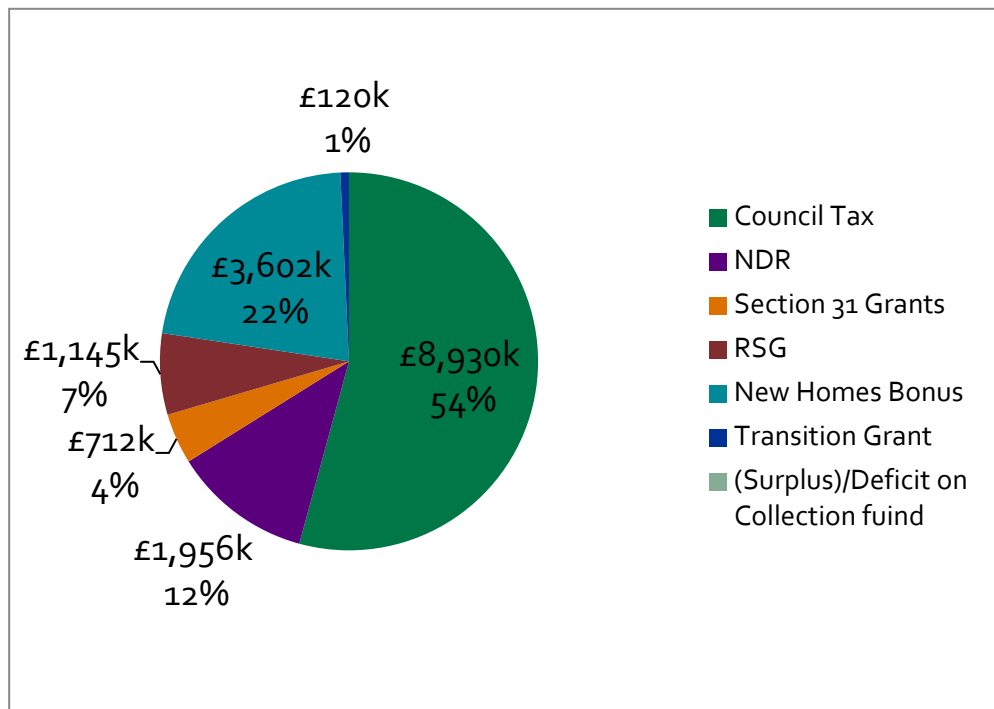


4.8 The forecast outturn contribution to reserves has decreased by £398k to £829k from the 2016 /17 budgeted position. This is due to;

- £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.
- A reduction in the estimated surplus at the end of the year from £761k to £337k

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 31 December 2016 an underspend of £1.122m is reported. Details of the movements against budget that make up this underspend can be found in the following paragraphs.
- 6.2 The 2016/17 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 Original Budget	2016/17 Revised Budget	2016/17 Total to Date	2016/17 Forecast Outturn	Variance between Forecast Outturn & Revised Budget
	£'000	£'000	£'000	£'000	£'000
Strategic Finance & Property	764	929	293	1,207	278
Shared Business & Technology Services	675	1,076	109	971	(105)
Operations	1,030	1,325	340	1,019	(306)
Housing & Health	2,028	2,711	308	1,162	(1,549)
Planning & Building Control	92	68	54	68	-
Communications, Strategy & Policy	20	48	9	41	(7)
Director	-	-	29	567	567
TOTAL	4,609	6,157	1,142	5,035	(1,122)

6.3 A £278k 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.
- £230k 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 £92k 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 £306k 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 and the project will not slip into 2017/18. An 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. Total grant funding of £530k has been received in 2016/17.
- 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).
- The capital budget for future social housing schemes of £821k remains unspent as the first priority in 2016/17 has been to utilise Section 106 funds for affordable housing in the district.

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)
- Bishop's Stortford Town Council – path works on Sworders Field

6.8 A Council contribution of £500k for improvements to Hertford Town Centre (The Wash, Maidenhead Street and Bull Plain) will be funded from unallocated capital funds.

7. DEBTORS

- 7.1 Total Outstanding debt as at 31st December 2016 is £1.252m. This is a 15% decrease from the previous quarter.
- 7.2 The outstanding debt over 120 days old totals £609k. Of this debt, over 90% relates to disputed invoices where negotiations are ongoing to collect the debt owed on a complex lease arrangement for a property ground lease in Bishop's Stortford. 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

- 8.1 Please refer to performance indicator summary analysis in **Essential Reference Paper E** for full performance indicator analysis.
- 8.2 Q3 results show 24 performance indicators that are divided into the three corporate priorities and supporting priorities (corporate health). The performance of these indicators are discussed below:-
- 8.3 **Corporate priority 1: Improve the health and wellbeing of our communities (10 Performance Indicators)**

Performance indicators for this priority are generally being met when targets have been set and are improving in trend only performance indicators. The only exceptions to these are:-

- **EHPI 5.13b % Good Satisfaction (GovMetric) - Telephone.**
There was no data gathered from Gov Metric on satisfaction with phone calls in any of the months within the quarter. How our telephone system informs customers of a satisfaction survey at the end of the phone call needs to be reviewed and there is potential for trying to make it a more customer friendly experience.

- **EHPI 5.13c – Customer Satisfaction (GovMetric) – Website.**
Performance was 'Red' in all three months of this quarter, missing its target of 35% by varying margins. This is a reoccurring trend and with the new website in the process of being developed, it is hoped that the new improved website will help users to navigate and address many of the issues often raised in comments.

8.4 Corporate priority 2: Enhance the quality of people's lives (8 Performance Indicators

Of the 8 performance indicators that are reported in this quarter, six were within or meeting their targets

The remaining indicators gathered (EHPI 191 + EHPI 192) source data from external sources, thus the data was not available at joint scrutiny. These results have now been presented and sit in a positive light in relation to the previous year

8.5 Corporate priority 3: Enable a flourishing local economy (2 Performance Indicators)

Of these two indicators, one achieved above its target whereas the other trend indicator showed a decline month by month but reflects the time of the year

8.6 Corporate priority: Corporate Health (4 Performance Indicators)

Of the 4 performance indicators, two met their target, two missed:-

- **EHPI 5.1 – % of complaints resolved in 14 days or less.**
51.85% of complaints were resolved within 14 days (10 working days). This mirrored the previous quarter results and misses the 70% target.
- **EHPI 5.2a % of complaints about the Council and its services that are upheld: 1st stage**
39% of complaints were upheld, this was above the 30% target for the fourth consecutive quarter. A great deal of these related to waste management where we accept responsibility on our Contractors behalf.

9 STRATEGIC RISKS

- 9.1 The Strategic Risk Register was last considered by The Executive on 6 December 2016.
- 9.2 Controls implemented during the period October to December 2016 have been recorded. Please refer to **Essential Reference Paper F** for more information.
- 9.3 There have been no changes to scoring of any risks.
- 9.4 The Strategic Risk Register was considered by Audit and Governance Committee on 22 March 2017. 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

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

Report author: Isabel Brittain – Head of Strategic Finance and Property, Ext: 2050
isabel.brittain@eastherts.gov.uk

Ben Wood – Head of Communications, Strategy and Policy, Ext: 1699
benjamin.wood@eastherts.gov.uk

Contact Officers:

For financial budget monitoring:

Alison Street – Principal Accountant, Ext: 2056
alison.street@eastherts.gov.uk

For performance monitoring:

Noel Wallis – Insight & Improvement Analyst, Ext: 2146
noel.wallis@eastherts.gov.uk

For strategic risk monitoring:
Graham Mully – Risk Assurance Officer, Ext. 2166
graham.mully@eastherts.gov.uk