

EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY – 26
SEPTEMBER 2017

QUARTERLY CORPORATE HEALTHCHECK – QUARTER 1 JUNE 2017

REPORT BY THE HEAD OF STRATEGIC FINANCE AND PROPERTY
AND HEAD OF COMMUNICATIONS, STRATEGY AND POLICY

WARD (S) AFFECTED: All

Purpose/Summary of Report:

- To provide a report on finance and performance monitoring for East Herts Council for 2017/18 as at 30th June 2017.
- The revenue budget for 2017/18 is £9.335m. The forecast as at 30th June 2017 shows an overspent position of £90k.
- The revised capital budget for 2017/18 is £5.287m. The forecast position shows a variance of £318k underspent.
- There are 37 Performance Indicators reported corporately in total. 17 of the 28 indicators that had a target against them achieved or sat within their targets. Three results were not available. The remaining 8 indicators did not meet targets to varying degrees.
- Of the 9 Performance Indicators that are trend only data:
 - a) Three indicators are in a worse position than the previously reported period
 - b) Two Indicators are brand new for 2017/18, with no comparative data

RECOMMENDATIONS FOR PERFORMANCE, AUDIT & GOVERNANCE SCRUTINY: That	
(A)	The projected revenue budget forecast overspend of £90k in 2017/18 be reviewed (paragraph 2.1)
(B)	To support a transfer of £500k from earmarked reserves to set up a Housing Benefit Subsidy equalisation reserve (paragraphs 2.8.1 and 4.7)
(C)	The capital budget forecast underspend of £318k be reviewed (paragraph 6.1)
(D)	The reported performance for the period April 2017 to June 2017 be noted (paragraph 8)

1.0 BACKGROUND

- 1.1 This is the finance and performance monitoring report for the council.
- 1.2 On 1st March 2017 Council approved a balanced budget for the 2017/18 financial year. This report sets out the financial position for the year to date and provides forecasts for the outturn position.
- 1.3 The Councils revenue budget is made up of 5 areas; these are shown in table 1 below. The report that follows provides details of the forecast outturn position against these areas.

Table 1: 2017/18 revenue budget

	Original Budget 2017/18	Forecast outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	13,945	14,064	119
Corporate Budgets Total	2,230	2,080	(150)
Net Use of Reserves	(647)	(647)	-
Funding	(6,192)	(6,071)	121
Council Tax	(9,335)	(9,335)	-

Overspend

-

-

90

- 1.4 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	Net Cost of Services
3	Corporate budgets
4	Reserves
5	Financing
6	Capital budgets
7	Debtors
8	Performance analysis

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

2.0 NET COST OF SERVICES

- 2.1 The Councils net cost of services budget for 2017/18 is £13.945m
An over spend of £119k is forecast in 2017/18. Table 2 below shows the current forecast outturn position as at 30th June 2017 by Head of Service.

Table 2: Revenue forecast outturn

		Original Budget 2017/18	Forecast outturn	Variance
		£'000	£'000	£'000
Net Cost of Services	Chief Executive & Directors	490	503	13
	Communications, Strategy & Policy	980	974	(6)
	HR & Organisational Development	516	509	(7)
	Strategic Finance & Property	1,042	1,055	13
	Housing & Health	2,478	2,361	(117)
	Democratic and Legal	1,206	1,341	135
	Planning & Building Control	857	898	41
	Operations	4,671	4,736	65
	Shared Revenues & Benefits Service	1,323	1,296	(27)
	Housing Benefit Subsidy	(866)	(866)	-
	Shared Business & Technology Services	1,273	1,283	10
	Capital Salaries	(26)	(26)	-
	Total Net Cost of Services	3,945	14,064	119

2.2 A £680k budgeted use of reserves has been included within the 2017/18 Original Budget figure above. Further information on the use of reserves can be found in section 4 below.

2.3 There are a number of budgets where there is risk of overspend or underachievement of income. Officers will be closely monitoring these throughout the year. Details are shown below:

- Dry recyclables income; resale prices for materials have fallen significantly and for some materials there is now a gate fee for processing. Contaminated loads also lead to a reduced income

for the Council. Officers are seeking to mitigate the impact of this by sending leaflets to households and using pickers to sort the recyclables. The Council holds a reserve to offset a reduction in income due to reducing material prices.

- Planning application income; this is dependent on planning applications received. Currently this is slightly under achieving, officers will continue to monitor.
- Charringtons House; there are a number of vacant units, officers are working with Lambert Smith Hampton (Managing agents) to secure tenants, however if these are not let there would be an under achievement of rental income.

2.4 Housing and Health

2.4.1 An underspend of £26k is reported against the Community Wellbeing and Partnerships Transportation due to the lower forecasted costs of the Bus Subsidy.

2.4.2 A forecasted underspend of £83k is likely within Environmental Health because of staff vacancies and the ongoing difficulty in recruiting.

2.5 Democratic and Legal

2.5.1 Due to the statutory requirements of the Electoral Register, the workload and costs have increased leading to a forecasted overspend of £65k. The electorate has also increased due to a better response to last year's canvas.

2.5.2 There are increased salary costs of £42k in Democratic and Legal Services due to additional staffing costs.

2.6 Planning

2.6.1 The planning service area has been through a restructure process, seeking to ensure that it is focussed on the development pressures that will come forward following the adoption of the District Plan. Whilst recruitment is taking place to new posts in the service, interim staffing is being utilised to deal with some current workloads which is leading to the current predicted overspend of £41k.

2.7 Operations

2.7.1 At the end of June, Penalty Charge Notice revenue and car park revenue was £35k and £14k above budget respectively. Although

there is an element of volatility to both income streams, officers can see no reason why this performance should not be sustained throughout the year.

- 2.7.2 Inflation on the waste and street cleansing contract will be £75k higher than budgeted, this is due to rising fuel prices.

2.8 Housing Benefits subsidy

- 2.8.1 The varying levels of Housing Benefit overpayment debt and the impact on subsidy received from the DWP is anticipated to result in an overspend for 2017/18 of £142k. Officers recommend that a Housing Benefits Equalisation Reserve is created to manage fluctuations in housing benefit subsidy, the figures in table 2 above reflect the use of reserves to fund the overspend in 2017/18.

2.9 Shared Business and Technology Services

- 2.9.1 An overspend of £10k is reported against the shared service. This is due to increased costs in respect of cyber security and additional licences.

3.0 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 3 below shows the forecast outturn position against the corporate budgets. The only movement from budget is in Contingency, it is assumed that this will be used to reduce the total overspend in 2017/18.

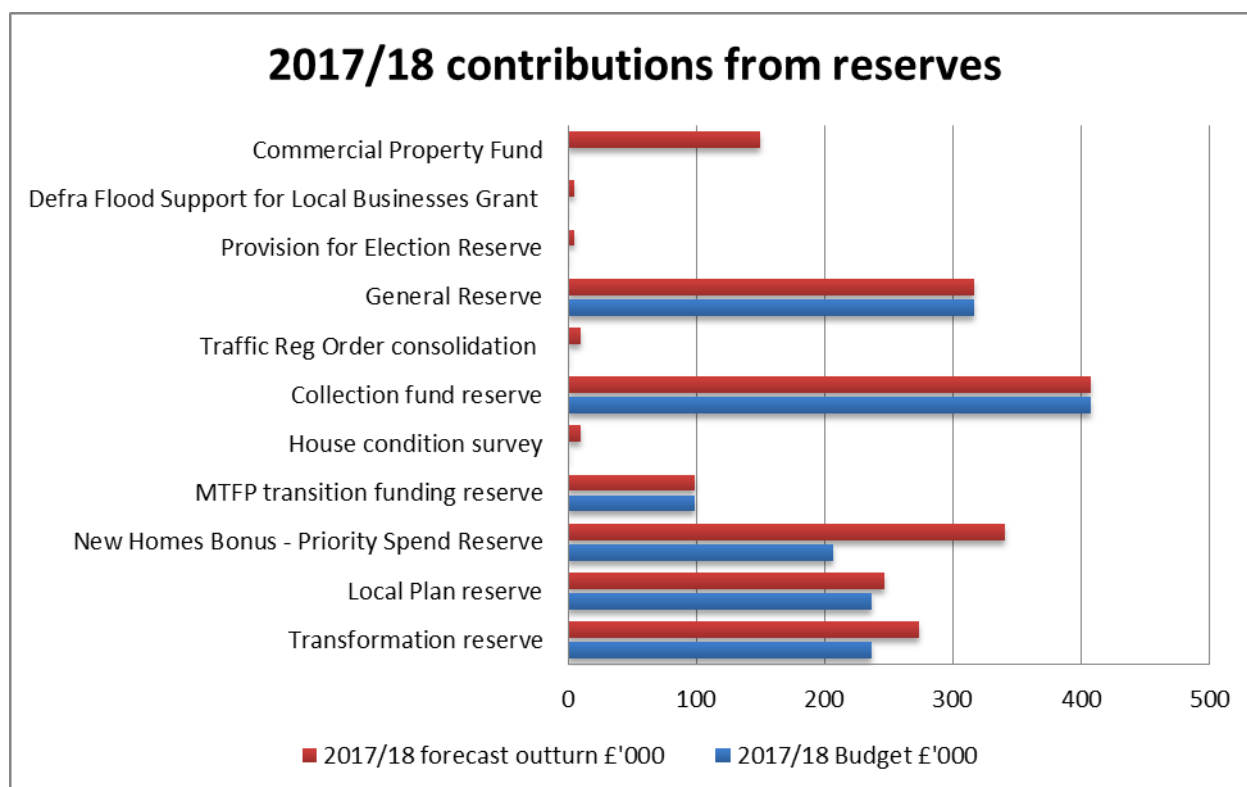
Table 3: Corporate budgets 2017/18 forecast outturn

	Original Budget 2017/18	Forecast outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Council	890	890	0
NHB Priority Spend	890	890	0
Contingency Budget	150	0	(150)
Interest Payments	662	662	0
Interest & Investment Income	(1,804)	(1,804)	0
RCCO	26	26	0
Pension Fund Deficit contribution	696	696	0
Corporate Budget Total	2,230	2,080	(150)

4.0 RESERVES

- 4.1 The Council holds earmarked reserves to fund unpredictable financial pressures and to smooth the effect of known spending over time. Graph 1 and 2 below reflect the forecast outturn position as at 30th June 2017.
- 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: 2017/18 forecast contributions from reserves



4.3 As at 30th June 2017 it is forecast that there will be a total contribution from reserves of £2.007m in 2017/18 this is £502k higher than approved as part of the 2017/18 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 £38k above the 2017/18 budget, these items were approved in 2016/17 after the 2017/18 budget was approved at full Council. This is made up of:

- £75k funding for costs relating to Leisure Development Consultancy consultants for the procurement of a new financial system, approved in 2016/17
- £18k to fund the agency costs for the HR systems temporary role
- (£58k) reduction in the use of reserve to fund planning staff cost due to a higher estimate during the budget process.

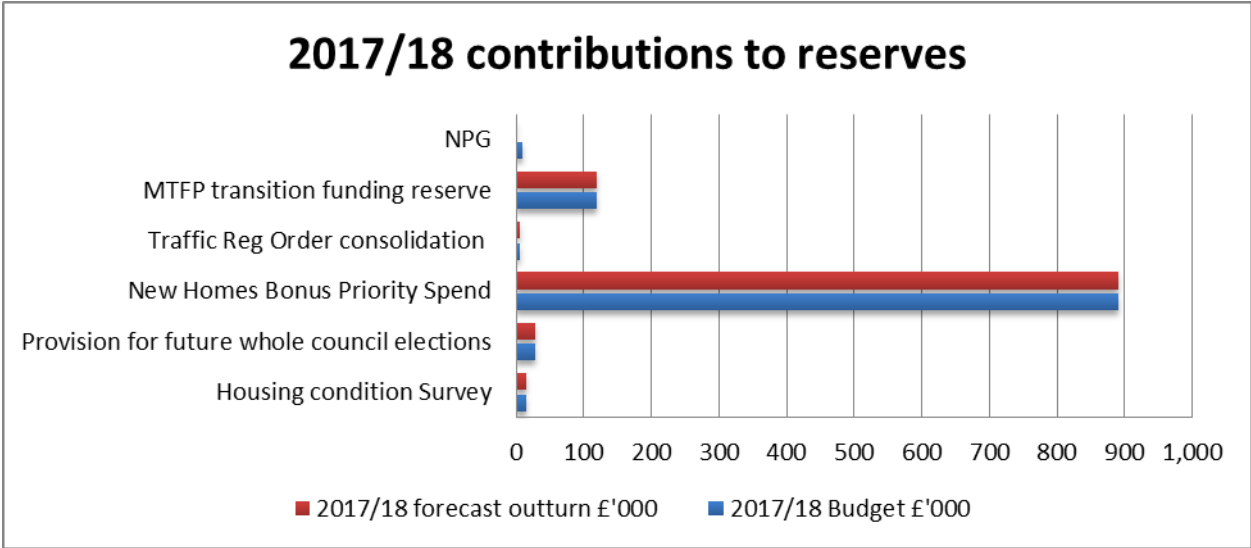
4.5 The New Homes Bonus – Priority spend reserve was established from unspent New Homes Bonus monies and utilised to fund items agreed by Leadership Team and Executive. The use of this reserve is £134k above budget, these items were approved after the 2017/18 budget was approved at full Council. The main items are:

- £40k to fund East Herts contribution to Public Health projects, to match funding received from Hertfordshire county Council.
- £25k for the implementation of the new financial system
- £14k to fund consultants with regards to East Herts Digital Transformation.
- £47k to fund CMS consultants reading development of the Business Improvement District.

4.6 The Commercial Property Fund reserve is used to support the development of investment opportunities in commercial property. £149k of revenue expenditure will be funded from this reserve in 2017/18.

4.7 It is recommended that £500k is transferred from within the Councils earmarked reserves to set up a Housing Benefits equalisation reserve and that £142k of this is used to offset the forecast variance in Housing Benefits subsidy received in 2017/18 (as per paragraph 2.8.1).

Graph 2: 2017/18 forecast contributions to reserves



4.8 The forecast outturn total contribution to reserves has decreased by £10k to £1.057m from the 2017 /18 budgeted position, this is due to the budgeted Neighbourhood Planning Grant being utilised in 2017/18 and not transferred to reserves.

5.0 **FUNDING**

5.1 These income budgets are general and non-service specific income sources. The table below shows the value and source of these funding streams as at 30th June 2017.

Table 4: 2017/18 funding

	Original Budget 2017/18	Forecast Funding 2017/18	Variance
Council Tax	(9,335)	(9,335)	-
NDR	(2,048)	(1,592)	456
Section 31 Grants	(522)	(903)	(381)
Deficit on collection fund	408	454	46
RSG	(351)	(351)	-
New Homes Bonus	(3,559)	(3,559)	-
Transition Grant	(120)	(120)	-
Total Funding	15,527	(15,406)	121

5.2 The variance against the original budget shown above, in relation to Non Domestic Rates, is due to timing differences between the setting of the Council's budget and the statutory return to central government which forms the basis of the Councils income for 2017/18. The original budget is set before Christmas while the NNDR1 (statutory return) is submitted at the end of January. This year's budget setting was impacted by the business rates revaluation and the subsequent provisions and adjustments required in respect of business rate appeals. The Council holds a large provision in respect of outstanding business rate appeals, this is an issue nationally due to numbers of appeals outstanding and delays with the Valuation Office in settling these appeals.

5.3 Section 31 grants are those given direct from central government. The movement in the grants in the table above are to offset the

impact on local government of reliefs that government has granted to business rate payers.

6.0 **CAPITAL PROGRAMME**

6.1 The revised 2017/18 budget has increased from £3.388m to £5.287m. This is an increase of £1.899m which relates to the carry forward of unspent grant funding in 2016/17. As at 30th June 2017 an underspend of £318k is reported. Details of the movements against budget that make up this underspend can be found in the following paragraphs

6.2 The 2017/18 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

	2017/18 Original Budget	2017/18 Revised Budget	2017/18 Total to Date	2017/18 Forecast Outturn	Variance between Forecast Outturn & Revised Budget
	£'000	£'000	£'000	£'000	£'000
Strategic Finance & Property	315	1223	165	1,223	-
Shared Business & Technology Services	540	1,198	164	1,198	-
Operations	659	826	42	842	16
Housing & Health	1,819	2,073	84	1,138	(935)
Planning & Building Control	55	528	176	528	-
Communications, Strategy & Policy	-	40	9	40	-
Total	3,388	5,888	640	4,969	(919)

6.3 An underspend of £935k is reported against the capital schemes under Housing and Health. These include;

- The capital budget for future social housing schemes of £821k remains forecasted to be unspent. As with 2016/17 the first priority is to utilise Section 106 funds for affordable housing in the district.

- There are outstanding Community Capital grant commitments from 2015/16 and 2016/17 - 6 organisations have yet to complete and claim their grant (due to circumstances beyond their control), this totals £34k. It must be noted that this budget is always dependant on successful applicants being able to complete their project within the 1 year time frame.

7.0 DEBTORS

- 7.1 Total Outstanding debt as at 30th June 2017 is £1.7m. This is a 1.5% decrease from the previous quarter.
- 7.2 The outstanding debt over 120 days old totals £695k. 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

8.0 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 Q1 results show 37 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 (9 Performance Indicators)**

There are 8 Performance indicators within this priority that have a target set with the remaining being a trend only indicator (of which did show an increased negative movement on the last quarter). Targets within this priority are generally being met with the exception of the following

- **QEHPI 140 Number of over 50s participating in 'Forever**

Active' programme.

This Indicator is reported by the calendar year thus already has Q2 results which have been reported to Sports England in July. The annual target has been set for 854 and for the half year period (end of June 2017) results suggest this target will be met, however, the latest results show a marginal missing of the set target for the quarter. The original target set of 216 is the same at each quarter and does not account for this period of the year typically being a time of the year for holidays and hot weather. Future targets for 2018/19 will be able to draw on this data however this is the first year the PI has been reported quarterly so there was little data to go on in setting targets.

8.4 Corporate priority 2: Enhance the quality of people's lives (12 Performance Indicators

There are 10 performance indicators within this priority that have a target set with the remaining two being trend only indicators, of which latest monthly results are as yet unavailable. Within the target set indicators, one is missing data and over half are missing their set targets, detailed in the following;-

- **EHPI 2.2 – Waste: missed collections per 100,000 collections of household**
The number has increased in the last month, leading to the Waste Manager writing to the Contractor for an explanation on these unacceptable and unsustainable results.
- **QEHPI 155 Number of affordable homes delivered (gross)**
The number of affordable homes delivered in this quarter marginally failed targets set but this was anticipated as most of the affordable homes committed to, will be delivered in the Summer / Autumn 2017
- **MEHPI 157b % Processing of planning applications dealt with in timely manner- Minor applications & MEHPI 157c % Processing of planning applications dealt with in timely manner- Other applications.**
Both of these planning indicators marginally failed to achieve their targets by 6 and 8% respectively in the last reporting period. The service area is currently experiencing resourcing difficulties. Actions are being taken to resolve this and associated performance.

- **MEHPI 205 % of site visits undertaken in relation to urgent cases within 2 workings days of 'start date'.**
For the last two months, the target has marginally failed its 100% target, achieving 96% in both months but this again is not expected to be a long term trend.

8.5 **Corporate priority 3: Enable a flourishing local economy (4 Performance Indicators)**

- 8.5.1 There are four performance indicators within this priority with two having a target set and the remaining two being trend only indicators which are showing marginal downward trends.
- 8.5.2 Within the target indicators, one was not available and this indicator may be edited or amended in the next few weeks to achieve more useful or relevant information.

8.6 **Corporate priority: Corporate Health (12 Performance Indicators)**

There are 12 performance indicators within this priority with eight having a target set and the remaining four being trend only indicators, all of which are showing positive trends

Of the eight performance indicators with set targets, one indicator was not available and two failed their targets:

- **% of FOI cases closed in month that was closed within 20 working days or less.** This indicator has failed to hit its targets in two of the three months however remediation work has commenced such as sending requests to group email addresses which is anticipated to ensure greater coverage and attention on cases close to time limits.
- **EHPI 5.1 – % of complaints resolved in 14 days or less.** 68% of complaints were resolved within 14 days (10 working days) meaning the target was marginally missed by 2%. This indicator is being closely monitored given four failed targets (two of which significantly) across the last five quarters.

9.0 **IMPLICATIONS/CONSULTATIONS**

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

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