

EAST HERTS COUNCIL

THE EXECUTIVE – 16 OCTOBER 2017

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE & SUPPORT SERVICES

GENERAL FUND REVENUE, CAPITAL AND PERFORMANCE OUTTURN 2016/17

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise Members on the General Fund Revenue Outturn for 2016/17 and provide explanations for significant variances against the approved Budget.
- To advise Members of the financing arrangements for the 2016/17 Capital Outturn and the updated 2017/18 capital budget allowing for the approved slippage from 2016/17.
- To advise Members of the annual position against the Councils key performance indicators.

RECOMMENDATIONS FOR EXECUTIVE: that:

(A)	the General Fund revenue outturn of £166k overspend funded from the General Reserve, be agreed ;
(B)	the Capital budgets of £1,899k re-profiled from the 2016/17 capital programme to 2017/18 programme to fund ongoing capital schemes, be agreed;
(C)	the Capital Programme for 2017/18 to 2020/21 as set out in paragraph 4.5 be agreed;
(D)	the Annual Performance results be noted.

1 Background

- 1.1 The 2016/17 Budget was approved by Executive on 7 February 2016. The Net Expenditure Budget approved was £15.548m with a contribution from reserves of £46k and corporate budgets of £1.4m and a net cost of services budget of £14.159m. This was funded by £8.9m of Council Tax, £1.96m Non Domestic Rates and £4.7m of Government grants.
- 1.2 In year budget monitoring and management actions have sought to deliver the spending plans approved by Council. Members have been kept updated throughout the year through the Healthcheck reports where significant variances have been reported.
- 1.3 This report contains the following sections and Essential Reference Papers:

REPORT SECTIONS	
2	General Fund Revenue Outturn
3	Reserves
4	Funding
5	Capital Outturn
6	Performance
7	2016/17 Annual Statement of Accounts
8	Implications

ESSENTIAL REFERENCE PAPERS	
B	General Fund Revenue Outturn
C	Capital Outturn
D	Performance

2 General Fund Revenue Outturn

- 2.1 The final outturn for the year, detailed in this report, is still subject to external audit. The final audited accounts will be presented to the Performance, Audit and Governance Committee in September.
- 2.2 An overspend of £166k is reported against the 2016/17 revenue budget. This is summarised in table 1 and **Essential Reference Paper B**.

Table 1: Summarised 2016/17 Outturn Position

	2016/17 budget	2016/17 Outturn	Variance to budget
	£m	£m	£m
Net Cost of Services	14.16	14.71	0.55
Use of Reserves	(0.05)	(1.26)	(1.21)
Corporate budget	2.35	3.31	0.96
Funding	(7.54)	(7.67)	(0.14)
Council Tax	(8.93)	(8.93)	-
Overspend			0.16

2.3 It is recommended that the 2016/17 overspend of £166k is funded from the Councils general reserve.

NET COST OF SERVICES

2.4 An overspend against the 2016/17 net cost of services budget of £552k is reported, as shown by service in Table 2 below with explanations for significant variances in the following paragraphs.

Table 2: Net Cost of Services Outturn

	2016/17 Original budget	2016/17 Outturn	Variance
	£'000	£'000	£'000
Chief Executive & Directors	466	427	(39)
Communications, Strategy & Policy	1,165	1,129	(36)
HR & Organisational Development	469	492	23
Strategic Finance & Property	1,268	1,486	218
Housing & Health	2,407	2,322	(85)
Democratic and Legal	1,102	1,208	106
Planning & Building Control	1,044	1,230	186
Operations	4,490	4,058	(432)
Shared Revenues & Benefits Service	273	420	147
Shared Business & Technology Services	1,298	1,537	239
Redundancies & Pension Strain costs	177	402	225
Total Net Cost of Services	14,159	14,711	552

Redundancies & Pension Strain Costs

- 2.5 Following the senior management restructure the salary budget has been aligned with the new structure resulting in £177k of salary budget not required for senior management costs. Redundancies and pension strain costs of £402k will be partially funded from this budget and the balance (£225k) will be funded from the Transformation Reserve.

Strategic Finance and Property

- 2.5.1 Planning and Consultancy service costs for the Bishops Stortford town centre planning framework were £142k in 2016/17. This has been funded through the priority spend earmarked reserve.
- 2.5.2 In 2015/16 the Council let 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 resulted in a £55k overspend against the budget.

Democratic and Legal Services

- 2.5.3 Income from land charges is £33k below the 2016/17 budget due to less activity in the housing market during the year.
- 2.5.4 There are increased salary costs of £70k in Democratic and Legal Services due to additional staffing costs.

Planning and Building Control

- 2.5.5 Along with 6 other Hertfordshire authorities East Herts set up Hertfordshire Building Control, a company to carry out building control functions. A payment of £204k was made to the company in 2016/17 which represents work that had been paid for but not yet carried out.

Operations

- 2.5.6 Pay and display income from car parks is 6% above the 2016/17 budget, resulting in an additional £172k 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.
- 2.5.7 An additional £43k of income has been generated by Hertford Theatre, £30k from pantomime ticket sales and £17k from sales through the café.

2.5.8 Income from recycling was £214k above the 2016/17 budget, there are a number of contributing factors including;

- Increase of £2.54 in the price per tonne received in recycling credits from Hertfordshire County Council
- the tonnage of co-mingled recyclables collect was above the estimate for the year.
- a higher price achieved on the sale of aluminium cans from February 2017 following a new contract.

Revenues and Benefits Service

2.5.9 An increase in the summons costs recovered has resulted in £51k 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.

2.5.10 The housing benefit budget shows an overspend against budget of £280k. This is a result of the complex subsidy calculated allowances versus the actual benefits paid. This variance represents 0.1% of the £35m in housing benefits that the Council paid in 2016/17. Officers have put improved monitoring processes in place to highlight any similar issues at an earlier stage during 2017/18.

Shared Business and Technology Services

2.5.11 There is a £239k overspend against the Business and Technology Service shared budget in 2016/17. This variance has arisen for increased software and contractual costs across both authorities.

Corporate Budgets

2.6 Corporate budgets were overspent by £960k in 2016/17, table 3 below shows the items that are included in this area of the net expenditure budget.

Table 3: Corporate budgets outturn

	2016/17 Original budget	2016/17 Outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Councils	901	903	2
Contingency Budget	150	150	-
Interest Payments	662	677	15
Interest & Investment income	(902)	(1,203)	(301)
RCCO	25	166	141
Pension Fund Deficit contribution	600	600	-
Deficit on Collection fund	917	2,020	1,103
Total Corporate Budgets	2,353	3,313	960

- 2.7 The 2016/17 budgeted investment and interest income figure was £902k. Due to improved rates on direct property investments the 2016/17 outturn figure for investment income is £1.2m. The £300k difference will not impact on Revenue budgets as this has been transferred to the Interest Equalisation Reserve.
- 2.8 There was a greater Revenue Contribution to Capital Outlay (RCCO) than budgeted, the outturn figure includes £57k of capital salary costs and £109k of reserves used to fund capital expenditure, such as £76k towards demolition of the Causeway Building in Bishop's Stortford.
- 2.9 The deficit on collection fund figure is £1.253m higher than in the original budget. This relates to the Councils share of income from both the Council Tax and Non Domestic Rates (NDR) collection funds. There is a small surplus (£101K) that relates to Council Tax. The balance (£2.3m) relates to NDR, this deficit has come about due to the uncertainty around business rate appeals. Appeals are an area of risk for Local Authorities and this pressure for 2016/17 has been offset by provisions allocated from previous year's contributions.

3 Reserves

- 3.1 The Council is generally well placed with regard to establishing appropriate Earmarked Reserves and Balances.
- 3.2 The Executive meeting on 7 February 2016 reviewed the Councils earmarked reserves in support of the MTFP.

3.3 A significant risk is posed by potential budget reductions and changes in the allocation of funding to Local Government. There is significant uncertainty with respect to the future New Homes Bonus allocations and Non Domestic Rates income. The DCLG have already consulted on proposed changes to the New Homes Bonus, the results of which are still to be published. A number of working groups have been set up by the DCLG and LGA to discuss future changes to Non Domestic Rates.

3.4 The following table show the appropriations during the year:

Table 4: Reserve movements

	2016/17 Original budget	2016/17 Outturn	Variance
	£'000	£'000	£'000
Contributions to Earmarked reserves	2,128	1,383	(745)
Contributions from Earmarked reserves	(2,175)	(2,637)	(462)
Net use of reserves	(47)	(1,254)	(1,207)

3.5 When setting the 2016/17 budget it was assumed that there would be a contribution of c£700k to earmarked reserves. Given that the final outturn position is an overspend of £166k this will instead be a contribution funded from the Councils earmarked reserves.

3.6 Contributions from earmarked reserves to fund revenue activities were greater than the budget set in February 2016 by £462k. As detailed in the preceding paragraphs this increase includes funding for;

- Payment to Hertfordshire Building Control company of income received for work not completed ahead of the transfer date.
- The shortfall in housing benefit subsidy received from central government.

4 Funding

4.1 In 2016/17 the Council received £139k funding above the budgeted amount, details are shown in the following table.

Table 5:2016/17 funding

	2016/17 Original budget	2016/17 Outturn	Variance
	£'000	£'000	£'000
RSG	(1,145)	(1,145)	-
NDR	(1,956)	(2,116)	(160)
Section 31 Grants	(712)	(646)	66
Other General Grants	(120)	(159)	(39)
New Homes Bonus	(3,602)	(3,608)	(6)
Total Funding	(7,535)	(7,674)	(139)

4.2 There is increasing pressure on Local Government to find alternative sources of funding for the services delivered. With the loss of Revenue Support Grant (RSG), proposed move to 100% business rate retention and consultations around New Homes Bonus, officers are working in consultation with members to look at alternative funding streams.

4.3 The major contributor to funding above budget in 2016/17 is £160k Non Domestic Rating (NDR) income this is due to timing differences between when the Council sets its budget and statutory returns submitted to Central Government which determine the funding for the year.

5 Capital Outturn

5.1 The progress of the capital programme for 2016/17 has been reported to the Executive throughout the year as part of the Healthcheck process.

5.2 Capital expenditure in 2016/17 is £2.8m as detailed in the table below:

Table 6: Capital Outturn Summary

	2016/17 Original budget £'000	2016/17 Revised budget £'000	2016/17 Outturn £'000	(Under)/ Over Spend £'000	Carry forward to future years £'000
Business & Technology Shared Service	675	1,076	415	(661)	658
Communications, Strategy & Policy	20	48	9	(40)	40
Housing & Health	2,028	2,711	846	(1,865)	312
Operations	1,029	1,325	880	(445)	110
Planning & Building Control	92	568	201	(473)	473
Strategic Finance & Property	764	928	396	(532)	308
Other	-	-	67	67	-
Total:	4,608	6,656	2,813	(3,949)	1,899

5.3 It is requested that £1,899k of budgets re-profiled from 2016/17 to the 2017/18 capital programme be approved. This relates to schemes that have either been re-timetabled to take place during 2017/18 or for schemes which were started during 2016/17 but not complete as at 31st March 2017. Further details can be found in **Essential Reference Paper C**

5.4 The 2016/17 capital programme has been financed from the following sources:

Table 7: Capital Financing

	£'000
Capital Receipts	1,876
Government Grants	316
Third Party Contributions	455
Revenue Contribution	166
TOTAL:	2,813

5.5 The future capital programme is detailed in the table below:

Table 8: Capital Programme 2017/18 to 2020/21

	2017/18 Revised budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Business & Technology Shared Service	1,198	555	467	400
Communications, Strategy & Policy	40	-	-	-
Housing & Health	2,149	1,184	934	-
Operations	749	325	145	-
Planning & Building Control	528	55	55	-
Strategic Finance & Property	622	530	260	250
Total:	5,286	2,649	1,861	650

6 Performance

6.1 The Council monitors performance on a monthly basis throughout the year. The following paragraphs include details of the Council's annual performance by Corporate priority, further information can be found in **Essential Reference Paper D** in addition to accessing the results online. Links and passwords can be found in MIB.

6.2 Priority One - Improve the health and wellbeing of our communities

Communications, Strategy and Policy (CSP)

6.2.1 CSP successfully launched the new East Herts Website and expanded avenues for engagement setting up Instagram (for tourism and event/service promotion) and LinkedIn accounts (business engagement and recruitment)

6.2.2 QEHPI 5.12 Number of Twitter Followers (**Communications, Strategy & Policy**) - The number of users continues to rise as we become more digital and reach out to more and more users. The Council has recently also started to promote other digital channels

such as Instagram and LinkedIn which will be monitored corporately for 2016/17. QEHPI 5.12b Number of Facebook followers (Facebook likes) also increased 20% this year.

- 6.2.3 MEHPI 5.13a % Good Satisfaction (GovMetric) - Face to Face - Across the year, 2,419 customers gave a good score, representing 84% and over our 80% target. This is an improvement on last year's figures. A further 6% or 159 people gave a medium score with the remaining 10% or 286 people giving a poor score.
- 6.2.4 **QEHPI 5.13c (Communications, Strategy & Policy) – Customer Satisfaction (GovMetric) – Website Quarterly and Annual FAILING** – Satisfaction with the council website was red for the majority of the year averaging 32% against a target of 35%. The council were aware of issues with the website and launched the new website in May. This saw 9% increase on the annual average value in satisfaction to 41% making the indicator green for that month.
- 6.2.5 **QEHPI 5.13b (Communications, Strategy & Policy) – Customer Satisfaction (GovMetric) – Phone Quarterly and annual no feedback given.** Performance was absent in the majority of months throughout the year this is due to a lack of feedback from customers. The measure is being reviewed going forward in light of the lack of feedback.
- 6.2.6 **AEHPI 5.10 Percentage of key Services that are available via a digital channel**-Based on the SOCTIM survey of key services delivered by the Council, currently around 48% or 54 of 114 services are in a digital channel.
- 6.2.7 **AEHPI 5.11 Percentage of broadband accessibility in the district**- The District currently has around 65% or 44,708 properties, with broadband as supplied by Connected Counties with planned rollouts over the next 3 years to an estimated 93% of our District.

Health and Housing

- 6.2.8 **QEHPI 150 Number of prevented homeless applications**- The council prevented 291 households becoming homeless this year a 27% improvement on last year.
- 6.2.9 **QEHPI 151 Number of homeless households living in temporary accommodation at the end of the quarter**- 2016/17 saw 14 households in temporary accommodation down from 19 the previous year.

6.2.10 **HEHPI 140 Number of over 50s participating in 'Forever Active' programme-** 1,186 new sign ups, 28% more than initially targeted.

6.2.11 **MEHPI 132 Percentage of full applications for Disabled Facilities Grant approved within 7 weeks –** 100% against a target of 95%, there is no previous year to compare year on year to.

6.3.12 **HEHPI 141 East Herts residents & East Herts Council employees registered with Team Herts Volunteering scheme-** Across the year, there was a total of 245 people who signed up to The Herts Volunteering which surpassed our initial 200 annual target.

Revenues & Benefits

6.2.13 **MEHPI 181 Time taken to process Housing Benefit new claims and change events-** averaging 7.05 days this is a further reduction of 2.68 days from last year (9.73 days) against a target of 10 days.

Operations

6.2.14 Operations again saw 2 Green Flags awarded this year, however given the constraints on resources and time we are unlikely to bid for any further green flags awards.

6.3 Priority Two – Enhance the quality of people's lives

Operations

6.3.1 **QEHPI 2.4 Fly-tips: removal** - Time taken to remove fly tipping has reduced to 1.62 days 6.24 hours faster than the previous year and below the 2 day target. Despite an increase in use with 1,114 in 2016/17 fly tips removed compared to 1,003 in 2015/16.

6.3.2 **EHPI 191 (Operations) Cumulative Annual Residual household waste per household-** With more material capture via the kerbside service than the previous year and street sweepings being recycled, household waste has gone down compared to last year (468.66kgs per household) this means we are well within the target of 435kg.

6.3.3 **MEHPI 192 Percentage of household waste sent for reuse, recycling and composting-** Reused, recycled or composted 50.5% of our waste a new high point. This translates to 1,612.80 metric tonnes of waste no longer going to landfill, incinerators etc.

- 6.3.4 **MEHPI 2.2 Waste: missed collections per 100,000 collections of household-** slightly over the 30% target at 31.04% this is an increase from 22.47% last year.
- 6.3.5 **AEHPI 195a (Operations) % Improved Street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter.** The target was missed by 1%. Figures have always been quite stable at 3% marginally sitting above our 2% target.
- 6.3.6 **AEHPI 195b (Operations) Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus.** The target was missed by 3% and the last 3 years results do show a general trend in missing annual targets.

Planning

- 6.3.7 **MEHPI 157a (Percentage) Processing of planning applications dealt with in timely manner - Major applications-** at 87% this is an improvement on 78% last year and well above target.
- 6.3.8 **MEHPI 157b (Percentage) Processing of planning applications dealt with in timely manner- Minor applications-** at 93% this is an improvement on 89% last year and above target.
- 6.3.9 **MEHPI 157c (Percentage) Processing of planning applications dealt with in timely manner- Other applications-** at 93% this is only a 1% improvement on the previous year's 92%; it is also the smallest over target of anytime of planning application handling time (just 3%).
- 6.3.10 **MEHPI 205 Percentage of site visits undertaken in relation to urgent cases within 2 workings days of 'start date'**- On target (100%), this is the first year that this has been measured.

Health & Housing

- 6.3.11 **AEHPI64 Number of private sector vacant dwellings that are returned into occupation or demolished-** 2016/2017 Outturn 2017 - Target achieved. 20 private sector dwellings brought back into occupation; eight of which had been empty for 2 – 10 years with a further two being empty for over 10 years. This is an improvement on last year's outturn of 11 dwellings.
- 6.4 Priority Three – Enable a flourishing local economy

Governance and Risk Management

- 6.4.1 **MEHPI 8 Percentage of invoices paid on time-** at 98.6% this is an improvement on last year's 98.23% and brings performance above the 98.5% target..

Communications, Strategy & Policy

- 6.4.2 The Eastern Plateau Rural Development Programme allocated £145,903 to six projects in East Herts, projected to create 10.5 FTE jobs in rural areas.
- 6.4.3 The council has contracted with Central Management Consultants to work in Bishop's Stortford to deliver a Business Improvement District (BID) programme. 94 businesses have been consulted so far. This is a business led endeavour; businesses are first asked whether they want a BID in their area.
- 6.5.4 Face to face and live chat conversations undertaken with WENTA and 112 clients used the 'My Incubator' base.
- 6.5 Corporate Priority – Supporting Corporate Health

Communications, Strategy & Policy

- 6.5.1 **QEHPI 5.1 Percentage of complaints resolved in 14 days (10 working days) or less-** at 61.86% against a target of 70% this has consistently failed at every quarter this year despite an improvement in the last quarter. Figures are therefore much lower than previous year's 77.63%.
- 6.5.2 Planning typically has the lowest % of complaints dealt with within agreed time scales but it should be considered alongside producing a District Plan, more planning applications and complaints being of a more specialised nature than other Service Areas.
- 6.5.3 Remediation action in the last quarter has included setting up a weekly email notification which is presented to Leadership Team in order for Heads of Service to be kept aware and to help progress complaints, which has improved performance.
- 6.5.4 **QEHPI (All) 5.2a Percentage of complaints about the Council and its services that are upheld: 1st Stage-**below target (30%) and falling back on last year's 24.6% this year saw 36.59%

complaints upheld. In every quarter, we failed to meet our 30% or less deadline though there was a slight improvement during Q4.

- 6.5.5 A great deal of these stage one complaints relate to missed bin collection as we do not directly manage this there is a limit as to what can be done quickly to address this.
- 6.5.6 **QEHPI 5.2b Percentage of complaints about the Council and its services that are upheld: 2nd stage – appeal-** We failed to hit our target by less than 2% with 26.67% complaints upheld at the second stage.
- 6.5.7 As the above indicators make clear, complaints are a problem, while it may be the case that a service outside our direct control (waste collection) is a major contributor and while there have been improvements recently, ultimately the issues present are the responsibility of the council. These measures will be monitored closely in 2017/18 to see what improvements can be made. SIAS are also auditing our complaints process to identify weaknesses and recommend ways to improve our responses.

Revenues & Benefits

- 6.5.8 **MEHPI 10.4 NNDR (Business rates) collection, % of current year liability collected-**equal with the previous year at 97.8% this was above target in 2016/17.
- 6.5.9 **MEHPI 10.2 Council tax collection, % of current year liability collected-** 98.4% of liability was collected, though equal with last year's figure this is below the target of 98.6%.

7 2016/17 Annual Statement of Accounts

- 7.1 Regulations require the Council's Annual Statement of Accounts to be approved by Members after the annual audit has taken place. Approval and publication must take place by 30 September following the relevant accounting year. The Council's Constitution delegates the scrutiny and approval of the accounts to the Performance Audit and Governance Committee. The Accounts are required however to be signed by the Council's Section 151 Officer by 30 June following the relevant accounting year.
- 7.2 In order to adopt best practice the Accounts will be submitted to the Performance, Audit and Governance Committee for consideration in order to give the Committee an early opportunity of viewing the

(unaudited) accounts. Members should also note that in the wider interest of transparency and public accountability the unaudited accounts will also be available on the Council's website.

- 7.3 The audited accounts will be submitted for approval at the meeting of the Audit Committee on 26 September 2017.

8 Implications/Conclusion

- 8.1 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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