

EAST HERTS COUNCIL

EXECUTIVE – 24 APRIL 2018

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT  
SERVICES

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QUARTERLY CORPORATE HEALTHCHECK – QUARTER 3 DECEMBER 2017

WARD (S) AFFECTED: All

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**Purpose/Summary of Report:**

- To provide a report on finance and performance monitoring for East Herts Council for 2017/18 as at 31<sup>st</sup> December 2017.
- The net revenue budget for 2017/18 is £9.335m as set out in table 1, this is funded by Council Tax. The forecast expenditure at 31<sup>st</sup> December 2017 predicts a year end overspend of £58k.
- The revised capital budget for 2017/18 is £5.275m. The forecast position shows a variance of £2.166m underspend.
- There are 34 Performance Indicators reported corporately in total at Q3. Within the 25 indicators that have a target set against them, six have failed to meet their targets by varying degrees. Two results are a month in arrears due to sourcing from an external body.
- Of the 9 Performance Indicators that are trend only data;-
  - a) Five have improved compared to the previous reporting period
  - b) One was in a worse position than the previous reporting period
  - c) Three are either the same as the previous reporting period or a cumulative indicator across the year.

<b><u>RECOMMENDATIONS FOR EXECUTIVE:</u> That:</b>	
<b>(A)</b>	<b>the projected revenue budget forecast overspend of £58k in 2017/18 be noted (paragraph 2.1);</b>
<b>(B)</b>	<b>the capital budget forecast underspend of £2.166m be noted (paragraph 6.1);</b>
<b>(C)</b>	<b>the reported performance and actions for the period October 2017 to December 2017 be noted (paragraph 8); and</b>
<b>(D)</b>	<b>the Executive be advised of any additional strategic risks or action that could be taken to mitigate existing risk.</b>

## 1.0 BACKGROUND

- 1.1 This is the finance and performance monitoring report for East Herts Council.
- 1.2 On 1<sup>st</sup> 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 Council's 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**

	<b>Original Budget 2017/18</b>	<b>Forecast outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total Net Cost of Services	13,945	14,031	86
Corporate Budgets Total	2,230	2,130	(100)
Net Use of Reserves	(647)	(697)	(50)
Funding	(6,193)	(6,071)	122
<b>Net Revenue Spend</b>	<b>9,335</b>	<b>9,393</b>	<b>58</b>
Funded by Council Tax	(9,335)	(9,335)	-
<b>Overspend</b>	<b>-</b>	<b>58</b>	<b>58</b>

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	Funding
6	Capital budgets
7	Debtors
8	Performance analysis
9	Risk
10	Implications/consultations

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

## 2 NET COST OF SERVICES

- 2.1 The Councils net cost of services budget for 2017/18 is £13.945m. An over spend of £86k is forecast in 2017/18. Table 2 below shows this current forecast outturn position broken down by service area.

**Table 2: Revenue forecast outturn**

		<b>Original Budget 2017/18</b>	<b>Forecast outturn</b>	<b>Variance</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>	Chief Executive & Directors	490	494	4
	Communications, Strategy & Policy	1,000	983	(17)
	HR & Organisational Development	505	520	15
	Strategic Finance & Property	1,402	1,604	202
	Housing & Health	2,470	2,359	(111)
	Democratic and Legal	1,206	1,307	101
	Planning & Building Control	855	900	45
	Operations	4,312	4,119	(193)
	Shared Revenues & Benefits Service	1,694	1,671	(23)
	Revenues & benefits retained costs	(371)	(418)	(47)
	Housing Benefit Subsidy	(866)	(866)	-
	Shared Business & Technology Services	1,274	1,384	110
	Capital Salaries	(26)	(26)	-
	<b>Total Net Cost of Services</b>	<b>13,945</b>	<b>14,031</b>	<b>86</b>

## **2.2 Strategic Finance and Property**

2.2.1 As reported previously, the current predicted overspend of £202k in Strategic Finance and Property relates to the depressed rental income of Charringtons House and the fixed costs from units that are currently vacant. Officers are currently exploring alternative shorter term accommodation options to attract potential tenants.

## **2.3 Housing and Health**

2.3.1 There is a forecast underspend of £111k across Housing and Health. This is the result of £108k staffing underspends arising from proactive vacancy management and vacancies during recruitment, the costs of which are to some extent offset by agency costs and a delay in the start of a community transport scheme resulting in an underspend of £18k. These efficiencies have been offset by additional costs for site investigations at Pole Hole of £15k.

## **2.4 Democratic and Legal**

2.4.1 As reported previously, following revisions in work practices to comply with the statutory requirements of the Electoral Register current projections are estimated as a forecast overspend of £48k in Democratic Services. These additional costs have been built into the base budget for 18/19.

2.4.2 There are increased salary costs of £47k in Democratic and Legal Services due to additional staffing costs. These costs are one off and will not recur in 18/19.

## **2.5 Planning**

2.5.1 The planning service is predicted to be overspent by £45k. £14k of this relates to additional resources used to tackle workloads for planning enforcement. Discharge of conditions income budget has been predicted to achieve £20k less, however this is partially offset

by Planning Performance Agreement (PPA) income, which is predicted to over achieve. £11k relates to some vacancies being filled with agency staff on a temporary basis to enable immediate response to workloads in the DM service.

## **2.6 Operations**

2.6.1 Additional income collection of £107k is predicted due to increased use of pay and display car parks at Hertford and Ware.

2.6.2 The volume of Penalty Charge Notices has increased for on street parking. An additional £67k income is predicted.

2.6.3 Hertford Theatre is forecasting additional income of £40k, £25k relates to an increase in ticket sales and £15k in increased sales at the theatre café.

2.6.4 A £13k reduction in income is predicted relating to a decrease in orders for clinical waste collections.

## **2.7 Shared Business and Technology Services**

2.7.1 An overspend of £110k is reported against the BATS shared service. This relates to increased costs in respect of cyber security and additional software licences.

## **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 Council's 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.

**Table 3: Corporate budgets 2017/18 forecast outturn**

	<b>Original Budget 2017/18</b>	<b>Forecast outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	(1,084)	(1,034)	50
RCCO	26	26	0
Pension Fund Deficit contribution	696	696	0
<b>Corporate Budget Total</b>	<b>2,230</b>	<b>2,130</b>	<b>(100)</b>

3.3 Interest and investment income is predicted to be £50k less than budgeted due to poor interest rates. However this underspend will be offset by using the interest equalisation reserve.

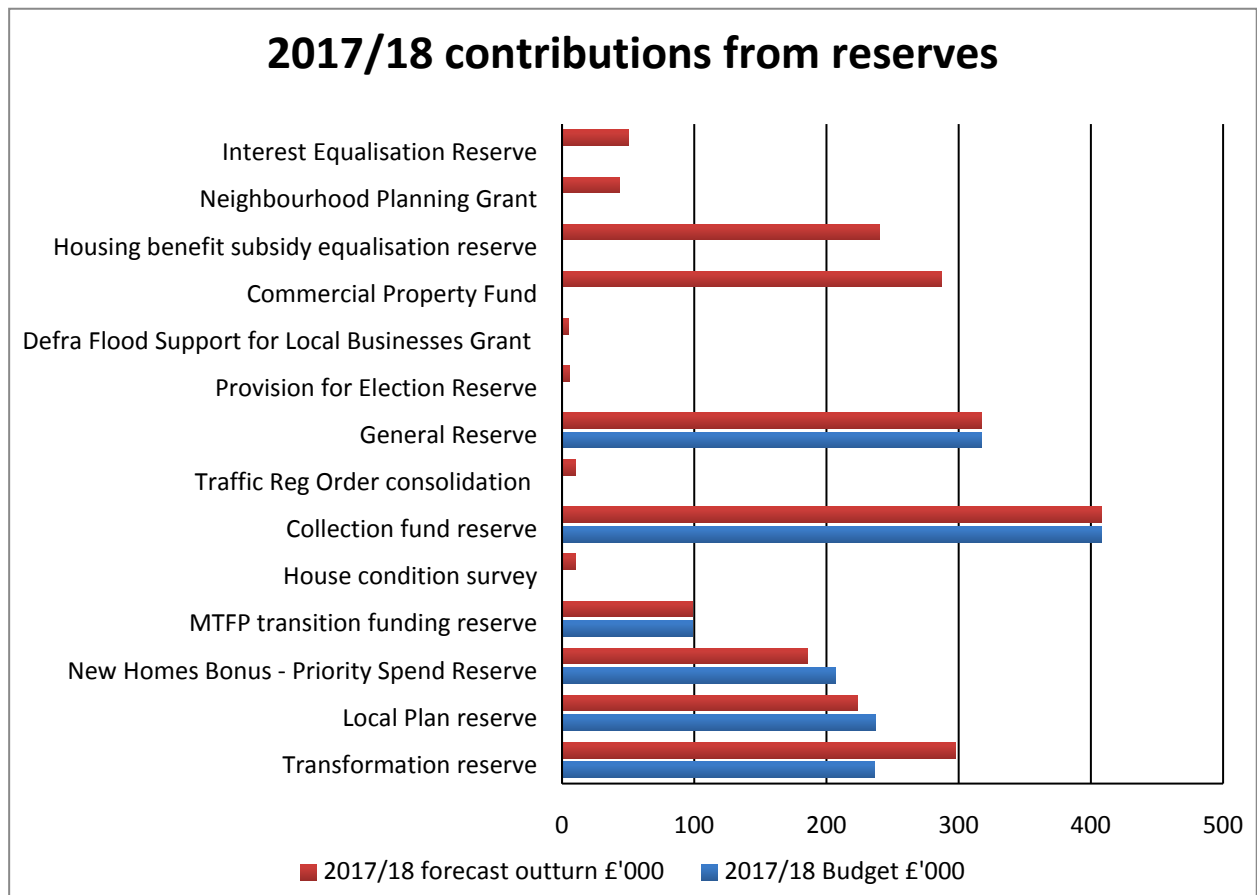
#### 4 RESERVES

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 31<sup>st</sup> December 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 31<sup>st</sup> December 2017 it is forecast that there will be a total contribution from reserves of £2.180m in 2017/18 this is £676k 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 £61k above the 2017/18 budget, these items were agreed after the 2017/18 budget was approved at full Council. This includes:

- £10k to fund the procurement review costs
- £10k to fund additional staff costs in Community Wellbeing section
- £22k to fund the agency costs for the HR systems temporary role

- £19k to fund the employee rewards and benefits scheme 'My Rewards' provided by HR

4.5 The New Homes Bonus – Priority spend reserve was established from unspent New Homes Bonus monies and is utilised to fund items agreed by Leadership Team and Executive. The use of this reserve is £22k below budget, these items were approved after the 2017/18 budget was approved at full Council. The main items are:

- (£103k) reduction in the use of reserve to fund East Herts contribution to Public Health projects. This is to be utilised in 2018/19.
- (£20k) reduction in the use of reserve to fund the 'My Incubator' project as it does not provide good value for money. Officers are reviewing other providers.
- £25k for the implementation of the new financial system
- £22k to fund East Herts Digital Transformation projects.
- £49k to fund the development of the Business Improvement District project.

4.6 The Commercial Property Fund reserve is used to support the development of investment opportunities in commercial property. The costs funded from the reserve in 2017/18 are:

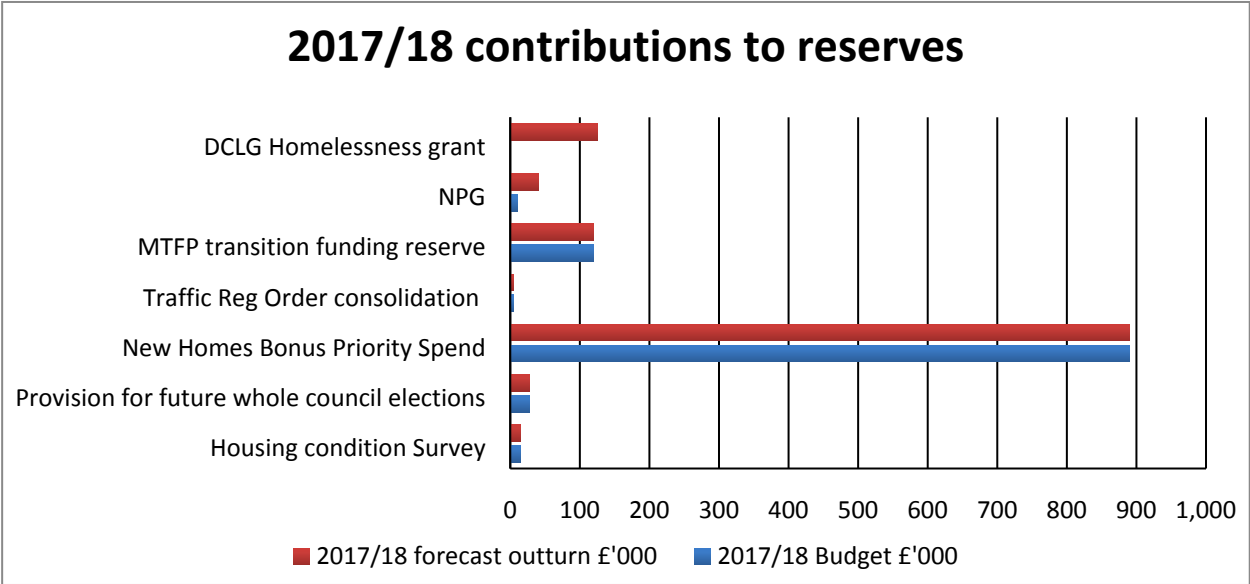
- Development of a housing company
- Cost associated with Old River Lane development including a project manager.

As reported previously, £287k of revenue expenditure for the above items will be funded from this reserve in 2017/18. These items were approved after the 2017/18 budget was approved at full Council in March 2017.

4.7 £240k will be used from the Housing Benefits equalisation reserve to offset the forecast variance in Housing Benefits subsidy received in 2017/18.

4.8 As per paragraph 3.3 above, £50k of the interest equalisation reserve will be used to fund the anticipated shortfall on interest and investment income.

**Graph 2: 2017/18 forecast contributions to reserves**



4.9 The forecast outturn total contribution to reserves has increased by £40k to £1.097m from the 2017/18 budgeted position. This is due to the Neighbourhood Planning Grant received from central government not being utilised in 2017/18 and transferred to reserves, to be used in future years.

**5 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 31<sup>st</sup> December 2017.

**Table 4: 2017/18 funding**

	<b>Original Budget 2017/18</b>	<b>Forecast Funding 2017/18</b>	<b>Variance</b>
Council Tax	(9,335)	(9,335)	-
NDR & S31	(2,571)	(2,495)	76
Deficit on collection fund	408	454	46
RSG	(351)	(351)	-
New Homes Bonus	(3,559)	(3,559)	-
Transition Grant	(120)	(120)	-
<b>Total Funding</b>	<b>(15,528)</b>	<b>(15,406)</b>	<b>122</b>

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. Section 31 grants are used to offset the impact on local government of reliefs that have been granted to business rate payers.

## 6 CAPITAL PROGRAMME

6.1 The total 2017/18 capital budget is £5.275m this includes a carry-

forward of £1.899m underspend from 2016/17. As at 31<sup>st</sup> December 2017 there is a £2.166m underspend. 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 5 below. **Essential Reference Paper C** sets out the detailed forecast on each scheme.

**Table 5: Capital forecast outturn**

	<b>2017/18 Original Budget</b>	<b>2017/18 Revised Budget</b>	<b>2017/18 Total to Date</b>	<b>2017/18 Forecast Outturn</b>	<b>Variance between Forecast Outturn &amp; Revised Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Strategic Finance & Property	315	602	674	813	211
Shared Business & Technology Services	540	1,185	534	858	(327)
Operations	329	393	95	389	(4)
Housing & Health	828	1,082	363	539	(543)
Planning & Building Control	55	528	66	172	(356)
Communications, Strategy & Policy	0	23	0	11	(12)
	<b>2,067</b>	<b>3,813</b>	<b>1,732</b>	<b>2,782</b>	<b>(1,031)</b>
Pending Items	1,321	1,462	28	327	(1,135)
<b>Total</b>	<b>3,388</b>	<b>5,275</b>	<b>1,760</b>	<b>3,109</b>	<b>(2,166)</b>

6.3 An £211k overspend is predicted against the capital schemes that sit under the Head of Strategic Finance and Property. This includes;

- An estimated £650k for demolition of 1 The Causeway building. Work commenced on 3<sup>rd</sup> April 2017 following planning permission. This will be funded from the unused Capital Receipts Reserve.
- Underspend of £247k against the rolling programme for planned maintenance of operational buildings
- Underspend of £154k against the refurbishment for Charringtons House capital scheme. Planned works will be funded from dilapidation income however, should the work prove to be more extensive then additional funding maybe drawn from this budget.
- Underspend of £25k for refurbishment works to be carried out at Grange Paddocks pool. This is due to reprogramming of maintenance works by the leisure management company. Scheme to slip into 2018/19
- Underspend of £10k due to refurbishing pool pumps instead of replacing at Fanshawe swimming pool

6.4 An underspend of £327k is reported against the capital schemes under the Shared Business & Technology services. £300k relates to the IT hardware replacement scheme which is currently being reviewed in line with the IT disaster recovery plans. The outcome will determine the next phase of spending however the majority of spend is likely to slip into early 2018/19.

6.5 An underspend of £543k is reported against the capital schemes under Housing and Health. This includes:

- £395k underspend of government grant for Disabled Facilities Grant (DFG). This government grant doubled in 2017/18. In part to accommodate expenditure of this uplifted amount, in October the council delegated its grant giving function to the new Hertfordshire Home

Improvement Agency. These unspent grant monies will carry forward for expenditure by the Agency on the council's behalf in 2018/19.

- £45k discretionary DFG underspend. This is linked to the above and is likely to be spent in 2018/19.
- An underspend of £90k capital Community Grants. This is likely to be spent in 2018/19

6.6 As reported previously an underspend of £356k is reported against the capital schemes under the Planning service. There is a delay in the procurement phase for this project to make improvements to The Wash, Maidenhead Street & Bull Plain in Hertford. This funding will be carried forward into 2018/19.

6.7 There are a number of capital projects approved but are pending due to time constraints. The total revised budget for pending items are £1.462m which is predicted to be £1.135m underspent. The main areas of underspend are listed below;

- The capital budget for Castle Weir Micro Hydro Scheme is forecast to be largely unspent (£189k). Due to the level of work required for this scheme to take place (flood modelling analysis, staff training, software investment) and the time constraints, it will not be possible to complete this scheme in this financial year. Majority of spend to slip into 2018/19
- Energy grants are forecast to be underspent by £58k due to difficulty utilising the budget before end of this financial year
- £821k capital resources for future social housing schemes remains unspent due to no current commitments for new affordable housing.
- £42k allocated for the Market Improvement Scheme remains unspent due to a delay in the project. This funding will be carried forward into 2018/19

## 7. DEBTORS

- 7.1 Total Outstanding debt as at 31st December 2017 is £1.27m. This is a 12% decrease from the previous quarter.
- 7.2 The outstanding debt over 120 days old totals £702k. Of this debt, and as reported previously, 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 **Essential Reference Paper E** for the full performance indicator analysis. Our latest results can be found on the online browser which has been rebranded from Covalent to Pentana Performance. Members have been issued with a password to access these results, which can be found in the MIB.
- 8.2 Q3 analysis shows 34 performance indicators. These indicators demonstrate the performance against our three corporate priorities, and supporting all three priorities.
- 8.3 **Corporate Priority 1: Improve the Health and Wellbeing of our Communities (9 performance indicators)**

There are eight performance indicators against this priority that have a target set. All targets within this priority, apart from one,



were met this quarter.

- **MEHPI 5.13c - % of Good satisfaction (GovMetric) – Website**

A decision was made in November to increase the target against this indicator from 35% to 50% and this reflected the launch of the new website and a dramatic improvement in scores. For the month of December, this target was marginally missed, achieving 46%. Several poor scores were associated with a broken online form which was promptly addressed. Feedback from comments given are constantly reviewed to ensure improvement where possible

The one performance indicator remaining is a trend indicator (***EHPI 151 - Number of homeless households living in temporary accommodation at the end of the quarter***) which is showing a positive movement from the last quarter.

#### 8.4 **Corporate priority 2: Enhance the quality of people's lives (12 performance indicators)**

There are eight performance indicators against this priority that have a target set. Within the target set indicators, two failed to meet target;

- **QEHPI 155 - Number of affordable homes delivered (gross)**

The Q3 target was marginally under target due to slippages on hand-overs but there are an estimated 77 further properties due for hand over in the fourth quarter. The estimated total number of affordable homes for 17/18 is 137 which exceeds the annual target initially proposed

- **QEHPI 64 - Number of private sector vacant dwellings that are returned into occupation or demolished (Cumulative over year)**

The Council's approach to empty homes is currently under review and thus, there has been no further homes returned from Q2 figures

There were also some amendments to collection methods:

- **QEHPI 149d – % of Affordable homes delivered on section 106 developments in Villages**

The target associated with this indicator was removed going forward to make it trend only indicator. This was because a 25% target was set across the year, so unless every housing scheme was 25% affordable, the indicator would fail by default. The 25% target is also not set by Housing and Health. It is governed at the Planning Policy stage so cannot be changed once agreed.

The indicator will now read '**QEHPI 149d% of Affordable homes delivered on section 106 developments in villages against an annual 25% cumulative Planning Policy target**'. Currently, there have been 0 homes delivered so the Q3 figure is N/A

Within the three remaining trend only indicators;

- One remained the same value as Q2
- One, **MEHPI 191 Residual household waste (Kg) per household**, is a cumulative figure across the year that shows a year on year negative movement against unusually high 2016/17 figures. Having said this, the gap between year on year figures has closed from 15kg (Q2) to 10kg.
- The other linked indicator, **QEHPI 192 % of household waste sent for reuse, recycling and composting**, shows a negative year on year and monthly movements.

## 8.5 **Corporate priority 3: Enable a flourishing local economy (1 performance indicator)**

There is only one indicator in this priority and this comfortably met its quarterly target.

## 8.6 **Corporate priority: Supporting all priorities (12 Performance Indicators)**

There are 12 performance indicators against this priority, with eight having a target set. Of the eight performance indicators with set targets, four marginally failed their targets:

- **QEHPI 5.1 – % of complaints resolved in 14 days or less**

As per previous quarter, 64% of complaints were resolved within 14 days (10 working days) meaning the target was missed by 6%. The majority of the overdue complaints sat within the same service and this will be monitored closely.

- **MEHPI 12C - Total number of sickness absence days per FTE staff in post**

The total number of sickness absence exceeded target in November and December. This is largely down to a number of long term sickness cases which HR is working closely with Managers on

- **QEHPI 5.2a % of complaints about the Council and its services that are upheld: 1st stage**

The quarterly target was exceeded, achieving 43% against a target of 30%. Of the 10 complaints that were upheld, 6 of those were only partially upheld, i.e. the Council accepted elements of responsibility but did not uphold the complaint as a whole.

- **QEHPI 5.15 % of FOI cases closed in month that were closed within 20 working days or less**

The number of FOI cases closed within 20 working days failed marginally during December, achieving 83% against a 90% target,

after achieving figures well above target in the two previous months

Although this target was missed, the information requested on certain FOI cases was actually completed by the service within time frames set, however the information was not correctly relayed back to the requestor. This was a clerical error and this has now been addressed going forward. Had the information been relayed, December's values would have been 91.7%.

The remaining four being trend only indicators. The trend indicators are all showing positive trends.

## 9 RISK

- 9.1 At the meeting on 21 November 2017 it was agreed that strategic risks should be reported on an exception basis.
- 9.2 No new strategic risks were identified in quarter three. One score changed. The residual risk likelihood score for SR7 'Production of a District Plan meeting community and regulatory needs' has reduced from 2 to 1.
- 9.3 One risk has become obsolete. There is no appetite in Hertfordshire for devolution, and since devolution deals require the county and majority of districts to sign up, there is no prospect of the council being part of a devolution deal. SR14 has therefore been closed since there is realistically nothing that can be changed or mitigated. Should other councils' positions change we can bring the risk back into the register, but for the time being we have effectively missed the opportunity. The risk will not feature on future registers.

## 10 IMPLICATIONS/CONSULTATIONS

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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