

REPORT TO: CABINET

DATE: 11 SEPTEMBER 2014

TITLE: QUARTER ONE JOINT FINANCE AND PERFORMANCE REPORT 2014/15

PORTFOLIO HOLDER: COUNCILLOR JON CLEMPNER
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This is not a Key Decision

This decision is not subject to Call-in procedures for the following reasons:

The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2014.

This decision will affect no ward specifically.

RECOMMENDED that:

- A** Cabinet acknowledges the projected outturn position set out in sections three and four of Appendix A to this report for the first quarter (April – June) of 2014/15 as follows:
 - (i) A favourable variation on controllable budgets of £144,000, representing 0.21 per cent of the gross General Fund Budget.
 - (ii) A total projected overspend of £35,000 representing 0.05 per cent of the gross General Fund Budget.
 - (iii) The Council performed on target or above target for 42 out of 50 (84 per cent) of performance indicators.
- B** The contribution to the Discretionary Services Fund, as set out in paragraph 9 of the report, be recommended to Council.

REASON FOR DECISION

- A** To ensure that Cabinet reviews performance against the Council's approved General Fund Budget and Corporate Plan for 2014/15.
- B** To ensure Council approval is obtained to enable the windfall income received as special dividends to be allocated to the Discretionary Services Fund.

BACKGROUND

1. This report sets out the Council's corporate priorities and financial and performance position as at the end of the June 2014. The report is the first in the formal reporting process for the 2014/15 financial year.

SUMMARY OF QUARTER ONE FINANCIAL PERFORMANCE - 2014/15

2. A review of the first quarter of 2014/15 indicates that, in total, the controllable General Fund Budget is projected to be under-spent by £144,000 or -0.21 per cent when compared to the approved gross General Fund Budget. Section three of the Appendix to this report summarises major budget variations. This variance is extremely small given the economic circumstances within which the Council continues to operate.
3. Taking in to consideration the budgets which are not directly under service area control and the impact of the forecast Business Rates Retention Scheme shortfall, the overall position at the end of June 2014 is that the General Fund is expected to overspend by £35,000 or 0.05 per cent when compared to the approved gross General Fund Budget.
4. Careful management of budgets continues to be exercised across all services in order to guard against expenditure pressures and to offset income reductions. It is currently expected that this minor overspend will be managed across the Council's overall budget during the remainder of the financial year.
5. Appendix A to this report details the major variations across all service areas and for non-controllable budgets. A significant factor contributing to the forecast overspend is the major non-controllable variation relating to the Government's Business Rates Retention Scheme. The economic conditions and other business related factors impacting on the occupation of business units in Harlow has seen the forecast income from business rates fall below the government-set baseline forcing Harlow into the "safety net". This means that the first 7.5 per cent of the shortfall will be borne by the Council. The situation will be closely monitored in the coming months and should the position change, the forecasts for future financial reports will be amended accordingly.

OTHER FINANCIAL ISSUES

6. Officers have held detailed discussions with Kier Harlow Ltd relating to retained profits held within the business, future profit levels on Council related business undertaken by the JVCo and external third party work.
7. The outcome of the negotiations has been very favourable for the Council as a JVCo shareholder and has resulted in a one-off dividend payment to the Council of £1.6million. After allowing for accrued dividend payments due to the Council this has resulted in a net windfall of £1.5million which has been received in July 2014.
8. Although the dividend payment has been received after the end of Quarter One, the sum involved is significant and is therefore included as part of this report rather than delaying formal reporting until the Quarter Two Joint Finance and Performance Report due to be presented to Cabinet at its meeting on 11 December 2014.
9. As a result of this windfall having been received, and in order to make decisions as early as possible regarding its use, Cabinet is asked to agree to recommend to Council that the net windfall of £1.5million is contributed in full to the Discretionary Services Fund (DSF). This additional contribution to the Fund will help support the delivery of important discretionary services to the residents of Harlow, supporting existing services within the DSF until at least 2018/19 and giving a significant extension to the funding to enable alternative service delivery models to be fully explored.

SUMMARY OF QUARTER ONE OPERATIONAL PERFORMANCE – 2014/15

10. Section four of the Appendix details information about the Council's operational performance. The Council performed on target or above target for 42 out of 50 (84 per cent) of performance indicators. Ninety-six per cent of all Corporate Plan milestones were successfully completed or on track for completion by June 2014.

Details of all of the Council's performance indicators can be found on the Council's website, www.harlow.gov.uk/performance/

11. Despite an extraordinarily challenging financial environment, the Council made performance improvements in several key areas linked to its corporate priorities during the first quarter of 2014/15 including:

Overall employment rate: 76.1 per cent of Harlow's working age population are in employment which means Harlow's employment rate has returned to a five-year high.

Street & Environmental Cleanliness: a concerted effort by Kier Harlow Ltd

to improve the cleanliness of the town means that levels of unacceptable litter have consistently stayed at the national average or better during the past nine months.

Satisfaction with street cleaning: satisfaction levels with the Kier Harlow Ltd street scene service have increased to 88 per cent.

Working days / shifts lost to sickness and absence: overall levels of sickness and absence have fallen by seven per cent compared to the same period last year, and short term sickness is forecast to fall by 17 per cent compared to 2013/14.

Emergency Housing Repairs: 100 per cent of all emergency housing repairs were dealt with within two hours of reporting during Quarter One.

Tree Works: improvement action plans have helped to improve performance from 61 per cent to 93 per cent for tree works carried out within 80 working days.

12. Six out of 50 (13 per cent) of performance indicators did not perform as well as expected. Each has a detailed Improvement Action Plan which explains why the performance was not as good as expected. Areas of reduced performance include:

Street cleaning (x2): despite continued improvements levels for litter and overall performance, performance standards were not met for levels of detritus and graffiti.

Homelessness: there has been an increase in the number of rough sleepers in Harlow; action plans are in place to provide support to those people.

Processing new claims and change events (x2): staffing issues and increased demand has meant that the Council has been unable to meet its targets for processing new claims and change events.

Contact Harlow: the Council's dropped call rate reached 33 per cent which is due to the high volume of calls being received by Contact Harlow.

SIGNIFICANT RISKS / OPPORTUNITIES

13. The Council is operating in a period of major change driven by both the world-wide economic condition and the legislative changes being introduced by the Government. Some of the key changes that will or are already impacting on the Council include -
 - i. The risk associated with the Government's localisation of Council Tax support and business rates.
 - ii. Long term austerity measures which continue to be placed upon Council funding by the Government leading to the need for the Council to make significant annual savings.

- iii. Ongoing low staff turnover rates which put at risk the achievement of the vacancy savings targets allocated to each service within the Council's budget.
- 14. Section six of the Appendix details information about four exceptional risks (rated 20 or higher – high likelihood, high impact) recorded in the Council's Risk Register as of June 2014* these are:
 - i. The Government's fiscal policy in respect of deficit reduction reducing public sector funding, combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk.
 - ii. Uncertainties regarding the Growth Area Fund (GAF) II neighbourhood regeneration programme may put at risk the completion of projects across all four sites.
 - iii. A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination.
 - iv. If priority allocation and funding by the Highways Agency and Government is not achieved then the timely delivery of M11 Junction 7a will be put at risk.

* These risks relate to 30 June 2014 and may have changed between that period of time and the meeting of Cabinet.

IMPLICATIONS

Regeneration (includes Sustainability)

Any specific implications are set out in the report.

Author: **Graeme Bloomer, Head of Regeneration**

Finance (Includes ICT)

Any specific implications are set out in the report.

Author: **Simon Freeman, Head of Finance**

Housing

Any specific implications are set out in the report.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

Any specific implications are set out in the report.

Author: **Graham Branchett, Chief Operating Officer**

Governance (includes HR)

Any specific implications are set out in the report.

Author: **Brian Keane, Interim Head of Governance**

Background Papers

None

Glossary of terms/abbreviations used

DSF - Discretionary Services Fund

MRP - Minimum Revenue Provision

MTFS – Medium Term Financial Plan

NHB - New Homes Bonus