

REPORT TO: CABINET

DATE: 11 DECEMBER 2014

TITLE: QUARTER TWO JOINT FINANCE & PERFORMANCE REPORT 2014/15

PORTFOLIO HOLDER: JON CLEMPNER (LEADER)

LEAD OFFICER: CORPORATE MANAGEMENT TEAM

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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 the appendix to this report for the second quarter (July – September) of 2014/15 as follows:

- (i) A projected under-spend on controllable budgets of £206,000, representing -0.31 per cent of the gross General Fund budget.
- (ii) A total projected under-spend of £346,000 representing -0.52 per cent of the gross General Fund budget.
- (iii) The Council performed on target or above target for 40 out of 48 (83 per cent) of performance indicators.

B The contribution to a new earmarked reserve (Regeneration and Enterprise Reserve), as set out in paragraph 6 of this 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 obtain Council approval to earmark windfall income (the reimbursement of the Council's start-up costs associated with the Enterprise Zone by SELEP) for the purposes set out in the body of the report.

BACKGROUND

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

SUMMARY OF QUARTER TWO FINANCIAL PERFORMANCE - 2014/15

2. A review of the second quarter of 2014/15 indicates that, in total, the controllable General Fund Budget is projected to be under-spent by £206,000, equal to -0.31 per cent of the approved gross General Fund Budget. The current year-end projected variance is highly encouraging given the economic circumstances in which the Council operates. Section three of the appendix to this report includes a summary table of the major budget variations across each service.
3. Taking into 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 September 2014 is that the General Fund is expected to under-spend by £346,000, being the equivalent of -0.52 per cent of the approved gross General Fund Budget.
4. The projected variance continues to be extremely small, indicating that careful management of budgets continues to be exercised across all services in order to guard against expenditure pressures and to offset income reductions that are already being experienced by some services.
5. A significant pressure that impacts upon the Council's revenue budget is the major non-controllable variation relating to the Government's Business Rates Retention Scheme. The economic conditions, together with other business-related factors impacting upon the occupation of business units in Harlow, have 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 (prior to Business Rates reform, such deficits were met entirely by the Government). The situation continues to be monitored and, should the position change, the forecasts for future financial reports will be amended accordingly.

OTHER FINANCIAL ISSUES

6. The South East Local Enterprise Partnership (SELEP) has agreed to repay the Council in respect of the start-up costs associated with the Enterprise

Zone and, as a result, £244,000 has been received and categorised as windfall income. It is proposed that a new earmarked reserve be created to support future regeneration work by the Council, that reserve being the Regeneration and Enterprise Reserve, and that the windfall receipt be contributed to that reserve at the financial year-end.

SUMMARY OF QUARTER TWO OPERATIONAL PERFORMANCE – 2014/15

7. Section four of the Appendix details information about the Council's operational performance. The Council performed on target or above target for 40 out of 48 (83 per cent) of performance indicators. 90 per cent of all Corporate Plan milestones were successfully completed or on track for completion by September 2014.

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

8. 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:

The average time to remove fly tips: At 1.82 hours is 48 per cent faster than the target of 3.5 hours and is lower than the time taken in Quarter two 2013/14.

Net additional homes provided: Renewed confidence in the economy and consequence the development industry has allowed for 103 completions so far this year, providing urgently needed new houses. This is 58.5 per cent above the target of 65 homes.

The processing of minor and other Planning applications within eight weeks: A full complement of staff, efficiently managed workloads and staff determination are attributed to the success of these indicators. 87.1 per cent of minor planning applications were dealt with within eight weeks, 34 per cent above target. Other applications were 20.9 per cent above target with 96.72 per cent dealt with within eight weeks.

Street and environmental cleanliness: Work by Kier Harlow Ltd has ensured that the percentage of land assessed as having unacceptable levels of fly-posting has remained at zero for the past seven quarters.

Annual Leaseholder Service Charge Collection: The Annual Leasehold Service Charge Collection is 15.6 per cent above target for this quarter. It has improved by 2.8 per cent compared to second quarter position in 2013/14.

9. Six out of 48 (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 and action plans are in place to provide support to those people. The Homeless Strategy includes working in partnership with St Mungo's, a large Housing Association Charity and the provision of "Severe Emergency Weather Protocol".

Processing new claims and change events (x2): Staffing issues and increased demand has meant that the Revenues and Benefits team has been unable to meet its target for processing new claims and change events.

Contact Harlow: The Council's dropped call rate is still above target but has dropped since the last quarter. Additional resource and return to work from those on maternity leave and sickness has made a positive impact and is predicted to make a further positive impact in the future as staff are fully trained.

SIGNIFICANT RISKS / OPPORTUNITIES

10. 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 local government 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.
11. 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 September 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 September 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