



Public Document Pack
**FINANCE AND RESOURCES
OVERVIEW AND SCRUTINY
AGENDA**

Scrutiny making a positive difference: Member led and independent, Overview & Scrutiny Committees promote service improvements, influence policy development & hold Executive to account for the benefit of the Community of Dacorum.

TUESDAY 9 JUNE 2020 AT 6.30 PM

MICROSOFT TEAMS - MICROSOFT TEAMS*

***This meeting of the Finance and Resources Overview and Scrutiny Committee will be held remotely via the Microsoft Teams application.
Should any members of the public wish to join this meeting, please contact the Assistant Director (Corporate & Contracted Services) by 5pm on Friday 5 June.**

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Chapman
Councillor Guest
Councillor Tindall
Councillor Adeleke
Councillor Barrett
Councillor Arslan
Councillor Mahmood

Councillor Suqlain Mahmood (Chairman)
Councillor Sinha
Councillor Townsend
Councillor Claughton
Councillor Symington
Councillor Taylor

For further information, please contact Corporate and Democratic Support

AGENDA

- 11. QUARTER 4 PERFORMANCE REPORT - FINANCE AND RESOURCES (Pages 2 - 15)**



Agenda item:

Summary

Report for:	Finance & Resources Overview and Scrutiny Committee
Date of meeting:	TBC June 2020
Part:	1
If Part II, reason:	

Title of report:	Finance & Resources Performance and Operational Risk Report Quarter 4 2019/20
Contacts:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources Nigel Howcutt, Assistant Director, Finance and Resources.
Purpose of report:	To provide Committee with analysis of quarterly performance and risk management within Finance & Resources for the 4 th and final quarter of 2019/20.
Recommendations	That Committee notes the contents of the report and the performance of Finance & Resources for Quarter 4, 2019/20.
Corporate objectives:	The provision of effective financial services and the allocation of resources such as assets and facilities support all five of the Council's corporate objectives, with particular reference to <i>Ensuring efficient, effective and modern service delivery</i> and, through Revenues, Benefits and Fraud division, <i>Building Strong and Vibrant Communities</i> .
Implications:	<u>Financial</u> Contained within the body of the report.
'Value for money' implications	<u>Value for money</u> Contained within the body of the report.
Risk implications	Contained within the body of the report
Equalities implications	None
Health and safety Implications	There are no health and safety implications.
Consultees:	Group Manager (Commercial Assets & Property Development) Group Manager (Financial Services) Group Manager (Revenues, Benefits and Fraud)
Background papers:	Previous performance reports to Scrutiny.

Glossary of acronyms and any other abbreviations used in this report:	F&R OSC- Finance and Resources Overview and Scrutiny Committee.
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1. Risk and Performance reports are presented to Overview and Scrutiny Committees on a quarterly basis. They provide Members with an opportunity to scrutinise performance against a range of key indicators, and to review how the key risks facing the Services are being managed.
2. The attached appendices provide comprehensive risk and performance information for Finance & Resources for Quarter 4 of 2019/20 (January - March).

Appendix A – Finance & Resources Qtr 4 Performance Report.


Appendix B – Finance and Resources Qtr 4 Operational Risk Register.

3. The Performance Report, Appendix A, highlights that 13 out of 16 KPI's have been reported as green and overall Operational performance is strong. There are 3 amber rated KPI's;
 - **FIN03 General Fund outturn projection** – As reported in detail to cabinet in May and in the financial report on the agenda today the General Fund provisional outturn expenditure is in line with budgeted expectations. There has been a time delay in collation of KPI data and member scrutiny and hence the performance for 19/20 is now known and a balanced budget was achieved.
 - **FIN11 Investment property income** – The investment property income at year end has achieved 99.72% of the expected income, although this is showing as amber it is only 0.28% short of budgeted income, due to a slow March income stream related to Covid 19.
 - **FIN02a Time taken for debtors to pay** – This is adversely impacted during March by the issue of quarterly invoices raised for key services such as investment income.
4. The performance in the finance and resources division in quarter 4 has seen improvements with both RBF05 Council Tax collection and RBF06 Council tax customer contact performance improving and hence moving from amber to green, as shown in Appendix A.
5. All scores as set out in the Operational Risk Register at Appendix B have been reviewed for 2019/20 Quarter 4, and comments added to the report.
6. As at quarter 4 controls and mitigations in place for operational risk are deemed to be strong.

OSC Report - Finance & Resources - Finance and Resources Mar-2020

Indicator Name	Results Mar-2020	Last Months Results Dec-19	Last Years Results Mar-19	RAG	Comments	Actions
Dacorum Delivers - Efficiencies						
RBF01 - Average time taken to decide a new claim for Housing Benefit	17.6 Days 3484 / 198 Target: 20 Days	12 Days 2226 / 185 Target: 20 Days	18.6 Days 5116 / 275 Target: 20 Days	0 0 4	Updater Comments: Performance continues to be excellent.	No Info
RBF02 - Average time taken to decide a change event for Housing Benefit	2.8 Days 34506 / 12285 Target: 6 Days	7 Days 25225 / 3617 Target: 9 Days	3 Days 55072 / 18225 Target: 6 Days	0 0 4	Updater Comments: Performance continues to be excellent.	No Info
FIN03 - General Fund expenditure - outturn forecast against budget	£22167000 Target: £21069000	£21705000 Target: £21069000	£17970000 Target: £17335000	1 3 0	Updater Comments: The position reported is that at the end of February 2020, the latest approved position available. The key variances are detailed in the supporting financial report for that period.	No Info
FIN04 - HRA expenditure outturn forecast against budget	£55643000 Target: £55831000	£55509000 Target: £55831000	£55509000 Target: £56070000	0 0 4	Approver Comments: The position reported is that at the end of February 2020, the latest approved position available. The key variances are detailed in the supporting financial report for that period.	No Info
FIN05 - HRA income - outturn forecast against budget	£55889000 Target: £55831000	£55853000 Target: £55831000	£56175000 Target: £56070000	0 0 4	Approver Comments: The position reported is that at the end of February 2020, the latest approved position available. The key variances are detailed in the supporting financial report for that period.	No Info
FIN06 - General Fund Capital Expenditure - outturn forecast against budget	£19072172 Target: £19908351	£20041733 Target: £20242452	£13347547 Target: £17353067	0 0 4	Updater Comments: The position reported is that at the end of quarter 3, the latest approved position available. The key variances are detailed in the supporting financial report for that period.	No Info
FIN07 - HRA Capital Expenditure: outturn forecast against budget	£37987225 Target: £40903325	£40742325 Target: £43050027	£24725160 Target: £26287037	0 0 4	Approver Comments: The position reported is that at the end of quarter 3, the latest approved position available. The key variances are detailed in the supporting financial report for that period.	No Info
FIN08 - Investment income: outturn forecast against budget	£833142 Target: £623000	£772640 Target: £623000	£769721 Target: £548000	0 0 4	Approver Comments: 2019/20 full year interest.	No Info

Indicator Name	Results Mar-2020	Last Months Results Dec-19	Last Years Results Mar-19	RAG	Comments	Actions
FIN11 - Investment Property Income ytd budget against ytd actual	£5251270 Target: £5266270	£4894200 Target: £4837273	£5163863 Info Only	0 1 2	Updater Comments: Broadly in line with target	No Info
RBF06 - Council Tax customer contact response (percentage of contacts responded to within 14 days)	99% 9640 / 9783 Target: 94%	97% 10105 / 10383 Target: 98%	97% 9301 / 9598 Target: 94%	0 2 2	Approver Comments: The team worked hard to answer enquiries after the annual bills were issued, prioritising those from residents concerned about the impact of COVID-19	No Info
Dacorum Delivers - Performance excellence						
FIN01 - Percentage of creditor trade invoices paid within 30 days	98.9% 3606 / 3646 Target: 97%	98.2% 3253 / 3311 Target: 97%	98.4% 3102 / 3151 Target: 97%	0 0 4	No Comments	No Info
FIN02a - Time taken for debtors to pay	42.2 Days Target: 40 Days	33.8 Days Target: 40 Days	38.8 Days Target: 40 Days	0 1 3	Approver Comments: The reported position is adversely impacted by the issue of quarterly invoices from key income generating services during March. COVID-19 is expected to impact on the ability of individuals and businesses to fund amounts owed to the authority. Performance against this indicator will be monitored closely during 20/21.	No Info
Dacorum Delivers - Value for money						
RBF04 - NNDR (Business Rates) in-year collection rate	98.6% Target: 98.4%	77.5% Target: 76.6%	98.1% Target: 98.4%	0 0 4	Approver Comments: This has proved to be a good year for business rates collection, probably helped by the introduction of the 33% retail discount, relieving pressure on some ratepayers	No Info
RBF05 - Council Tax collection rate	98% Target: 98%	84.8% Target: 84.9%	98.3% Info Only	0 1 3	Approver Comments: Active recovery was ended in mid-March due to the COVID-19 outbreak, and this has impacted on the collection rate achieved.	No Info
Regeneration - Drive value from Council owned assets						

Indicator Name	Results Mar-2020	Last Months Results Dec-19	Last Years Results Mar-19	RAG 	Comments	Actions
CP01 - Percentage of commercial property occupation	95.73% 583 / 609 Target: 95%	95.73% 583 / 609 Target: 95%	96.22% 586 / 609 Target: 95%	0 0 4	Updater Comments: There are currently 26 voids on our books. There are 6 properties (23%) under offer and in solicitors hands. 18 void properties (69%) need refurbishment or substantial remedial works before they can be marketed. There are 2 (8%) properties which are in a marketable condition. TA are looking at a number of maisonettes which if taken would reduce voids significantly. It is anticipated that the current COVID-19 pandemic will have a detrimental impact on lettings in the short to medium term as businesses face unprecedented challenges. It is not yet known whether the 6 lettings in solicitors hand will progress to completion.	No Info
CP02 - Percentage arrears on commercial property rents	7% 388161 / 5831632 Target: 8%	8% 445359 / 5831632 Target: 8%	5% 231033 / 5006201 Target: 8%	0 0 4	Updater Comments: The overall debt level at 6.66% is an increase from February but still under the 8% KPI target. Debt is currently £388k of which £162k (42%) is in legal hands to recover albeit we have suspended legal action including forfeiture during the current emergency. Small businesses are trying to navigate the current emergency which has started to be reflected in the figures. A number of debtors are on payment plans and this affirmative action is assisting in the management of arrears whilst keeping properties occupied during the crisis. Our focus is to assist tenants to stay in business so we anticipate that both arrears and requests for payment plans will significantly increase over coming months.	No Info



Quarter 4 Operational Risk Report

Mar-2020

Summary

The over all risk score for each or the risks highlighted within this report are arrived at by multiplying the score given for the probability of the risk happening and the severity of the consequences of this risk.

The probability and severity are scored 1-4 relating to their severity as shown in the below table

The severity of the overall risk score can also be found in the below table

Risk Score	Probability	Severity
1	Low	Low
2	Medium	Medium
3	High	High
4	Severe	Severe

Overall Score	RAG
0 - 4	Green
6 - 10	Amber
12 - 16	Red

Inherent Probability	Inherent Impact	Inherent Risk Score	Mitigated Probability	Mitigated Impact	Mitigated Risk Score
Finance & Resources					
FR_F02 Delays to Capital programme					Nigel
4	2	8	3	2	6
FR_F03 Variances in General Fund revenue budget					Nigel
3	2	6	2	2	4
FR_I02 Failure to optimise income generated by commercial assets					Nigel
3	3	9	2	3	6
FR_R01 Council Tax and Business Rates collections rates drop below budget					Nigel
3	2	6	3	2	6
FR_R02 Delays and errors in the processing of Benefits claims					Nigel
4	3	12	3	2	6

Risk Owner : Nigel Howcutt Portfolio holder : Graeme Elliot

FR_F02 Delays to Capital programme

Quarterly Update

General Fund Capital budgets have seen slippage of £0.4m with overspend of £2.4m in 2019/20.

The HRA Capital programme is showing slippage of £0.8m and overspend of £0.6m.

Capital spend is broadly in line with budget expectations and additional project spend detail is provided in the provisional outturn report.

Inherent Impact	Inherent Probability	Inherent Risk Score
2	4	8
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
2	3	6

Impact

Many of the major projects within the Capital Programme are fundamental to delivery of the Council's corporate objectives. Therefore significant delays can impact on the achievement of the corporate plan.

Financial decision-making is negatively affected if the timing of projects in the Capital Programme is wrong. This can result in lost investment income or increased interest costs as the Council moves closer to the point where it will need to borrow.

The estimated delivery date is considered as part of the decision to allocate capital funds to one project over another. If estimated timings are not accurate, there is a risk that the allocation of funds is not being decided on appropriately.

If inaccurate project management is tolerated, there is a risk that the culture of financial management across the Council will be negatively affected which will have consequences for wider financial decision-making.

Not delivering major projects within the timeframe to which it has committed itself exposes the Council to reputational risk.

Controls to manage the risk

The controls that have been implemented to mitigate this risk target the robustness of capital bids both at the time they are submitted and throughout the delivery phase of the projects.

In particular, scrutiny is focussed on those elements of the capital bid that experience indicates are the primary cause of delays to capital projects. These include

- How robust are the assumptions on the estimated duration of the procurement exercise?
- How realistic is the estimated time taken for contractors to deliver the works?
- How realistic are the assumptions on officer availability to manage the project on time?

The rationale behind this approach is that an increased culture of challenge will lead to more realistic programming of future capital projects, and therefore a reduced likelihood of slippage.

The following controls are in place with a view to developing a culture of scrutiny and challenge for officers to improve the accuracy of future bids:

- Monthly meetings take place between accountants and budget holders to monitor progress against original timeframes and costs;
- Corporate Management Team (CMT) receive a quarterly report on the progress of capital projects against anticipated timeframes;
- Performance Group comprising Chief Officers and cabinet Members receive a monthly report on the progress of current projects;
- Reports go to Cabinet and all Overview and Scrutiny Committees (OSC) every quarter. These reports have been redesigned to focus on the more immediate risk of in-year delivery, highlighting higher risk areas to invite closer scrutiny from Members.

Evidence the risk is being managed

The majority of the current £63m capital programme, is to be delivered on time and to schedule. There is only a minor budget pressure of less than 1% and a slippage of around 5%.

Risk Owner : Nigel Howcutt Portfolio holder : Graeme Elliot

FR_F03 Variances in General Fund revenue budget

Quarterly Update

The provisional year-end financial outturn is showing a balanced budget on the General Fund.

There are variances across different service areas, as reported throughout the year, but the organisation as a whole is delivering within the financial envelope provided.

Inherent Impact	Inherent Probability	Inherent Risk Score
2	3	6
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
2	2	4

Impact

Accurate, well-controlled budgeting relates directly to the achievement of the Dacorum Delivers corporate objective, and indirectly, through the financial decision-making process, to the achievement of all of the Council's corporate objectives.

Inaccurate budgeting negatively affects the Council's ability to make evidence-based decisions. A significant underspend at year-end could indicate that funds have been needlessly diverted from a competing priority. A significant overspend at year-end could result in reserves being used to support lower priority objectives. Both of these could result in reputational damage for the Council.

Failure to address the causes of inaccurate budgeting could negatively impact the Council's culture of financial management, which in turn increases the risk of poor financial decision-making.

Controls to manage the risk

The following controls aim to reduce the probability of there being a variance in the General Fund Revenue Budget by ensuring that there is strong challenge put to Budget Holders on the robustness of their assumptions, from a range of audiences.

It is intended that these controls will increase the opportunity for flawed assumptions to be exposed as soon as possible, as well as incorporating a stronger culture of financial management across the Council leading to continuous improvement in the setting of accurate budgets.

The annual budget-setting process consists of an ongoing scrutiny process in which senior officers from across the Council, together with the Financial Services team, challenge the following year's budget bids from Group Managers.

This scrutiny process is augmented by the Budget Review Group (BRG), consisting of Chief Officer Group and representatives from the Portfolio Holder group, which provides early Member-level challenge.

There are two opportunities for OSCs to scrutinise the budget proposals and directly question the relevant officers before the budget report is finalised and considered by Cabinet and Council.

Once approved, in-year budget performance is managed through monthly meetings between accountants and budget holders, which underpin monthly reports to CMT and quarterly reports to Cabinet and OSCs.

The Council's Financial Regulations provide a guide to all budget-holders and are subject to annual review.

Evidence the risk is being managed

At year end 2018/19 the general fund returned a balanced budget with the ongoing mitigation plans assisting in delivering a balanced budget.

The Qtr 1 General Fund pressure reported was £121k, and the quarter 2 projection is in line with that projection.

Risk Owner : Nigel Howcutt Portfolio holder : Graeme Elliot

FR_I02 Failure to optimise income generated by commercial assets

Quarterly Update

At Quarter 4 the commercial Investments portfolio achieved 99.7% of the budgeted income levels. There was a slight drop off at year end as a result of the coronavirus in particular on rental for small community recreational facilities.

Inherent Impact	Inherent Probability	Inherent Risk Score
3	3	9
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	2	6

Impact

The council has a significant portfolio of commercially let properties, which provides one of the council's largest sources of income.

Council officers must attempt to maximise income from these assets whilst avoiding the risk of vacant properties and increasing bad debts, which could arise if rents are set too high, and would jeopardise the council's achievement of its corporate objectives of Regeneration and Dacorum Delivers.

The continuing recession and the difficulties it brings for local businesses increases the likelihood of this risk crystallising.

Controls to manage the risk

The following controls aim to mitigate the risk of under-performance of the Council's commercial assets by maintaining good communication links between relevant Council services, and by regularly monitoring performance against targets (see KPIs CP01 and CP02) to ensure that underperformance is identified and addressed as quickly as possible. The existence of these controls has led to the 'Inherent Probability' of this risk occurring reducing from a score of 3, which is shown in the Residual Probability (i.e. after controls implemented) being a 1.

Estates officers responsible for negotiating rent reviews hold monthly meetings with the Debtors team to track current bad debtors. This increases their understanding of the economic pressures businesses are facing, and how it can impact on council income.

There are currently Corvu performance targets to maintain the number of voids (empty properties) below 5%, and to keep the rent arrears below 10%. Failure to meet either of these targets would prompt further investigation.

Evidence the risk is being managed

In 2018/19 the commercial property service achieved occupancy of 96.2% with rent arrears of only 5%. This performance is above the targeted KPI levels and well ahead of commercial expectations.

Another strong first half yearly performance in the commercial assets team. Income is achieving budgeted levels and occupation is at 96% with only 23 out of 609 commercial properties vacant.

Marketing and refurbishment continues as the service strives to maximise occupancy levels.

Risk Owner : Nigel Howcutt Portfolio holder : Graeme Elliot

FR_R01 Council Tax and Business Rates collections rates drop below budget

Quarterly Update

The actual collected council tax and business rates matched budgeted expectations.

The Council tax collection rate was 98%, 0.3% down year on year, but in mid March we stopped actively chasing council tax due to the onset of the CV 19 pandemic, which likely had a small impact on the overall performance.

The Business rates collection in 19/20 was 98.6% which is 0.2% improvement year on year and 0.2% above budget.

Inherent Impact	Inherent Probability	Inherent Risk Score
2	3	6
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
2	3	6

Impact

Distribution of collection fund to other preceptors is based on the budgeted collection level, if collection falls short this could lead to a cashflow issue within the Council's finances. The fund distribution is balanced after the end of the financial year.

Reputational risk if collection rate falls significantly – this could also impact on future years' council tax base leading to increased budget pressures.

Financial risk in relation to business rate retention scheme if rates collection falls below government set baseline.

Controls to manage the risk

The following controls aim to identify as quickly as possible if the Council is falling behind on its collection rates target for the year. If a problem is identified, the Council is then able to invoke a range of options to minimise the ongoing negative impact on collection.

Profiled monthly collection rates are monitored monthly - see KPIs RBF04 and RBF05. Reasons for variances are then investigated in order to address problems quickly as possible.

Direct debit payment is recommended for all customers – a pre-filled instruction is sent to all non-DD payers with their annual bill or a first bill for a new taxpayer. The direct debit method reduces the risk of under-collection because it eliminates the risk of a payer forgetting to make a monthly payment.

There is an active programme for taking formal recovery action against non payers.

Evidence the risk is being managed

At quarter 1 CT and Business rates collection has achieved expected levels, but it is still early in the financial year and careful monitoring is required.

Risk Owner : Nigel Howcutt Portfolio holder : Graeme Elliot

FR_R02 Delays and errors in the processing of Benefits claims

Quarterly Update

Performance in Quarter 4 continues to be excellent.

The service are now busy planning for the potential increase in Housing benefit changes in 2020/21 as a result of CV-19.

Inherent Impact	Inherent Probability	Inherent Risk Score
3	4	12
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
2	3	6

Impact

This risk links to the corporate objective Dacorum Delivers, focussing on an efficient and effective council.

Customers could suffer personal hardship resulting from delays or errors in the processing of claims.

Significant reputational risk associated with high-profile errors.

Staff time spent on addressing unnecessary errors leads to duplication of effort and is an inefficient use of resources.

Government subsidy for housing benefit expenditure is based on external audit certification of the claim made. There is financial risk if errors on cases are identified during their testing.

Communications with claimants needs to be well written and jargon-free in order to reduce the risk of repeat queries which puts pressure on limited staff resources.

Controls to manage the risk

The controls in place aim to mitigate this risk by closely monitoring performance to assist with effective decision-making around resource allocation. This is a heavily process driven service area and close monitoring also helps to identify bottle necks in the process which need to be improved to optimise performance. By subjecting the process to this regular in-depth scrutiny the Service is able to reduce the probability of the risk crystallising, hence the reduction between the Inherent Risk score (4) and the Residual Risk score (2) after the controls have been taken into account.

Quality checking and individual performance management is in place. These mean that each officer has targets for their personal productivity and accuracy, and information from quality checks is fed back in order to sustain improvement.

Average time taken for processing new claims and changes in circumstances forms part of monthly monitoring.

Processes are in place to expedite cases where the customer is vulnerable or facing eviction. These processes start when a case is identified within benefits, or by customer services, homelessness, housing etc.

Monthly meetings are held between senior officers within Finance & Resources to monitor detailed performance levels at each stage of the claims process.

This enables intermediary targets to be set for discrete elements of the process, which in turn enables the more effective monitoring which has resulted in significantly improved performance over the last 6 months.

Evidence the risk is being managed

The KPI's for the housing benefit service in Qtr 1 and Qtr 2 are all being excelled. The average time to process a change of housing benefit claims is 5.5 days for Qtr 2 a slight improvement on the last quarter.

The time taken to process housing benefit claims is 14.7 days which is the lowest level in the last 12 months and exceeds the targetted expectation.