



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 11 SEPTEMBER 2018 AT 7.30 PM

CONFERENCE ROOM 2 - THE FORUM

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 Howard
Councillor Herbert Chapman (Chair)
Councillor Douris
Councillor E Collins
Councillor Fethney
Councillor Silwal
Councillor Taylor

Councillor Tindall
Councillor Adeleke
Councillor Armytage
Councillor McLean
Councillor Banks (Vice-Chairman)
Councillor Barrett

Substitute Members:

Councillors Anderson, Brown, Guest, Ransley, W Wyatt-Lowe, England, Matthews and Pringle

For further information, please contact

AGENDA

1. MINUTES

To confirm the minutes from the previous meeting

2. APOLOGIES FOR ABSENCE

To receive any apologies for absence

3. DECLARATIONS OF INTEREST

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

- (ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

4. PUBLIC PARTICIPATION

An opportunity for members of the public to make statements or ask questions in accordance with the rules as to public participation

5. CONSIDERATION OF ANY MATTER REFERRED TO THE COMMITTEE IN RELATION TO CALL-IN

6. ACTION POINTS FROM THE PREVIOUS MEETING (Pages 3 - 8)

7. LEISURE CONTRACT KPI'S AND FIRST QUARTER PERFORMANCE. (Pages 9 - 23)

8. Q1 BUDGET MONITORING REPORT (Pages 24 - 37)

9. Q1 FINANCE AND RESOURCES PERFORMANCE REPORT (Pages 38 - 49)

10. Q1 LEGAL GOVERNANCE & DEMOCRATIC SERVICES PERFORMANCE REPORT (Pages 50 - 58)

11. Q1 PERFORMANCE, PEOPLE & INNOVATION PERFORMANCE REPORT (Pages 59 - 63)

12. MEDIUM TERM FINANCIAL STRATEGY REPORT (Pages 64 - 84)

13. WORK PROGRAMME (Pages 85 - 87)

Finance and Resources OSC Action Points

Number	Date of meeting	Action Point	Officer Responsible	Date completed	Update on action point
1	17/07/18	Cllr Tindall suggested that the action points were numbered.	Corporate and Democratic Support	August	Action Points are now numbered
2	17/07/18	Cllr Tindall was concerned that the costs were not included for DBC v Ryan Bailey. M Brookes to confirm.	Mark Brookes	02/08/18	The Council applied for a costs order in the Crown Court of £2,580 but the Court didn't award the Council's costs because of the defendant's lack of means and inability to pay
3	17/07/18	The Chairman confirmed he would always like the work programme to be at the end of the Agenda.	Corporate and Democratic Support	August	The work programme should always be at the end of the agenda and the agenda in July was an error
4	17/07/18	Cllr Douris would be interested to know what the 83 clients that Mediation Herts saw represented as a percentage of tenants. M Rawdon will ensure that information is sent to the Committee.	Matt Rawdon	02/08/18	83 clients that Mediation Herts saw over the last year were DBC tenants. Of those, 95% stated that they feel they can better maintain and manage their relationships.
5	17/07/18	Cllr D Collins mentioned that Chart 5.2 indicates the roll out process and that it would be difficult for some people to get to Aylesbury or Luton. L Warden advised that the DWP had different boundaries to us, but there had been some changes and she will email them out.	Layna Warden	02/08/18	26 September 2018 - HP5 1, HP5 3 - 5 properties. 24 October 2018 - LU1 4 (Pepperstock) - 20 properties. 21 November 2018 - LU6 2, LU6 3 - 10 properties. 5 December 2018 - All remaining postcodes (Hemel JCP) - 60,000 properties

6	17/07/18	<p>The Chairman expressed concerns about private sector landlords debt and landlords refusing to accept tenants who are claiming Universal Credit. S.21 notices have been served on tenants to end tenancy in an expectation of arrears rather than actual arrears, we should look at this and speak to other authorities about the percentage of Landlords affected as this could cause problems finding accommodation for our residents. He also wants clarification on the legal situation with S.21.</p>	Layna Warden	02/08/18	<p>We have developed a procedure for housing staff to challenge a S.21 notice if they are served incorrectly. However, these are only used if there is no fault on the tenant and the greatest risk of UC is a notice served because of rent arrears. We regularly communicate with the Private Sector through our newsletter and have a partnership with the National Landlords Association who run training at The Forum for private landlords. DWP are also looking to invite private landlords to a session they are holding at The Forum to help understand the roll out.</p>
7	17/07/18	<p>What Cllr Douris would like to know is could we have the figures from the other local authorities so that we can get an idea of where we stand – it might be 98.8, 98.7 but if you could let us have that detail.</p>	Kelvin Soley	02/08/18	<p>Stats – We use digital monitoring company Sitemorse which currently ranks our website 50th out of 409 local authority websites nationwide . It looks at a range of criteria including functionality, performance and quality of HTML code. We are currently the highest ranked local authority in Hertfordshire, including the county council. https://sitemorse.com/index/report-table.html?rt=1413&v=blobs . 98.8% refers to our quality assurance rating - We use Site improve software to monitor broken links, spellings and readability. Our 98.8% quality assurance rating compares against a local government industry benchmark of 83.4%. We do not have access to the percentages of other individual Councils other than the overall benchmarked figure.</p>
8	17/07/18	<p>Cllr Douris thanked Kelvin for the presentation and said that is was he who requested it. Cllr Douris requested that a copy of the presentation be available for everyone.</p>	Kelvin Soley	27/07/18	<p>Member Support distributed presentation to members via email.</p>



Report for:	Finance & Resources Overview and Scrutiny Committee
Date of meeting:	11 September 2018
Part:	1
If Part II, reason:	

Title of report:	Leisure Contract KPI's and first quarter performance
Contact:	David Collins, Portfolio Holder for Corporate & Contracted Services Author/Responsible Officer Ben Hosier (Group Manager – Procurement & Contracted Services) Victoria Coady (Commercial Contracts & Supplier Relationship Lead Officer)
Purpose of report:	<ol style="list-style-type: none"> 1. To provide Committee with an overview of the implementation and mobilisation of the Leisure Services contract. 2. To provide Committee with an overview of the governance arrangements that have been set up to monitor, review and report on the performance of the Leisure Services contract including the agreed set of contractual Key Performance Indicator's. 3. To provide a report on the performance of Everyone Active over the first quarter of the contract.
Recommendations	<ol style="list-style-type: none"> 1. That Committee acknowledges the work that was undertaken throughout the implementation and mobilisation period by Everyone Active. 2. That Committee supports the governance arrangements that have been set up to monitor the performance of Everyone Active, including the KPI's. 3. That Committee notes the performance of Everyone Active during the first quarter of the contract.
Period for post policy/project review	It is suggested that the performance of the Leisure contract is presented to this Committee on an annual basis.
Corporate objectives:	Clean, Safe and Enjoyable Environment – Leisure provision is central to delivering a borough that people can enjoy. This performance of Everyone Active will help ensure our approach continues to meet the needs of current and future residents
Implications:	

Glossary of acronyms and any other abbreviations used in this report:	DST – Dacorum Sports Trust EA – Everyone Active KPI's – Key Performance Indicators TUPE – Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended)
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Introduction

The Committee will recall that Cabinet awarded a contract to Everyone Active in February 2018 to provide Leisure Services across the borough. The contract included the TUPE transfer of staff from the existing contract with Dacorum Sports Trust and commenced in April 2018.

The contract covers the following sites:

- Hemel Hempstead Leisure Centre
- Berkhamsted Leisure Centre
- Tring Leisure Centre¹
- Jarman Park Athletic Track
- Longdean School Sports Hall¹

¹subject to final agreement on terms, the operations at both Tring & Longdean will be removed from the contract and handed back to the schools to deliver at the end of the first year of the contract, this is at the request of the schools.

In line with recent changes to the matters that are presented to scrutiny committees, the purpose of this report is to update Committee on the performance of one of the Council's strategically important contracts.

This report provides the Committee with assurances that the contract is being managed from both a contractual and commercial perspective and will focus on the following areas:

1. Implementation and mobilisation of the Leisure Services contract.
2. Governance arrangements that have been set up to monitor, review and report on the performance of the Leisure Services contract including the agreed set of contractual Key Performance Indicators.
3. Report on the performance of Everyone Active over the first quarter of the contract.

The Committee are actively encouraged to review the governance arrangements with particular emphasis on the KPI's.

This report will provide a robust and transparent conclusion as to the performance of the Leisure Services contract and in addition will make appropriate recommendations for performance improvements.

Key Issues

1. Contract Implementation and Mobilisation

- 1.1 During the tender process and moreover during the contract implementation phase it became apparent that the Council did not have access to all of the relevant management/performance data for the leisure sites covered by this contract. This resulted in an unclear picture for both the Council and EA from the commencement date and has caused unnecessary complications for customers.
- 1.2 EA have reported that the first quarter of the contract has been challenging but successful. The mobilisation timeframe was short and as such the priority was to ensure that the customer experience did not diminish and that those staff transferring to EA were communicated with as much as possible. There were six colleague presentations and several site visits to Westminster Lodge in St Albans to show how an EA site operates. Very positive feedback was received from staff who felt reassured with the transfer.
- 1.3 All facilities were closed on Sunday 1 April to enable the new site set up which included the installation of:
- booking systems
 - telephone systems
 - payment systems
 - new workstations
 - removal of DST signage and installation of Everyone Active signs.
 - New café installations at Hemel and Berkhamsted
 - Redecoration of key areas at Hemel and Berkhamsted
 - Deep cleans at Hemel and Berkhamsted

The facilities were then re-opened on Monday 2 April. Limited changes took place at Longdean or Tring because of the position of the contract.

Training of key staff also took place and lifeguards had to do competency and assessment training in the pools to ensure they were fully qualified as a lot of paperwork was missing and lifeguards were not allowed on to poolside without this being in place.

- 1.4 Everyone Active have advised that although it had not been an easy mobilisation or start to the contract, overall they are pleased with how it has gone. They were expecting more customer frustration with the changes and although some have been experienced, it has mainly been around the waiting list process and group exercise programme.

The group exercise waiting list process has been the key negative feedback area. Previously customers were used to receiving calls whilst on a waiting list, Everyone Active use an automated system where anyone who is on the waiting list receives emails to let them know of available spaces for the 7 days ahead of the class. Initially phone calls were not included as staff were having to deal with numerous other queries but this is something that has now been introduced which has led to the negative feedback stopping.

- 1.5 Workforce reduction and redundancies took up a lot of time in the first few weeks, 29 of the transferred staff requested voluntary redundancy, of which 27 were accepted. This has led to management focussing on staff morale, but in general it was felt this went as well as it could. All staff have gone through the company induction.

Staffing resources have been reviewed at the sites and General Managers have been recruited, all are residents of Dacorum and have good local knowledge.

- 1.6 From visiting the sites, it was observed that there were areas of the building where repairs and maintenance of the buildings and equipment had not been adequately carried out. The main priority was to ensure all the statutory inspections have taken place and a condition survey carried out. There have been several maintenance issues highlighted but these have either been rectified or Everyone Active is working closely with DBC to rectify them.

The main issues initially were as follows:

- Berkhamsted - the sauna, showers and taps and pool hall tiling
- Hemel - air conditioning and outdoor pool outlet drain cover
- Jarmans - men's toilets
- Longdean - brick wall
- Tring - pool floor tiles

There is also an ongoing issue with the leaking roof at Berkhamsted which is currently being investigated.

2 Governance Arrangements

- 2.1 This contract is of significant importance to the Council from a financial and service perspective and requires an appropriate level of governance. It includes the provision of a management fee that is paid by the service provider to the Council. The value of the management fee over the first 10 years of this contract represents a substantial level of income to the Council. The Service Provider will also invest £2.3M on capital improvement works across the Hemel and Berkhamsted leisure centres.
- 2.2 The lack of existing management/performance data and the requirement to improve the repair and maintenance of the buildings and equipment has highlighted that a tighter performance and facilities management regime is required. The simple fact that this contract has been awarded following a robust procurement process has enabled the relevant performance standards and indicators to be built in to the service specification and will help the Council to monitor, review and report on the contract, however, due to the lack of current data, the performance of the contract during the first year will be used to produce baseline information from which future KPI's will be measured against.
- 2.3 The governance arrangement that have been set up for this contract include an 'operational board' that meets on a monthly basis. The 'operational board' meeting is chaired by the officer with the day to day contractual and performance responsibility for the contract and the remit of the board is set out in the terms of reference. In addition to the chair, the other Council attendees to this board include officers with the day to day responsibility for the service delivery outcomes of the leisure service, attendees from EA include the area manager and the general managers from each of the leisure sites. All meetings are recorded and minutes are produced and sent round to all attendees, this board focusses on the following operational issues:
- Operational update from EA
 - Community Groups
 - KPI's
 - Finances
 - Repairs & Maintenance
- 2.4 In addition to the 'operational board' there is also a 'strategic board' which has initially met on a monthly basis during the implementation/mobilisation phase, but the intention is for this board to meet on a quarterly basis. The 'strategic board' is chaired by the Group Manager Procurement & Contracted Services and the remit of this board is set out in the terms of reference. In addition to the chair, the Council attendees to this board include the Leader, 2 Portfolio Holders, the Chief Executive, Corporate Director Finance, Solicitor to the Council, Group Manager with the strategic responsibility for the outcomes of the leisure service, attendees from EA include the regional director, contract manager and the area manager. All meetings are recorded and minutes are produced and sent round to all attendees, this board focusses on the following strategic issues:
- Member Questions
 - Performance Report
 - KPI's
 - Contractual Matters

2.5 The contract has been specifically written so that EA are required to demonstrate their compliance with the following 'performance standards' that have been included as part of the service specification on a quarterly basis:

- Opening Hours
- Activity Programming
- Customer Service
- Marketing & Publicity
- Event Management
- Catering & Vending
- Incident Reporting
- Cleaning
- Environmental & Energy Management
- Maintenance of Buildings, Plant & Equipment
 - Grounds Maintenance
 - Water (Hot and Cold Installations)
 - Drainage
 - Ventilation
 - Heating
 - Lighting
 - Pool Water Quality
 - CCTV & Security
- Staffing
- Health & Safety
- IT Systems & Data Protection
- Business Records & General Reporting
- Operating Performance & Financial Reporting

In addition to these performance standards, there are outcome-based annual KPI's, which cover the following areas:

- Quality Management
- Inclusive Fitness Initiative Mark
- Sports Development
- Pricing

2.6 Where a performance standard or KPI failure has been identified, EA will be allowed a period of time to rectify this failure as set out in the contract. The rectification periods range from zero hours through to one week depending on the standard or KPI that has failed. Should EA be unable to rectify the failure within the applicable period, they will be awarded failure points, which will be accumulated for each month and reported on each quarter. The failure points accumulated each quarter can result in a performance payment as set out below:

FAILURE POINTS during the Contract Quarter	PERFORMANCE PAYMENT (indexed)
Up to 20 points	None
21 to 25 points	£250
26 to 30 points	£500
31 to 35 points	£1,000
36 to 40 points	£2,000
41 to 45 points	£4,000
More than 45 points	£8,000

2.7 The contract also covers the following quarterly KPI's, which in the absence of any management/performance data, will be used to gauge a baseline to enable future KPI's to be set and measured against from September 2018.

Strategy Commitment	Key Outcomes	Measurements (KPIs)	2018/19 Targets	
Promote participation in sport and physical activity for inactive people	Increase overall levels of participation in physical activity	Total number of member visits attending each of the DBC leisure facilities per year	413,000	
		Total number of casual users attending the DBC leisure facilities per year	307,000	
	Increase activity levels amongst vulnerable or hard to engage groups	Total number of users receiving concessionary membership (including Dacorum Card)	2,000	
		Total number of visits of concessionary card holders (including Dacorum Card)	40,000	
		Minimum % of members who are female	50%	
		Minimum % of casual users who are female	55%	
		Minimum % of members who are registered disabled	TBC	
		Minimum % of casual users who are registered disabled	0.2%	
		Minimum % of members who are BAME	8%	
		Minimum % of casual users who are BAME	2%	
	Increase the number of DBC leisure members	Annual number of leisure memberships	4,750	
		Support campaigns to raise awareness of the benefits of exercise	Minimum number of leisure campaigns promoted each quarter	2
	Working in partnership with clubs, National Governing Bodies (NGBs) and other key stakeholders	Support increased participation in clubs	Number of different clubs using the DBC leisure facilities per quarter	30
			% of available time used by clubs versus casual users/members: o Swimming o Sports hall	Maintain current levels
Strengthen relationships with key partners including clubs, schools		Club satisfaction (6 monthly survey)	80% satisfaction	
		Investment in activities to promote or support clubs per year	Support at least 10 sports clubs per year with at least £2,500 in finance or in kind support (total amount)	

Strategy Commitment	Key Outcomes	Measurements (KPIs)	2018/19 Targets
Ensure that we provide high quality sporting infrastructure, which can be accessed by all members of the community	Deliver a high quality leisure experience	Achieve Quest accreditation	achieved by 31st March 2019
		Achieved standards in maintenance and facilities management	100% Completion
	Increase user satisfaction	Complaints per 10,000 visits	0.5%
		Accidents per 1000 visits	0.5%
	Invest in improvements to the facilities	Total number of cancelled memberships each month	6%
		Delivery of the Required Outcomes, Performance Standards and Reporting Requirements as outlined in the service specification by target date: <ul style="list-style-type: none"> o Schedule of programmed maintenance o 5-year maintenance plan o Marketing plan o Participation targets o Pricing Schedule o Programmes of Use o Cleaning Schedule o Environment Management Plan o Staff Training plan o Emergency Plan o Event Management Plan o Quest Action Plan o Holiday Activities Programme o Independent Water Testing 	As specified in the contract
Developing sporting provision and activity at a local, regional, and national level	Improve opportunities for people to remain active	Number of people attending sporting referral programmes/pathways	15
	Increase opportunities for people to progress to higher levels of physical activity	Number of activity leaders/champions/coaches recruited and trained to support activity delivery	10
Increase the profile and reputation of sports in Dacorum	DBC is seen as a 'home' of sport	Number of sports and leisure events supported per quarter	1

3 Performance Report Q1

3.1 Membership and Utilisation Data

Throughput Summary

Site	April 18	May 18	June 18	Q1 Total	Profiled EA Bid ²
Hemel LC	41,916	45,788	46,270	133,974	178,254
Jarman Park	1,649	3,711	2,913	9,797	3,279
Longdean SC	2,382	2,913	1,776	2,951	6,993
Berkhamsted LC	17,796	18,931	18,263	54,990	82,229
Tring SC	3,462	2,560	2,892	16,868	18,002
Total	67,205	73,903	73,638	214,746	288,757

² The profiled throughput simply shows 3 months of the projected visitor numbers, EA have advised that throughput fluctuates during the year and Q1 is not typically one of the busier quarters.

Fitness Membership Totals

Whilst the overall membership base has declined, this is normal at the start of a new contract. This usually happens because all members are contacted to notify them of the change of direct debit collector. We then normally see around 7% of members who are not using the facility cancel their direct debits at the bank, we have seen a 6.16% attrition over Q1.

New Fitness Sales

We are delighted to have 762 new members in the first quarter across the contract and we expect this to continue in the coming months with the Hemel Hempstead refurbishment underway and a great joining offer and marketing plan.

3.2 Operational Income and Expenditure

The commercial aspect of the contract shows that although throughput is lower than expected at Q1², income is on track with EA projections. Overall expenditure is slightly higher than expected at this stage, but it is normal for expenditure to be higher in the first few months of a contract and then settles down.

3.3 Capital Investment

Everyone Active have invested £1.3M in an extensive capital development programme across Hemel Hempstead Leisure Centre. The programme started on 8 June and will be completed on 21 September. An exciting launch will be held on 22 September which will be a free family fun open day.

The refurbishment consists of a brand new membership area, extended new gym and spin studio with state of the art equipment. The changing rooms will be refurbished with redecoration to circulation areas. A new studio has also been created, a further studio will be fully refurbished and the mind and body studio will undergo re-decoration.

A further £1M of capital development is earmarked for Berkhamsted Leisure Centre and will be programmed in once the outcome of the recent DBC feasibility study into Berkhamsted Leisure Centre is known.

3.4 Customer Feedback

Customer feedback overall has been very positive. Customers have taken the time to inform EA how the cleaning standards have improved across all sites which has come from the deep cleans carried out on 1st April 2018 and the ongoing management of cleaning and housekeeping standards from the management team.

All sites have new signage installed which has freshened up the look and feel of the centres. Hemel and Berkhamsted have also been decorated in key front of house areas which has been well received.

Inevitably there has been some negative feedback received mainly due to policies/procedures which have changed, or inherited maintenance issues. The showers and sauna were out of use at Berkhamsted at the start of the contract which were both repaired as soon as possible but did receive negative feedback. Customers understood the situation and were appreciative of both issues being repaired to a very high quality.

Social media has been an excellent method to communicate with users and receive feedback. With a varied amount of content to engage followers, news feeds are a mix of centre notifications, community news, centre updates, competitions and information on what is available to customers. It is also an informal channel for customers to get in touch with EA with any enquiries. So far through social media EA have been able to support member achievements, local events and charities, such as London Marathon participants, Swimathon, The Hospice of St Francis Midnight Walk and Armed Forces Day.

3.5 Major Accidents and Incidents

Risk assessments and lifeguard zone visibility tests were carried out pre-contract as much as possible when site access was granted. As a result of the lifeguard zone visibility tests lifeguard positions were changed at both Hemel and Berkhamsted. Lifeguard provision has also been increased at Hemel LC to ensure pool safety meets the HSG179 guidelines.

Site Safety Coordinators (SSC) have been appointed at each centre and full training has been given to them. All senior managers and site safety coordinators attended the corporate Health and Safety seminar meeting in May 2018. The seminar occurs every 6 months and is a forum for communicating changes and updates to policies and procedures and review standards.

Site	Total Site Attendance	Customer Accidents	Monthly Accident Rate per 10,000 Visits
Hemel Leisure Centre	133,974	41	3.06%
Berkhamsted Leisure Centre	54,990	16	2.90%
Longdean School	7,071	0	0.00%
Tring School	8,914	9	10.10% ³
Jarman Park Athletics Track	8,273	1	1.21%
Total	213,222	67	3.14%

³ There is no particular reason that Tring has a higher % than the other sites. We had 3 sporting injuries which are accidents such as tackles in football, sprained ankles etc., 5 other injuries such as nose bleeds, feeling faint etc.

3.6 Maintenance Programme Update

The priority within the first quarter was to ensure all statutory inspections were conducted and an initial condition survey carried out. There have been various maintenance issues highlighted from the inspections and surveys which EA have addressed or are working closely with the Council to rectify.

The following is a list of the inspections and maintenance completed across all sites between April - June 2018.

Hemel Hempstead Leisure Centre	
Statutory Inspections	Responsive Maintenance
Legionella Risk Assessment	Outdoor pool outlet cover not in place and covered with a mat. Cover was ordered and replaced
Fixed Wire	Hair dryers not working / wired properly. New hair dryers installed on 1st April
Emergency Lighting	Moveable floor
PAT & FAT	Squash Court Flooring
Lightening Protection	Redecoration to Entrance, Reception & Café area
Sports Equipment	Replacement of seating next to pool entrance
	Replacement of PA System
	Replacement of Gym Music System Amplifier

Berkhamsted Leisure Centre	
Statutory Inspections	Responsive Maintenance
Legionella Risk Assessment	Wet side showers repaired and refurbished
Fixed Wire	Sauna heating element replaced
Emergency Lighting	Sauna benches condemned and refurbished
PAT & FAT	Air conditioning unit in the gym faulty and repaired
Lightening Protection	Redecoration to Entrance, Reception & Café area
Sports Equipment	Various Light bulbs across the site replaced
	Ongoing Tiles coming away from wall on Poolside being managed accordingly
	New Bunds for Pool plant room installed
	Site redecorated in main thoroughfare routes
	Repair to dry equipment such as Badminton nets

Tring Leisure Centre	
Statutory Inspections	Responsive Maintenance
Legionella Risk Assessment	Pool floor tile cracked and made good
Sports Equipment	Broken glass repaired on Fire exit

Jarman Park Athletics Track	
Statutory Inspections	Responsive Maintenance
Legionella Risk Assessment	Investigation of faulty track lighting
Fixed Wire	
Emergency Lighting	
PAT & FAT	
Lightening Protection	
Sports Equipment	

Longdean Sports Centre	
Statutory Inspections	Responsive Maintenance
Legionella Risk Assessment	Leak into plant room repaired
Fixed Wire	Lift faulty and repaired
Emergency Lighting	
PAT & FAT	
Sports Equipment	

3.7 Sports and Physical Activity Development Plan Progress Update

EA's priority in the build up to the start of the contract was to ensure all existing schemes and programmes continued as normal. During the colleague engagement events EA were informed the team were instructed to cease any activity for post 1st April 2018. EA asked that they informed all groups that their programmes would continue as normal which they did.

EA met with the existing team to understand what is currently happening in the community and ensure that procedures and policies were in place where required. EA have been recruiting for the new Active Communities Manager and Active Communities Coordinator which have both been successfully recruited.

These roles will further develop the Sports and Physical Activity Development Plan which will link in with the Council Sports and Physical Activity Strategy when it has been finalised.

3.8 Event Management Progress Update

EA have met all clubs within the first few months to understand their booking requirements and ensure all of their booking dates are in the diary. Some of the key clubs that have been met include:

- Swimming clubs – Hemel, Berkhamsted and Tring
- Hemel Storm
- Puffins
- Ministry of Air
- Dacorum and Tring Athletics Club
- Sapphire Gymnastics
- Apex Multisport
- Boxmoor Pre School

When meeting the clubs, EA have discussed ways in which they can support them moving forward including the programming, sponsorship, facilities, and event management.

Events Held

Herts County Championships – Jarman Park

Over 500 visitors attended the event with more than 200 athletes taking part making the county championships the biggest event of the athletics calendar. The event was managed very well by the team and we received glowing feedback from the competitors, spectators and officials.

Hemel Storm Match Days – Hemel Hempstead Leisure Centre

The team have good experience managing these events and it was good to see the team and event in action. We are now working closely with the club to make these events much better for the team and spectators, including better event catering, introducing a bar, and hospitality for players and VIP's.

Swimming Galas – Hemel Hempstead Leisure Centre

The team have good experience managing these events. Again it was good to see the set up and how we can improve the event management moving forward. This is mainly regarding to the catering / event catering options.

Dance Competition – Hemel Hempstead Leisure Centre

A large scale dancing competition was held in May, the event went very well with 200 children and 300 adults in attendance

Baby and toddler fair – Hemel Hempstead Leisure Centre.

This was a brand new booking for the site, the main hall was transformed into an array of colourful stalls seeing all you could need for the younger members of the family.

Antiques Fair – Berkhamsted Leisure Centre

Not a typical event held in a leisure centre however this event showcased what can be achieved in a sports hall, this had seen over 200 people attend over the day and another 3 bookings have been made for the rest of the year.

Below is a list of the upcoming events which EA are organising.

- Herts Learning Disability Games - Jarman Park (15 Sept 2018)
- Ultra White Collar Boxing – Berkhamsted (18 Aug and 1 Dec 2018)
- Marcel Fairs – Berkhamsted (30 Sept and 30 Dec 2018)

Conclusions:

Overall the performance of EA demonstrates that they are delivering a good level of service and are beginning to improve the leisure services that are being provided across the borough.

It is clear from the above report and from regular contact with EA that they have mobilised and implemented this contract with a minimum level of disruption to customers. The implementation phase has identified a number of issues as a result of the previous contract and EA and the Council are working together to resolve these.

The governance arrangements that have been established appear to be appropriate for a contract of this size and nature and are set up so that they will be able to identify and address any issues or concerns with the performance of the contract regarding the service outcomes, statutory compliance, strategic commitments and the commercial aspects.

The KPI's are fit for purpose and will ensure the performance of EA is measured against set criteria and will also deliver a baseline of performance data that will enable new and/or improved KPI's to be developed in the future to encourage continuous improvement in both performance and service outcomes.

The commercial aspect of the contract demonstrates that EA are on track to deliver the contract in line with their tender submission.

EA are delivering the planned and preventative maintenance programme, but have identified a number of issues which require rectifying, these issues have been considered by both EA and DBC and plans to resolve these issues are now in place.

Although this is very early days of the contract, EA look like they are progressing well with the contract and continue to work with the Council, clubs and the community to deliver the Council Sports and Physical Activity Strategy

Recommendations

The recommendations for this Committee in relation to the Leisure Contract KPI's and first quarter performance are set out below.

1. That Committee acknowledges the work that was undertaken throughout the implementation and mobilisation period by Everyone Active.
2. That Committee supports the governance arrangements that have been set up to monitor the performance of Everyone Active, including the KPI's.
3. That Committee notes the performance of Everyone Active during the first quarter of the contract.

DRAFT



AGENDA ITEM: SUMMARY

Report for:	Finance and Resources Overview and Scrutiny Committee
Date of meeting:	
PART:	11 September 2018
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 1 2018/19
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager, Financial Services
Purpose of report:	To provide details of the projected outturn for 2018/19 as at Quarter 1 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	That Committee note the forecast outturn position for 2018/19.
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<u>Financial</u> This reports outlines the financial position for the Council for 2018/19 and so summarises the financial implications for service decisions expected to be made for the financial year. <u>Value for Money</u> Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.

Risk Implications	This reports outlines the financial position for the Council for 2018/19 and in so doing quantifies the financial risk associated with service decisions expected to be made for the financial year.
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.
Consultees	The position reported within this report has been reviewed and discussed with relevant Council Officers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

1. Executive Summary

1.1 The key headlines for the Council's forecast outturn for 2018/19 as at 30 June 2018 are as follows:

- General Fund revenue forecast outturn – pressure of £719k;
- General Fund capital - slippage of £2.979m; underspend of £206k;
- Housing Revenue Account revenue forecast outturn - pressure of £37k;
- Housing Revenue Account capital forecast outturn - slippage of £3.811m; on budget.

1.2 The report pack contains the following documents:

- Appendix A – General Fund Summary Spreadsheet
- Appendix B – HRA Summary Spreadsheet
- Appendix C – Capital Programme

2. Introduction

2.1 The purpose of this report is to present the Council's forecast outturn for 2018/19 as at 30 June 2018. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

3. General Fund Revenue Account

3.1 The General Fund revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).

3.2 Appendix A provides an overview of the General Fund forecast outturn position.

3.3 Corporate items

There is also a pressure against investment properties of £63k arising from building works to properties to protect income and business rates relating to void properties.

There is an underspend of £178k against non- controllable budgets. This includes additional grant funding over budgeted amounts, including £60k of funding relating to the Revenues and Benefits service and £64k of new burdens funding relating to the Planning service.

It is expected that draw down from earmarked reserves will be £196k less than budget.

3.4 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	11,254	11,583	329	2.9%
Housing & Community	1,299	1,405	106	8.2%
Strategic Planning & Environment	7,857	8,452	595	7.6%
Total	20,410	21,440	1,030	5.0%
Investment Property	(4,103)	(4,040)	63	-1.5%
Non-controllable budgets	(17,342)	(17,520)	(178)	1.0%
Earmarked Reserve movements	1,028	832	(196)	-19.1%
Contribution (to)/from General Fund Working Balance	(7)	712	719	

3.5 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

4. Finance and Resources

Finance & Resources	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,975	9,983	8	0.1%
Premises	1,876	1,830	(46)	(2.5%)
Transport	215	233	18	8.4%
Supplies & Services	3,550	3,964	414	11.7%
Third-Parties	594	649	55	9.3%
Transfer Payments	47,144	47,144	0	0.0%
Income	(4,516)	(4,636)	(120)	2.7%
Other Income	(47,584)	(47,584)	0	0.0%
	11,254	11,583	329	2.9%

4.1 Supplies & Services - £414k over budget (11.7%)

Pressure of £156k - There is pressure against the car parking contract of £156k. This is offset by a forecast in additional car parking income of £160k (see 4.3).

The balance of the variance reported against supplies and service is forecast to be funded via draw down from earmarked reserves.

4.2 Transport- £18k over budget (8.4%)

There are potential overspends coming from waste services as a result of the ageing fleet. Hire costs and repair costs are under close review and any overspends will be highlighted once these are confirmed.

4.3 Income £120k over-achievement of income (2.7%)

Over-achievement of income of £160k – Parking income is forecast to exceed budget by £160k. This is due to increased income from Council owned car parks and from on-street parking and offsets the pressure detailed at 4.1. This additional income is partly offset by other minor pressures against income.

Pressure of £40k – other income sources are forecast at £40k below budget. This includes service charge income relating to the Forum, attributable to budgets being set for 2018/19 prior to the full year operating costs being known.

5. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	9,687	9,682	(5)	(0.1%)
Premises	864	892	28	3.2%
Transport	1,201	1,167	(34)	(2.8%)
Supplies & Services	1,915	2,500	585	30.5%
Third-Parties	88	80	(8)	(9.1%)
Income	(5,898)	(5,869)	29	0.5%
	7,857	8,452	595	7.6%

5.1 Supplies and Services - £585k over budget (30.5%)

Pressure of £500k – There is a pressure relating to the cost of disposal of co-mingled waste. This is due to a recent decline in the global market for recycled material.

There are other minor forecast overspends within this category of expenditure.

5.2 Income - £29k under-achievement of budget (3.2%)

Pressure of £100k – Income relating to the Building Control service is forecast to be £100k below budget due to decline in customer numbers for the service. Action is being taken to market the service better to address this.

Pressure of £100k - Commercial Waste is forecast to be £100k below budget due to an ongoing decline in customer numbers.

Pressure of £61k - Income relating to Land Charges is forecast at £61k below budget.

Over-achievement of income £97k - Development Control is forecast to achieve £97k over its target income as a result of the volume of planning applications.

Overachievement of income £150k - An additional £150k of income is forecast as a result of incentive payments from Hertfordshire County Council (HCC), to reward Dacorum for improvements in the rate of recycling. This is under the Alternative Financial Model (AFM) methodology.

6. Housing and Community

Housing & Community	Current Budget	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	3,680	3,717	37	1.0%
Premises	905	918	13	1.4%
Transport	17	19	2	11.8%
Supplies & Services	1,722	1,735	13	0.8%
Third Parties	0	0	0	0.0%
Transfer Payments	55	55	0	0.0%
Income	(5,080)	(5,039)	41	0.8%
	1,299	1,405	106	8.2%

6.1 Income - £41k under-achievement of income (0.8%)

Pressure of £160k - There is a shortfall against income targets relating to garages rental income of £160k. £90k of this shortfall is a continuation of under-achievement of income in the previous financial year. £70k of the shortfall is due to an increase in the number of void garages.

Overachievement of income £210k - The pressure above is offset by net additional income over budget relating to Temporary Accommodation of £210k. The Council's own properties are being used to house tenants on a temporary basis rather than more expensive bed and breakfast accommodation.

There are other minor shortfalls against income targets elsewhere in the service.

7. Housing Revenue Account (HRA)

7.1 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.

7.2 The projected HRA balance at the end of 2018/19 is £37k under the budgeted balance of £2.9m.

7.3 Tenants charges - £84k overachievement of income (5.6%)

The recovery of costs associated with additional water bills at sheltered schemes is forecast to result in additional income over target amounts. This offsets the expenditure budget pressure detailed at 7.4 to this report.

7.4 Supervision and management - £85k over budget (0.7%)

Water charges for sheltered schemes are forecast to be higher than budget. The cost of these additional bills is recovered from tenants (see 7.3).

7.5 Other charges - £36k over budget (105.9%)

The cost of council tax relating to void properties is driving a pressure of £36k. The level of void properties is projected to be higher than that assumed at the time of budget setting.

8. Capital Programme

8.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The current budget is the original budget approved by Cabinet in February 2018, plus additional slippage identified at year end 2017/18 and approved amendments.

The 'Slippage' column refers to projects where expenditure is still expected to be incurred, but it will now be in 2019/20 rather than 2018/19. A revised capital programme for 2018/19 will be taken to Cabinet recommending that slippage identified now at Quarter 1 be formally re-phased to 2019/20.

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

	Current Budget	Slippage	Revised Budget	Forecast Outturn	Variance	
	£000	£000	£000	£000	£000	%
Finance & Resources	8,799	(590)	8,209	8,231	22	0.3%
Strategic Planning & Environment	6,920	(1,734)	5,186	4,958	(228)	-3.3%
Housing & Community	8,748	(655)	8,093	8,093	0	0.0%
G F Total	24,467	(2,979)	21,488	21,282	(206)	-0.8%
HRA Total	39,024	(3,811)	35,213	35,213	0	0.0%
Grand Total	63,491	(6,790)	56,701	56,495	(206)	-0.3%

8.2 General Fund Major Variances

The projected net underspend of £206k includes:

- Line 128: £125k underspend on Berkhamsted Sports Centre roof. The full budget of £250k is not required on this project, as a solution to extend the life of the roof by a further 20 years has been found at better value.

The slippage to future years is detailed in Appendix C. This includes:

- Line 43: slippage of £200k on the Demolition of the Civic Centre. Further to award of the tender for demolition of the Civic Centre in September 2017, work has been delayed due to the need to safely remove identified asbestos from the site. In addition, electrical complexities of the site have meant that the Council has been

required to comply with UK Power Networks who are the statutory body, in order to monitor electrical voltage to ensure health and safety.

- Line 48: slippage of £200k on Rossgate structural works. The scheme has been split into two phases due to the different levels of complexity of the works. Phase 1, window replacement will take place in 2018/19 as planned as the works are of a standard nature. Phase 2 will take place in 2019/20 due to the higher level of complexity in the design and planning stages.
- Line 85: slippage of £155k on the CRM project. There has been a delay in the delivery of this project as it has not been possible to recruit the necessary temporary resource. A thorough review of the project has resulted in re-phasing of the budget to reflect the more likely pattern of work.
- Line 117 and 118: slippage of £615k on the garage development projects Westerdale and Northend. The phasing of this project has changed from when the budget was set due to slight delays in the scheme.
- Line 129: slippage of £550k on Dacorum Athletics Track. Due to change in the scope of the project, consultations are now taking place to agree on the location of the athletics track. A decision on the way forward is likely to be known following Autumn Cabinet resulting in the delay of capital expenditure to 2019/20.
- Line 147: slippage of £1m on Fleet Replacement. There has been a further delay in the replacement of seven refuse collection vehicles. Following a review of the requirements of the service, a decision has been made as to the type of vehicles required, however due to the build time of these vehicles they will not be ready for use until 2019/20.

8.3 HRA Major Variances

- Line 180: slippage of £2.2m on Martindale. The start on site for this scheme is approximately 3 months later than anticipated when the budget was set.
- Line 181: underspend of £937k on Kylna Court. The scheme is due to complete in this financial year, and at present the full contingency on the scheme is not expected to be required. Any surplus budget will be re-allocated to schemes within the new build programme overall.
- Line 182: slippage of £857k on Stationers Place. Issues with the site have been worked through and a start on site is now expected in quarter 3 of 2018/19.
- Line 185 and 186: variance of £205k on Swing Gate Lane. The latest cost projections vary from the estimated budget and it will be necessary to re-allocate budget to this scheme in year.

9. Conclusions and recommendations

- 9.1 As at Quarter 1 2018/19, there is a forecast pressure of £719k against General Fund budgets and a forecast pressure of £37k against Housing Revenue Account budgets.

9.2 Members are asked to note the forecast outturn position for 2018/19. Further financial monitoring reports will be brought before Committee for consideration during the financial year 2018/19.



Dacorum Borough Council

Revenue Budget Monitoring Report for June 2018 (Cost of Services Analysis By Scrutiny Committee)

	Month			Year-to-Date			Full Year		
	Budget £000	Actuals £000	Variance £000	Budget £000	Actuals £000	Variance £000	Budget £000	Forecast Outturn £000	Variance £000
Cost of Services									
Finance and Resources	1,934	412	(1,522)	4,268	2,357	(1,911)	11,254	11,583	329
Housing and Community	99	133	34	593	822	229	1,299	1,405	106
Strategic Planning and Environment	462	672	210	2,110	2,231	121	7,857	8,452	595
Net Cost of Services	2,495	1,217	(1,278)	6,971	5,410	(1,561)	20,410	21,440	1,030
Other Items									
Investment Property	(158)	(78)	80	(1,908)	(1,838)	70	(4,103)	(4,040)	63
Investment Income	(13)	(31)	(18)	(40)	4	44	(158)	(168)	(10)
Interest Payments and MRP	81	0	(81)	242	0	(242)	970	970	0
Parish Precept Payments	0	0	0	778	778	0	778	778	0
Government Grants	(174)	(39)	135	(521)	(1,071)	(550)	(2,086)	(2,254)	(168)
Revenue Contribution to Capital	0	0	0	0	0	0	2,111	2,111	0
Taxation (Council Tax and Business Rates)	(1,237)	1,973	3,210	(3,711)	5,918	9,629	(14,843)	(14,843)	0
Surplus / Deficit on Provision of Services	(1,501)	1,825	3,326	(5,160)	3,791	8,951	(17,331)	(17,446)	(115)
Transfers between Reserves / Funds									
Net Recharge to the HRA	(343)	(32)	311	(1,029)	157	1,186	(4,114)	(4,114)	0
Contribution To / (From) Earmarked Reserves	86	0	(86)	257	0	(257)	1,028	832	(196)
Net Movement on General Fund Working Balance	737	3,010	2,273	1,039	9,358	8,319	(7)	712	719

Interpreting this report

Net Cost of Services

This subtotal includes those costs which are directly attributable to specific Council services, excluding recharges and capital items.

Other Items

This subtotal shows corporate costs and income, including grants from central government and taxation.

Transfers between Reserves / Funds

This section shows funding from reserves and from the recharge to the HRA.

Net Movement on General Fund Working Balance

This line shows the increase or decrease to the General Fund working balance



Housing Revenue Account

2018/19 Forecast Outturn Revenue Budget Monitoring Report

	Adjusted Budget £000	Forecast Outturn £000	Forecast Variance £000	%
Income:				
Dwelling Rents	(53,044)	(53,044)	0	0.0%
Non-Dwelling Rents	(102)	(102)	0	0.0%
Tenants Charges	(1,512)	(1,596)	(84)	5.6%
Leaseholder Charges	(487)	(487)	0	0.0%
Interest and Investment Income	(390)	(390)	0	0.0%
Contribution towards Expenditure	(535)	(535)	0	0.0%
Total Income	(56,070)	(56,154)	(84)	0.1%
Expenditure:				
Repairs and Maintenance	12,113	12,113	0	0.0%
Supervision & Management	12,043	12,128	85	0.7%
Rent, Rates, Taxes & Other Charges	34	70	36	105.9%
Interest Payable	11,594	11,594	0	0.0%
Provision for Bad Debts	700	700	0	0.0%
Depreciation	12,000	12,000	0	0.0%
HRA Democratic Recharges	301	301	0	0.0%
Revenue Contribution to Capital	7,285	7,285	0	0.0%
Total Expenditure	56,070	56,191	121	0.2%
Transfer to / from Housing Reserves	0	37	37	0.0%
HRA Deficit / (Surplus)	0	37	37	0.0%
Housing Revenue Account Balance:				
Opening Balance at 1 April 2018	(2,892)	(2,892)	0	
Deficit / (Surplus) for year	0	37	37	0.0%
Proposed Contributions to Reserves	0	0	0	
Closing Balance at 31 March 2019	(2,892)	(2,855)	37	

CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR JUNE 2018

APPENDIX C

Scheme	Budget Holder	Original Budget	Prior Year Slippage	In-Year Adjustments	Current Budget	Forecast Slippage	Revised Budget	Projected Outturn	Projected Over / (Under)	
General Fund										
Finance and Resources										
Commercial Assets and Property Development										
42	Old Town Hall - Cafe Roof and stonework renewal	Richard Rice	30,000	30,000	0	60,000	0	60,000	60,000	0
43	Demolition of Civic Centre	Richard Rice	0	1,040,712	0	1,040,712	(201,712)	839,000	839,000	0
44	Old Town Public Convenience Refurbishment	Richard Rice	0	12,908	0	12,908	0	12,908	30,263	17,355
45	Bennetts End Community Centre - Replace Roof	Richard Rice	0	35,000	0	35,000	0	35,000	32,000	(3,000)
46	Adeyfield Community Centre - replace roof	Richard Rice	25,000	44,230	0	69,230	0	69,230	99,000	29,770
47	Tring Community Centre - new play area for Children's Nursery	Richard Rice	0	13,110	0	13,110	0	13,110	25,000	11,890
48	Rossgate Shopping Centre - Structural Works	Richard Rice	210,000	90,901	0	300,901	(200,901)	100,000	100,000	0
49	Leys Road - Roof	Richard Rice	0	55,000	0	55,000	0	55,000	29,000	(26,000)
50	The Denes Shopping Centre - Renew Walkway & Canopy Covering	Richard Rice	30,000	50,000	0	80,000	0	80,000	80,000	0
51	Silk Mill - Renew asphalt tanking to stairs	Richard Rice	0	8,200	0	8,200	0	8,200	18,000	9,800
52	58 High St (Old Town), Hemel - Remove and Rebuild Wall	Richard Rice	0	42,000	0	42,000	0	42,000	36,000	(6,000)
53	100 High St (Old Town), Hemel - Window Replacement	Richard Rice	0	14,000	0	14,000	0	14,000	14,000	0
54	Half Moon Yard - Replace soffit/facia & external facade	Richard Rice	0	18,000	0	18,000	0	18,000	18,000	0
55	Long Chaulden Roof	Richard Rice	56,000	0	0	56,000	0	56,000	56,000	0
56	Bellgate - Walkway Renovation	Richard Rice	66,000	0	0	66,000	0	66,000	66,000	0
57	Kingshill Cemetery - Toilet Provision	Richard Rice	0	147,124	0	147,124	0	147,124	177,000	29,876
58	Heath Lane Chapel - Replace roof	Richard Rice	0	14,000	0	14,000	0	14,000	0	(14,000)
59	Kingshill Cemetery Infrastructure (New Burial Area)	Richard Rice	0	40,000	0	40,000	0	40,000	40,000	0
60	Bunkers Farm	Richard Rice	660,000	(9,672)	0	650,328	0	650,328	650,328	0
			1,077,000	1,645,513	0	2,722,513	(402,613)	2,319,900	2,369,591	49,691
Commissioning, Procurement and Compliance										
64	Car Park Refurbishment	Ben Hosier	465,000	233,560	0	698,560	(31,880)	666,680	666,680	0
65	Multi Storey Car Park Berkhamsted	Ben Hosier	2,637,907	754,724	0	3,392,631	0	3,392,631	3,392,631	0
			3,102,907	988,284	0	4,091,191	(31,880)	4,059,311	4,059,311	0
Democratic Services										
69	Election Management System Replacement	Jim Doyle	0	30,000	0	30,000	0	30,000	0	(30,000)
			0	30,000	0	30,000	0	30,000	0	(30,000)
Development Management and Planning										
73	Planning Software Replacement	Andrew Horner	0	86,964	0	86,964	0	86,964	86,964	0
			0	86,964	0	86,964	0	86,964	86,964	0
Housing & Regeneration Management										
77	The Forum (Public Service Quarter)	Mark Gaynor	0	0	0	0	0	0	0	0
78	Gade Zone	Mark Gaynor	0	24,938	0	24,938	0	24,938	27,099	2,161
			0	24,938	0	24,938	0	24,938	27,099	2,161
Information, Communication and Technology										
82	Rolling Programme - Hardware	Ben Trueman	425,000	100,000	0	525,000	0	525,000	525,000	0
83	Software Licences - Right of Use	Ben Trueman	50,000	0	0	50,000	0	50,000	50,000	0
84	Website Development	Ben Trueman	0	41,478	0	41,478	0	41,478	41,478	0
85	Future vision of CRM	Ben Trueman	35,000	343,650	0	378,650	(155,000)	223,650	223,650	0
			510,000	485,128	0	995,128	(155,000)	840,128	840,128	0
People										
89	EIS Replacement	Matt Rawdon	0	70,000	0	70,000	0	70,000	70,000	0

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Scheme	Budget Holder	Original Budget	Prior Year Slippage	In-Year Adjustments	Current Budget	Forecast Slippage	Revised Budget	Projected Outturn	Projected Over / (Under)
		0	70,000	0	70,000	0	70,000	70,000	0
Property and Place									
93 Disabled Facilities Grants	Ian Prendergast	741,000	14,043	0	755,043	0	755,043	755,043	0
		741,000	14,043	0	755,043	0	755,043	755,043	0
Revenues, Benefits and Fraud									
97 Revenues and Benefits new servers	Chris Baker	23,000	0	0	23,000	0	23,000	23,000	0
		23,000	0	0	23,000	0	23,000	23,000	0
Totals: Finance and Resources		5,453,907	3,344,870	0	8,798,777	(589,493)	8,209,284	8,231,136	21,852
Housing and Community									
Commissioning, Procurement and Compliance									
105 Rolling Programme - CCTV Cameras	Ben Hosier	25,000	0	0	25,000	0	25,000	25,000	0
106 Alarm Receiving Centre	Ben Hosier	65,000	0	0	65,000	0	65,000	65,000	0
		90,000	0	0	90,000	0	90,000	90,000	0
People									
110 Verge Hardening Programme	Matt Rawdon	350,000	(65,872)	0	284,128	0	284,128	284,128	0
111 Storage Facility at Grovehill Adventure Playground	Matt Rawdon	0	25,000	0	25,000	0	25,000	25,000	0
112 Capital Grants - Community Groups	Matt Rawdon	20,000	0	0	20,000	0	20,000	20,000	0
		370,000	(40,872)	0	329,128	0	329,128	329,128	0
Strategic Housing									
116 Affordable Housing Development Fund	David Barrett	4,870,000	1,125,000	0	5,995,000	0	5,995,000	5,995,000	0
117 Westerdale (Garage Development)	David Barrett	602,000	769,615	0	1,371,615	(1,342,153)	29,462	29,462	0
118 Northend (Garage Development)	David Barrett	128,000	274,615	0	402,615	726,859	1,129,474	1,129,474	0
119 Wood House - Office Space Fit Out	David Barrett	250,000	250,000	0	500,000	0	500,000	500,000	0
120 Temporary Accommodation - creation of new units	David Barrett	60,000	0	0	60,000	(40,000)	20,000	20,000	0
		5,910,000	2,419,230	0	8,329,230	(655,294)	7,673,936	7,673,936	0
Totals: Housing and Community		6,370,000	2,378,358	0	8,748,358	(655,294)	8,093,064	8,093,064	0
Strategic Planning and Environment									
Commercial Assets and Property Development									
128 Berkhamsted Sports Centre - Roof Replacement	Richard Rice	250,000	0	0	250,000	0	250,000	125,000	(125,000)
129 Dacorum Athletics Track - Resurface Track	Richard Rice	500,000	50,000	0	550,000	(550,000)	0	0	0
130 Hemel Sports Centre - renew heat and power system	Richard Rice	80,000	(80,000)	0	0	0	0	0	0
131 Hemel Sports Centre - renew hot water & heating plant	Richard Rice	105,000	(105,000)	0	0	0	0	0	0
132 Hemel Hempstead Sports Centre - Astroturf renewal	Richard Rice	70,000	0	0	70,000	(70,000)	0	0	0
133 Berkhamsted Sports Centre - Installation of new hot water calorifiers	Richard Rice	50,000	0	0	50,000	0	50,000	50,000	0
134 Berkhamsted Sports Centre - Building Management System	Richard Rice	150,000	0	0	150,000	0	150,000	150,000	0
135 Tring Swimming Pool	Richard Rice	1,380,000	454,725	0	1,834,725	0	1,834,725	1,760,000	(74,725)
136 Demolish Gadebridge Park Green-Keeper's Shed	Richard Rice	0	20,000	0	20,000	0	20,000	20,000	0
		2,585,000	339,725	0	2,924,725	(620,000)	2,304,725	2,105,000	(199,725)
Environmental Services									
140 Wheeled Bins & Boxes for New Properties	Craig Thorpe	20,000	0	0	20,000	0	20,000	20,000	0
141 Play Area Refurbishment Programme	Craig Thorpe	0	278,722	0	278,722	0	278,722	278,722	0

CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR JUNE 2018

Scheme	Budget Holder	Original Budget	Prior Year Slippage	In-Year Adjustments	Current Budget	Forecast Slippage	Revised Budget	Projected Outturn	Projected Over / (Under)
142 Waste & Recycling Service Improvements	Craig Thorpe	15,000	75,000	0	90,000	0	90,000	90,000	0
143 Commercial Waste Collection System	Craig Thorpe	0	25,000	0	25,000	0	25,000	25,000	0
144 Gadebridge Park - Splash Park	Craig Thorpe	200,000	40,192	0	240,192	0	240,192	210,500	(29,692)
145 Gadebridge Park - Infrastructure Improvements	Craig Thorpe	0	121,783	0	121,783	0	121,783	123,000	1,217
146 Gadebridge Park - Renovation of White Bridge	Craig Thorpe	250,000	0	0	250,000	0	250,000	250,000	0
147 Fleet Replacement Programme	Craig Thorpe	875,000	1,716,653	0	2,591,653	(1,060,141)	1,531,512	1,506,262	(25,250)
148 Fleet Services Renew Plant & Equipment	Craig Thorpe	155,000	0	0	155,000	0	155,000	180,250	25,250
		1,515,000	2,257,350	0	3,772,350	(1,060,141)	2,712,209	2,683,734	(28,475)
Strategic Planning and Regeneration									
152 Maylands Phase 1 Improvements	Chris Taylor	0	0	0	0	0	0	0	0
153 Urban Park/Education Centre (Durrants Lakes)	Chris Taylor	0	54,015	0	54,015	0	54,015	54,015	0
154 Maylands Business Centre	Chris Taylor	0	0	0	0	1,825	1,825	1,825	0
155 Water Gardens	Chris Taylor	0	(531,570)	550,000	18,430	(630)	17,800	17,800	0
156 Town Centre Access Improvements	Chris Taylor	(50,000)	125,159	0	75,159	0	75,159	75,159	0
157 Hemel Street Furniture	Chris Taylor	0	20,000	0	20,000	0	20,000	20,000	0
158 The Bury - Conversion into Museum and Gallery	Chris Taylor	(20,000)	75,000	0	55,000	(55,000)	0	0	0
		(70,000)	(257,396)	550,000	222,604	(53,805)	168,799	168,799	0
Totals: Strategic Planning and Environment		4,030,000	2,339,679	550,000	6,919,679	(1,733,946)	5,185,733	4,957,533	(228,200)
Totals - Fund: General Fund		15,853,907	8,062,907	550,000	24,466,814	(2,978,733)	21,488,081	21,281,733	(206,349)
Housing Revenue Account									
Housing and Community									
Property & Place									
170 Planned Fixed Expenditure	Ian Prendergast	17,480,000	0	(6,000,726)	11,479,274	0	11,479,274	11,479,274	0
171 Pain/Gain Share (Planned Fixed Expenditure)	Ian Prendergast	0	0	0	0	0	0	0	0
172 M&E Contracted Works	Ian Prendergast	0	0	600,000	600,000	0	600,000	600,000	0
173 Communal Gas & Heating	Ian Prendergast	0	0	2,975,000	2,975,000	0	2,975,000	2,975,000	0
174 DBC Commissioned Capital Works	Ian Prendergast	(2,645,989)	3,801,757	2,425,726	3,581,494	0	3,581,494	3,581,494	0
175 Special Projects	Ian Prendergast	0	(6,000)	817,000	811,000	0	811,000	811,000	0
		14,834,011	3,795,757	817,000	19,446,768	0	19,446,768	19,446,768	0
Strategic Housing									
179 New Build - General Expenditure	David Barrett	(415,000)	6,329,420	(483,200)	5,431,220	0	5,431,220	5,431,220	0
180 Martindale	David Barrett	2,705,097	1,341,586	0	4,046,683	(2,173,214)	1,873,469	1,873,469	0
181 Kylna Court (Previously known as Wood House)	David Barrett	3,860,000	1,111,605	483,200	5,454,805	(936,874)	4,517,931	4,517,931	0
182 Stationers Place / Apsley Paper Mill	David Barrett	(1,703,331)	4,865,692	0	3,162,361	(857,026)	2,305,335	2,305,335	0
183 Able House	David Barrett	(249,523)	268,769	0	19,246	(48,136)	(28,890)	(28,890)	0
184 New Build - Longlands	David Barrett	0	0	0	0	0	0	0	0
185 Swing Gate Lane	David Barrett	(457,173)	1,030,094	0	572,921	320,627	893,548	893,548	0
186 Swing Gate Lane Conversion	David Barrett	912,696	(23,143)	0	889,553	(116,116)	773,437	773,437	0
		4,652,766	14,924,023	0	19,576,789	(3,810,739)	15,766,050	15,766,050	0
Totals: Housing and Community		19,486,777	18,719,780	817,000	39,023,557	(3,810,739)	35,212,818	35,212,818	0
Totals - Fund: Housing Revenue Account		19,486,777	18,719,780	817,000	39,023,557	(3,810,739)	35,212,818	35,212,818	0
Totals		35,340,684	26,782,687	1,367,000	63,490,371	(6,789,472)	56,700,899	56,494,551	(206,349)

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Agenda Item 9



Agenda item:

Summary

Report for:	Finance & Resources Overview and Scrutiny Committee
Date of meeting:	11th September 2018
Part:	1
If Part II, reason:	

Title of report:	Finance & Resources Performance and Risk Report Quarter 4 2017/18
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 1 st quarter 2018/19, April – June.
Recommendations	That Committee notes the contents of the report and the performance of Finance & Resources for Quarter 1 2018/19.
Corporate objectives:	The provision of effective financial services and the allocation of resources such as building assets and facilities management support all five of the Council's corporate objectives, with particular reference to <i>Delivering an efficient and modern council</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.

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 1 of 2018/19 (April - June).

Appendix 1 – Finance & Resources Qtr 1 Operational Risk register.

Appendix 2 – Finance and Resources Qtr 1 Performance Report.

3. All scores as set out in the operational risk register at Appendix 1 have been reviewed during Quarter 1. There have been no changes to the previous quarter scoring.
4. The Performance Report, Appendix 2, highlights that 6 out of 12 KPI's have been reported as green and performance is strong, 5 are amber and are on the margins of delivery and only 1 KPI is red rated and in quarter 1 2018/19 is underperforming.
5. The KPI that is not being achieved at present is RBF06 responding to customer council tax queries within 14 days. The first quarter of the financial year is the period in which most queries are raised and the period in which the service is under the most pressure. The council tax bills for the financial year ahead are sent out and also the council tax leaflet is published and hence the most questions and queries are raised.
6. The Revenue and benefit service expects to improve the current performance on council tax queries being responded to in the second quarter.

Appendix 1 - Quarter 1 2018/19 Operational Risk Register.

Finance & Resources - Nigel Howcutt

FR_F02 Delays to Capital programme

Category: Financial	Corporate Priority: Dacorum Delivers	Risk Owner: Nigel Howcutt	Portfolio Holder: Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	2 Medium	8 Amber	3 Likely	2 Medium	6 Amber
Consequences		Current Controls		Assurance	
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Not delivering major projects within the timeframe to which it has committed itself exposes the Council to</p>		<p>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.</p> <p>In particular, scrutiny is focused on those elements of the capital bid that experience indicates are the primary cause of delays to capital projects. These include</p> <ul style="list-style-type: none"> • 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? <p>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.</p> <p>The following controls are in place with a view to</p>		<p>At Qtr 4 2017/18 the HRA outturn produced slippage of 28% and the general fund reported slippage of 34% an average slippage of 30%.</p> <p>At Quarter 1 2018/19 the Capital programme is reporting a 11% slippage in the £63m programme of works. This is broken down into a 10% HRA slippage and a general fund slippage of 12%. The vast majority of this slippage is caused by the delay on 5 or 6 key projects, that will be reviewed as part of the Quarter 1 Cabinet Financial report.</p>	



Appendix 1 - Quarter 1 2018/19 Operational Risk Register.

Page 41	reputational risk.	<p>developing a culture of scrutiny and challenge for officers to improve the accuracy of future bids:</p> <ul style="list-style-type: none"> • Monthly meetings take place between accountants and budget holders to monitor progress against original timeframes and costs; • Corporate Management Team (CMT) receive a monthly 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. <p>The 2018/19 capital programme profiling will be reviewed as part of the Qtr 1 monitoring period and AD's will be required to approve the profiling of these budgets and take accountability for delivery of these schemes within the projected timescales.</p>	
	Sign Off and Comments		
Sign Off Complete			
2018/19 Quarter 1 performance updated.			

FR_F03 Variances in General Fund revenue budget

Category: Financial	Corporate Priority: Dacorum Delivers	Risk Owner: Nigel Howcutt	Portfolio Holder: Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score



Appendix 1 - Quarter 1 2018/19 Operational Risk Register.

3 Likely	2 Medium	6 Amber	2 Unlikely	2 Medium	4 Green
Consequences		Current Controls		Assurance	
<p>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.</p> <p>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.</p> <p>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.</p>		<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>There are two opportunities for OSCs to scrutinize the budget proposals and directly question the relevant officers before the budget report is finalized and considered by Cabinet and Council.</p> <p>Once approved, in-year budget performance is managed through monthly meetings between accountants and budget holders, which underpin monthly reports to CMT</p>		<p>The internal audit report in relation to budgetary control was undertaken in early 2018 and a full assurance was achieved in May 2018. The 2017/18 outturn reported a variance on the general fund net cost of service of only £89k, a variance of less than 1% of the net operating budget. This outturn suggest an accurate and efficient budget was set for 2017/18.</p> <p>In quarter 1 2018/19 the general fund is reporting a 4% budget pressure and services are working on plans to mitigate this pressure in year. The main financial pressure is the reduction in income on recyclables, linked to the downturn in the global market for recyclable products.</p>	

Appendix 1 - Quarter 1 2018/19 Operational Risk Register.

	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.	

Sign Off and Comments

Sign Off Complete

The 2018/19 Quarter 1 budget monitoring has been completed and pressures have been highlighted for budget holders to address.

FR_I02 Failure to optimise income generated by commercial assets



Category: Infrastructure	Corporate Priority: Dacorum Delivers	Risk Owner: Nigel Howcutt	Portfolio Holder: Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
<p>The council has a significant portfolio of commercially let properties, which provides one of the council's largest sources of income.</p> <p>Council officers must attempt to maximize 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 jeopardize the council's achievement of its corporate objectives of Regeneration and Dacorum Delivers.</p> <p>The continuing recession and the difficulties it brings for local businesses increases the likelihood of this risk crystallizing.</p>		<p>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.</p> <p>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</p>		<p>2018/19 Quarter 1 performance shows occupancy is at 96%, 1% above target and an improvement on the 2017/18 outturn position. The percentage of rent arrears is at 7%, 1% below the KPI of 8%. This is also 1% ahead of the year on year position.</p>	

Appendix 1 - Quarter 1 2018/19 Operational Risk Register.

	<p>how it can impact on council income.</p> <p>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.</p>	
Sign Off and Comments		
<p>Sign Off Complete</p> <p>The commercial assets service is working hard to ensure that occupancy is maximized where possible, whilst also keeping rent arrears a minimal level.</p>		

FR_104 Failure to maintain an effective business continuity plan for all relevant service areas					
Category: Infrastructure	Corporate Priority: Safe and Clean Environment	Risk Owner: Nigel Howcutt	Portfolio Holder: Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	4 Severe	12 Red	2 Unlikely	4 Severe	8 Amber
Consequences		Current Controls		Assurance	
Disruption caused by service failure leading to hardship for individuals, potential loss of business and significant reputational damage		<p>These controls are implemented to ensure that the Council is adequately prepared and able to continue providing key services in the event of an emergency situation. Through this control, the probability of the Council being unable to respond to such an emergency is reduced.</p> <ul style="list-style-type: none"> - Annual review process. - Corporate business continuity process and procedures set out in emergency response toolkit. 		A CMT emergency planning exercise was conducted in October which all members of the Finance and Resources DMT attended.	
Sign Off and Comments					
Sign Off Complete					



Appendix 1 - Quarter 1 2018/19 Operational Risk Register.

FR_R01 Council Tax and Business Rates collections rates drop below budget

Category: Reputational	Corporate Priority: Dacorum Delivers	Risk Owner: Nigel Howcutt	Portfolio Holder: Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	2 Medium	6 Amber	3 Likely	2 Medium	6 Amber
Consequences		Current Controls		Assurance	
<p>Distribution of collection fund to other preceptors is based on the budgeted collection level, if collection falls short this could lead to a cash flow issue within the Council's finances. The fund distribution is balanced after the end of the financial year.</p> <p>Reputational risk if collection rate falls significantly – this could also impact on future years' council tax base leading to increased budget pressures.</p> <p>Financial risk in relation to business rate retention scheme if rates collection falls below government set baseline.</p>		<p>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 minimize the ongoing negative impact on collection.</p> <p>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.</p> <p>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 reduce the risk of under-collection because it eliminates the risk of a payer forgetting to make a monthly payment.</p> <p>There is an active programme for taking formal recovery action against non payers.</p>		<p>At quarter 1 2018/19 the business rates collection rate is 28.7% against a target of 29%. There are outstanding business rates queries that are being dealt with that equate to 0.2% of this shortfall, and the year end outturn target of 98.4% is still expected to be achieved.</p> <p>The council tax collection rate is 30% against a target of 30.2% the annual target of 98.5% is still expected to be achieved.</p>	

Sign Off and Comments

Sign Off Complete



Appendix 1 - Quarter 1 2018/19 Operational Risk Register.

The Business rates and council tax collection rates are marginally behind target with outstanding annual queries still being resolved, at present the year targets are still expected to be achieved.

FR_R02 Delays and errors in the processing of Benefits claims

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:	
Reputational	Dacorum Delivers	Nigel Howcutt	Graeme Elliot	Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	3 High	12 Red	3 Likely	2 Medium	6 Amber
Consequences		Current Controls		Assurance	
<p>This risk links to the corporate objective Dacorum Delivers, focusing on an efficient and effective council.</p> <p>Customers could suffer personal hardship resulting from delays or errors in the processing of claims.</p> <p>Significant reputational risk associated with high-profile errors.</p> <p>Staff time spent on addressing unnecessary errors leads to duplication of effort and is an inefficient use of resources.</p> <p>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.</p> <p>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.</p>		<p>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 optimize performance. By subjecting the process to this regular in-depth scrutiny the Service is able to reduce the probability of the risk crystallizing, hence the reduction between the Inherent Risk score (4) and the Residual Risk score (2) after the controls have been taken into account.</p> <p>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.</p> <p>Average time taken for processing new claims and changes in circumstances forms part of monthly monitoring.</p> <p>Processes are in place to expedite cases where the</p>		<p>The time taken to decide a housing benefit claim in the 1st quarter 2018/19 was 22 days against a target of 20 days.</p> <p>The time taken to decide a housing benefit change event is 7.7 days against a target of 6 days, this first quarter performance does represent an improvement on last years 1st quarter by 0.1 days, but is still below where the service need to be.</p>	



Appendix 1 - Quarter 1
 2018/19 Operational Risk
 Register.

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.

Sign Off and Comments

Sign Off Complete

The targets set for housing benefit claims and housing benefit changes are very stretching targets, and the targets have been increased by 15% and 30% respectively over the last 2 years. Constant process reviews and performance monitoring are undertaken to enhance the service delivered to strive to achieve these targets.



PERFORMANCE DASHBOARD

Performance Report by Group Manager

KEY			
Target missed	■	No data	■
Within tolerance	■	No target	■
Target met / exceeded	■	Hover text	i

Quarterly Performance Report - by Group Manager			Reporting Period - June 2018					
Indicator Name	Indicator Owner	Updater & Secondary updater	Results Jun-18		Last Years Results Jun-17	Rolling RAG ● ● ●	Comments	Actions
Financial Services								
Dacorum Delivers - Performance excellence								
FIN01 - Percentage of creditor trade invoices paid within 30 days	Fiona Jump	Sally Nunn Glenda Braggins	97.9% 2638/2694 Target: 97	96.3% 3561/3699 Target: 97	97.6% 2797/2865 Target: 97	0 2 3		
FIN02a - Time taken for debtors to pay	Fiona Jump	Catherine Hamilton Lyn Smith	33.2 Days Target: 40	37.2 Days Target: 40	47.2 Days Target: 40	2 0 3		
Dacorum Delivers - Efficiencies								
FIN03 - General Fund expenditure - outturn forecast against budget	Fiona Jump	Caroline Souto Lucy tash	£17026000 Target: 16308000	£17423000 Target: 17745000	£17154000 Target: 17433000	0 1 4	i	
FIN04 - HRA expenditure outturn forecast against budget	Fiona Jump	Caroline Souto Keshika Naidoo	£56191000 Target: 56070000	£55860000 Target: 56357000	£56479000 Target: 56607000	0 2 3	i	
FIN05 - HRA income - outturn forecast against budget	Fiona Jump	Caroline Souto Keshika Naidoo	£56154000 Target: 56070000	£57092000 Target: 56357000	£56712000 Target: 56607000	0 1 4		
FIN06 - General Fund Capital Expenditure - outturn forecast against budget	Fiona Jump	Caroline Souto Jackie Doyle	£21280538 Info Only	£9834865 Info Only	£8947000 Info Only	0 0 0		
FIN07 - HRA Capital Expenditure: outturn forecast against budget	Fiona Jump	Caroline Souto Keshika Naidoo	£35212818 Info Only	£24468275 Info Only	£33694000 Info Only	0 0 0		
FIN08 - Investment income: outturn forecast against budget	Fiona Jump	Tracy Claridge Aaron Keyte	£562110 Target: 548000	£375920 Target: 442000	£283460 Target: 442000	4 0 1		

Commercial Assets and Property Development							
Regeneration - Drive value from Council owned assets							
CP01 - Percentage of commercial property occupation	Richard Rice	Adriana Livingstone Georgina Davies	95.89% 584/609 Target: 95	95.4% 581/609 Target: 95	96.99% 580/598 Target: 95	0 0 5	
CP02 - Percentage arrears on commercial property rents	Richard Rice	Adriana Livingstone Georgina Davies	7% 372595/5006 200.66 Target: 8.75	7% 364866/5085 000 Target: 6.5	8% 403886/5085 000 Target: 7.5	0 4 1	
Dacorum Delivers - Efficiencies							
FIN11 - Investment Property Income ytd budget against ytd actual	Richard Rice	Caroline Souto Lucy tash	£2039671 Info Only	£4717942 Info Only	£2077164 Target: 2077075	0 0 2	
Revenues, Benefits and Fraud							
RBF01 - Average time taken to decide a new claim for Housing Benefit	Chris Baker	Claire Morrison Matthew Kelly	22 Days 12733/577 Target: 20	19.4 Days 11007/566 Target: 20	19.9 Days 9512/477 Target: 20	2 1 2	i
RBF02 - Average time taken to decide a change event for Housing Benefit	Chris Baker	Claire Morrison Matthew Kelly	7.7 Days 59544/7679 Target: 6	4 Days 66880/16547 Target: 5	7.8 Days 63286/8069 Target: 10	0 3 2	i
Dacorum Delivers - Value for money							
RBF04 - NNDR (Business Rates) in-year collection rate	Chris Baker	Jake Seabourne Anna Elliott	28.7% Target: 29	98.3% Target: 98.4	29% Target: 27.7	0 3 2	i
RBF05 - Council Tax collection rate	Chris Baker	Jake Seabourne Anna Elliott	30% Info Only	98.5% Info Only	30.2% Target: 30.4	0 2 0	i
Dacorum Delivers - Efficiencies							
RBF06 - Council Tax customer contact response (percentage of contacts responded to within 14 days)	Chris Baker	Stuart Potton Anna Elliott	83% 8419/10098 Target: 89	97% 8632/8942 Info Only	90% 8519/9485 Target: 98	2 1 0	i

Agenda Item 10



AGENDA ITEM:

SUMMARY

Report for:	Finance and Resources Overview & Scrutiny Committee
Date of meeting:	11th September 2018
PART:	1
If Part II, reason:	

Title of report:	Quarter 1 Performance Report – Corporate and Contracted Services
Contact:	<p>Cllr David Collins, Portfolio Holder for Corporate and Contracted Services</p> <p>Author/Responsible Officers:</p> <p>Mark Brookes (Assistant Director – Corporate and Contracted Services)</p> <p>Jim Doyle, Group Manager (Democratic Services)</p> <p>Ben Hosier – Group Manager (Procurement and Contracted Services)</p>
Purpose of report:	To provide Members with the performance report for quarter one in relation to Corporate and Contracted Services.
Recommendations	That Members note the report.
Corporate objectives:	Resources and Value For Money; Optimise Resources and Implement Best Practice.
Implications:	<u>Financial</u> None.
'Value For Money Implications'	<u>Value for Money</u> Monitoring Performance supports the Council in achieving Value for Money for its citizens.

Risk Implications	Risk Assessment completed for each service area as part of service planning and reviewed quarterly.
Equalities Implications	Equality Impact Assessment completed for each service area as part of service planning and reviewed quarterly.
Health And Safety Implications	None
Consultees:	Cllr David Collins, Portfolio Holder for Corporate and Contracted Services
Background papers:	Annex 1: Quarter 1 Performance Report Annex 2: Quarter 1 Operational Risk Register

1. Members will find attached to this report the Corvu performance data for Corporate and Contracted Services.
2. Members will also note that the only Operational Risk which falls within this area is CE_R01 Failure to deliver successful elections and there have been no changes to this risk during the first quarter.
3. Members will note that at Annual Council in May the Leader of the Council created a new portfolio of Corporate and Contracted Services.
4. The Head of Paid Service, acting under delegated powers, subsequently approved a small number changes to the existing Leadership Team to ensure that the new Portfolio Holder is appropriately supported at officer level. The Group Manager (Commissioning, Procurement and Compliance) will be renamed to Group Manager (Procurement and Contracted Services) and will be moved to the Chief Executive's Unit and will fall under the line management of a new post entitled Assistant Director (Corporate and Contracted Services). This post will be created from the existing Solicitor to the Council role that will be deleted from the structure. All costs of the changes will be met within existing service budgets.
5. The services included in this report are therefore those services which fall under the Assistant Director (Corporate and Contracted Services), which are Legal, Licensing, Corporate Support (which includes the now combined teams of Members Support, Electoral Registration and Corporate Support) and Procurement and Contracted Services.

LEGAL

The Legal Team

6. The Legal team frequently represent the Council in the courts and tribunals, leading on injunctions, prosecutions and defending employment tribunal cases and judicial review proceedings. In the last quarter the Legal team presented the following cases in court:-

Matter	Client/type	Case Detail
DBC v D Powell	Housing /Possession	Case concerns possession proceedings owing to anti-social behaviour. The matter has been ongoing for a number of years. The Defendant had appealed the warrant. The matter was determined on 25 May 2018 when the Defendant's application was dismissed.
DBC v Z Rochester	Housing	Closure Order granted for 40 St Paul's Road owing to ASB on 30 May 2018. Full Closure Order for 3 months.
449 London Road	Planning/Judicial Review	Successfully defended planning Judicial Review relating to 449 London Road – secured our costs in full.
Nowits Law Ltd & Litigants in Persons Ltd		<p>Unlawful advertising – two companies found guilty:</p> <p>Sentenced as below.</p> <p><u>Nowits Law Ltd</u></p> <p>Fine: £42,500 (£2,500 for each offence x 17 offences)</p> <p>Costs £1,202.50</p> <p>VS £130.00</p> <p><u>Litigant in Persons Ltd</u></p> <p>Fine: £42,500 (£2,500 for each offence x 17 offences)</p> <p>Costs £1,202.50</p> <p>VS £130.00</p> <p>The total fine to be paid by both</p>

		companies is £85,000
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7. The team have been active completing a number of planning and conveyancing transactions bringing significant income into the Council. In the last quarter the team completed a grant funding agreement (RTB recycle grant) enabling development of 11 new affordable housing units by a housing association (for which we have nomination rights) and also completed on the sale of 6 garage sites totalling £3.06m

8. The Information Security Team Leader has been working on a project to ensure that the Council is compliant with the General Data Protection Regulations (GDPR) for the go-live date of 25th May. This has included drafting new policies and procedures and training all relevant staff and councillors. The project has now been subject to an internal audit which was satisfied with the progress made subject to two minor recommendations.

CORPORATE SERVICES

Elections/Electoral Registration

9. As far as the Register of Electors is concerned Monthly Rolling Registration has been as follows;

April - total 1137

Additions: 593

Amendments: 84

Deletions: 460

May - total 932

Additions: 446

Amendments: 100

Deletions: 386

June - Total 1429

Additions: 714

Amendments: 285

Deletions: 430

Quarter totals

Additions: 1753

Amendments: 469

Deletions: 1276

10. **New software – Express**

The installation of the new software, for Electoral Registration and Election Management was successfully completed on the 3rd of July 2018. The team

have received training on its use and things are going well. This will also be used to run this year's annual canvass.

11. Staffing

The new Business Administration Apprentice has started and is fitting in well.

12. Vote 100/Equalities event

Democratic Services held an event at Evelyn Sharp Housing on Friday 29th June to celebrate the centenary of women getting the vote. It was run as part of a national event by UK Parliament. Tenants at the scheme were joined by the Cavendish School's History Club and took part in debate sessions in groups and a quiz. The event was attended by the Mayor, Councillor Williams and Councillor Griffiths. Feedback received was extremely positive with both the tenants and students pleased that they were able to engage with a different generation to discuss current issues.

Member Support Services

13. During Quarter 1, Member Support carried out the following:

- Published 15 agendas
- Completed 15 sets of minutes
- Spent 23 hours and 15 minutes at evening meetings
- Processed 50 public speakers at Committee
- Published 4 Portfolio Holder Decisions
- Published 16 Officer Decisions

14. Town & Parish Liaison

During the quarter the following were supported

- 7 Community Association meetings
- 1 Community Association AGM
- 1 High Sheriff Tour Planning meeting
- Organised and Chaired the Centre Managers meeting
- Organised and visited Sunnyside Rural Trust with the Mayor

15. Mayoral Support

As well as the usual day to day support and assisting the Mayor, the service planned and delivered the Mayors Garden Party. This is a never before held event for Dacorum and was a successful and enjoyable day. The team are currently working on delivering new ways of fundraising and a new Mayors Charity Appeal Bank Account and JustGiving Page are in the process of being set up.

PROCUREMENT AND CONTRACTED SERVICES

16. Procurement – The workload remains at a high level managing tender activities across the Council in the following areas:
- Housing New Build Programme
 - Cemetery Development
 - Planning Software Upgrade
 - Refuse Fleet Upgrade
 - Market Operator
 - Enforcement Agent
 - Occupational Health
 - Housing Benefits Resilience Service
 - CCTV Upgrade & Maintenance

17. Parking Services – The level of complaints concerning the new Parking Enforcement contract continue to reduce to only a couple a week.

The financial position on the new contract is as follows:

- The income from Penalty Charge Notices is down from this time last year (£21k) and as a result there is a budget pressure of £28k up to July.
- The income from off street car park is up from this time last year (£50k) and as a result there is a budget surplus of £87k up to July.
- The reduction in the number of PCN's being issued was anticipated as more people became aware that we were using ANPR CCTV technology and the likelihood of being caught increased, the increase in the parking income was also anticipated as it was felt that more people would pay to park and with there not being a physical ticket, they could not pass over any un-used minutes.

18. CCTV – The Service continues to deliver safeguarding measures to residents and members of the public through the delivery of the CCTV service. The Service is continuing in its quest to become an accredited Alarm Receiving Centre which will enable the CCTV service to deliver alarm monitoring services across the Council which will be delivered at a lower cost than is currently being delivered by external providers

19. Leisure Contract – The redevelopment at Hemel Leisure Centre is on track and is going well. New signage for Hemel Leisure centre has been agreed. The Active Communities Manager has been appointed and will start properly in October. The outdoor pool has been extremely busy this summer and additional directional signage has been requested and installed.

The performance KPI's have been agreed by the Strategic Board and will be monitored and reported on from September.

20. Multi-Storey Car Park – work ongoing between the legal parties to finalise the contract.

Huber are progressing with the utility providers, noticeably with BT Openreach and UKPN and have arranged site visits and have entered in to discussions with Cadentgas and Thames Water concerning the other utilities.

Temporary Car Park – the planning application was submitted on 19/7/18, following clarification points raised by planning, additional work has taken place and the requested information to validate the application for the temporary car park was submitted on 08.08.2018. Planning have confirmed that they will do all that they can to ensure that a decision on the application is concluded within the agreed timeframe.

Indicator Name	Results Jun-2018	Last Quarters Results Mar-18	Last Years Results Jun-17	RAG	Comments	Actions
Dacorum Delivers - Performance excellence						
LG03 - Percentage of Right to Buy documents sent to tenants/their Solicitors within 15 working days of receipt of full instructions	100% 8 / 8 Info Only	100% 8 / 8 Info Only	100% 21 / 21 Info Only		No Comments	No Info
LG06 - Percentage of housing possession proceedings commenced within 20 working days of receipt of full instructions	100% 2 / 2 Info Only	100% 3 / 3 Info Only	100% 0 / 0 Info Only		No Comments	No Info
LG09 - Percentage of prosecution proceedings commenced within 20 working days of receipt of full instructions	100% 3 / 3 Info Only	100% 3 / 3 Info Only	100% 2 / 2 Info Only		No Comments	No Info
Dacorum Delivers - Reputation and profile delivery						
DPA01 - Percentage of DPA requests met in 40 days	100% 13 / 13 Target: 100	100% 9 / 9 Target: 100	100% 14 / 14 Target: 100	0 0 3	No Comments	No Info
CS02a - Percentage stage 1 complaints resolved in 15 days for the Council	96.55% 56 / 58 Target: 80	96.43% 54 / 56 Target: 80	71.11% 32 / 45 Target: 80	0 0 4	No Comments	No Info

Indicator Name	Results Jun-2018	Last Quarters Results Mar-18	Last Years Results Jun-17	RAG	Comments	Actions
CS02b - Percentage stage 2 complaints resolved in 15 days for the Council	100% 3 / 3 Target: 80	No Data 0 / 0 Target: 80	25% 1 / 4 Target: 80	0 0 3	No Comments	No Info
FOI01 - Percentage FOI requests satisfied in 20 days	98.4% 185 / 188 Target: 100	97.45% 191 / 196 Info Only	98% 147 / 150 Target: 100	0 1 0	No Comments	No Info
MS01 - Average number of training opportunities taken up per Member	No Data Info Only	No Data Info Only	No Data Info Only		No Comments	All course sessions accompanied by evaluation form. Scheme for 2019-20 Council year being developed.
Dacorum Delivers - Efficiencies						
FIN13 - Car Parking Income ytd budget against ytd actual	£583571 Target: 530780	£2276406 Target: 2110140	£580899 Target: 527535	0 0 4	No Comments Approver Comments: Income is above target	N/A



AGENDA ITEM:

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

Title of report:	Performance and Risk report Quarter 1 2018/19 – Performance, People & Innovation
Contact:	David Collins, Portfolio Holder Corporate & Contracted Services Author/Responsible Officer: Linda Roberts (Assistant Director – Performance , People and Innovation), Matt Rawdon (Group Manager – People) and Ben Trueman (Group Manager – Technology and Digital Transformation)
Purpose of report:	To provide the Committee with analysis of performance and risk management for the services and functions provided by the Performance, People & Innovation Division.
Recommendations	That the Committee notes the contents of the report and the performance of the division for Quarter 1 2018/19.
Corporate objectives:	The Performance, People & Innovation division supports the delivery of all corporate objectives, although there is a particular focus on ‘modern and efficient council’.
Implications:	<u>Financial</u> Poor performance could lead to increases in costs as well as reducing the value of our service offer.
‘Value For Money Implications’	<u>Value for Money</u> The work of the division supports the achievement of value for money in the pursuit of the Council’s objectives
Risk Implications	Risk Assessment regularly reviewed
Equalities Implications	There are no equalities implications arising from this report.
Health And Safety Implications	There are no health and safety implications arising from this report.

Consultees:	None
Background papers:	Attached: 1. Quarter 1 Operational Risk and Performance reports
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	This is a regular report to the committee detailing the performance of the relevant services for this committee over the last quarter. The review also considers operational risks and highlights any additional controls and assurances needed to address the issues raised.
Glossary of acronyms and any other abbreviations used in this report:	<ul style="list-style-type: none"> • IT – Information Technology team • FirstCare – The Council’s sickness management system • KPIs – Key performance indicators

Introduction

- 1.1 Performance reports are produced on a quarterly basis with information collated in the Council's new performance management system (Rocket).
- 1.2 The performance report for the division is attached and it examines progress in relation to two key themes:
 - 1.2.1 Human Resources
 - 1.2.2 IT and Digital Services
- 1.3 Targets are included in those areas where it would act as a positive driver on performance behaviour.

Monitoring Performance

Summary

- 2.1 Overall performance in quarter 1 is relatively positive. Of the eight targetable indicators, five were green and three were amber.

Detailed Analysis

3.1 Customer Services

3.2 Performance targets CSU10, CSU13 are amber for quarter 1. Both of these indicators have improved since last quarter as we have now managed to recruit to vacant posts. These recently appointed junior staff will continue to be trained but it does take several months before they are multi skilled and can handle a variety of customer contacts. There is a review currently being undertaken of the CSU service which is focussing on: Future KPIs, channel shift strategies, training, recruitment and retention and operations.

4.1 Human Resources

4.2 Sickness absence has improved this quarter from last, but is worse than the same quarter last year. . The Council is continuing to operate a robust management process that involves a senior management team (supported by HR) reviewing every case of sickness on a monthly basis to ensure that we are taking robust and fair action. The sickness project has commenced and is focussing on proactive measures to prevent sickness as well as finding solutions to get people back to work quicker.

4.3 Staff turnover can help the organisation to understand its performance in relation to employee retention and motivation. The staff turnover rate has increased in Q1 to 12% compared to the previous quarter of 8%. A staff turnover rate between 10% - 15% is considered healthy as an industry standard.

5.1 IT and Digital Services

5.2 Systems availability (99.94%) was positive within the quarter. Internet connectivity was briefly affected by 3rd party issues on separate occasions in April and May but these were resolved by the supplier speedily and the impact was relatively minor.

Risk Management

PP_R011 Failure to deliver Digital Dacorum leads to poor customer experiences and increased costs from calls and face-to-face visits

In the last quarter we have launched a number of new GDPR compliant subscription sign-up forms (Garden Waste, Homelessness Forum, Private Sector Housing, etc.) . Development of the Resident Portal (“MyDacorum”) continued as the soft launch approached.

PP_R012 Failure to deliver an effective approach to the management of performance, projects and complaints

The majority of performance indicators and projects are in target and continue to be monitored jointly by members and senior officers.

PP_R014 Failure to achieve the service outcomes outlined in each of the new community and Leisure contracts

The community contracts are continuing to perform effectively and an update is due to Finance and Resources OSC in July.

The performance boards are set up to measure the ‘Everyone Active’ contract.

PP_R015 Failure to effectively and proactively manage the media profile of DBC including social media

Continued growth our social media channels as a primary communication tool. Over the last three months we have increased subscribers to Digital Digest from 10,000 to 14,500.

PP_R016 Failure to effectively and proactively manage all aspects of employee relations

We continued to provide dedicated support and coaching for all managers engaged in employee relation issues.

PP_R017 Failure to support the organisation, and in particular the leadership team, to manage organisational change and staff development including the move to the Forum

Celebrated national learning week for 5 days of ‘bitesize’ courses focussing on career development, wellness and nutrition.

Human Resources piloted a CPD accredited management training course for middle managers and aspiring managers. 12 staff attended and passed the course. Excellent

feedback was received by the attendees and we will shortly be offering this training programme more widely.

PP_R018 Failure to understand and respond to the current and future technology needs of the Council

The refresh of desktop equipment for officers is now under way and expected to complete Summer 2019. As well as access to enhanced software, the new equipment provides a greater flexibility in working arrangements, such as mobile working. The quarter also saw the start of substantive work to replace equipment in DBC data centres, providing capacity for current and future requirements.

The Democratic Services application has now been successfully replaced and the Planning/Building Control application has completed procurement with a view to going live on the new system in 2019.

PP_R04 Failures in ICT resilience or security leading to significant system downtime

In Q4 overall systems availability was 99.94%. The Council deploys a wide range of security controls and work is progressing on delivery of resilient lines on the BT network to the Council's data centre.

Agenda Item 12



Report for:	Overview and Scrutiny Committee
Date of meeting:	11th September 2018
Part:	1
If Part II, reason:	

Title of report:	
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations) Nigel Howcutt, Assistant Director (Finance and Resources)
Purpose of report:	To present to Cabinet the revised Medium Term Financial strategy for approval.
Recommendations	It is recommended that Cabinet recommend to Council the approval of the Revised Medium Term Financial Strategy for the period 2018/19 – 2022/23.
MTFS Review	As part of the budget scrutiny sessions, in December and February any proposed changes to the MTFS will be reviewed.
Corporate objectives:	The Medium Term Financial Strategy supports the delivery of all five of the Corporate Objectives.
Risk implications	There are potentially significant financial impacts associated with not clearly setting out and approving the Medium Term Financial strategy and financial modelling.
Community Impact Assessment	N/A
Health and safety Implications	N/A
Consultees:	Cabinet July 2018 Corporate Management Team. Budget Review Group. Finance & Resource Scrutiny
Background papers:	Budget Report to cabinet February 2018. Final Outturn Report to Audit Committee, July 2018.

Medium Term Financial strategy.

**DACORUM BOROUGH COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2019/20–
22/23.**

August 2018

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Appendix A – General Fund Budget 2018/19 – 2022/23

Appendix B – Housing Revenue Account Budget 2018/19 – 2022/23

Appendix C – General Fund Reserves Summary 2018/19 – 2022/23

1. Introduction

- 1.1 The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document. In detailing the financial implications of the Corporate Plan over a five-year period, the MTFS provides a reference point for corporate decision-making and ensures that the Council is able to optimise the balance between its financial resources and delivery of its priorities.
- 1.2 The MTFS informs the annual budget-setting process, ensuring that each year's budget is balanced and considered within the context of the Council's ongoing sustainability over the entirety of the planning period. The annual budget-setting process is detailed in the Financial Planning Framework in Section 3.
- 1.3 In order to forecast the Council's future financial position, the MTFS contains a number of assumptions, the bases of which are detailed throughout the Strategy. It should be noted that these assumptions are subject to change. The Corporate Director (Finance & Operations) will report back to Cabinet as a matter of urgency if there are changes to key assumptions in the Strategy that threaten the sustainability of the approved MTFS.

2. Recommendations

- 2.1 The Overview and Scrutiny Committee are asked to review and note the Medium Term Financial Strategy.

3. Financial Planning Framework

- 3.1 The Financial Planning Framework, shown below, demonstrates the process by which the Council ensures that revenue and investment plans are developed in tandem, and that the annual budgets approved by Council each February are developed within the context of longer-term sustainability. It also demonstrates the consultation the Council undertakes with major stakeholders as part of the budgeting process.

July	The final 2017/18 audited accounts are approved by the Audit Committee. Proposed departmental savings targets and MTFS is approved and communicated.
August/September	Budget Holders begin developing Service Plans, in consultation with Portfolio Holders, for the following year. These plans include revenue and capital bids, and highlight new savings proposals and budgetary pressures.
September	Proposed Savings proposals and budget changes are scrutinised and challenged by the Corporate Director (Finance & Operations), Chief officers group and the Budget Review Group, supported by the Financial Services team.
October	Final Savings proposals approved by COG and the Budget Review Group.
November	Draft budget proposals presented to Joint Overview & Scrutiny Committee, for Members' scrutiny.

November	-	Provisional Local Government Finance Settlement announced by Government, which sets the level of grant the Council will receive over the next year(s).
December		Consultation events held with Town and Parish Clerks and Members, and with members of the public.
January		Feedback from November Joint OSC is considered by Budget Review Group, and incorporated into final budget proposal presented to a second Joint Overview & Scrutiny Committee meeting.
February		Final budget report presented to Cabinet for recommendation to Council. Council considers the recommendations of Cabinet for approval.
April		The new financial year begins, and the approved budget is then assessed under the in-year budget performance monitoring process.

4. Review of the Council's primary funding streams (General Fund)

- 4.1 On 6 February 2018, the Secretary of State for the Ministry of Housing, Communities and Local Government, The Rt Hon Sajid Javid MP, made a statement to Parliament on the Local Government Finance Settlement 2018/19. This announcement was the third year of a 4 year offer, with 2019/20 being the final year. The Settlement's key implications for Dacorum are summarised, below.

Reduced central government grant to the local government sector

- 4.2 On a national level, in 2018/19 there was a 5.37% reduction in the amount of Settlement Funding Assessment paid by Government to local authorities – reducing from £17.9bn to £16.9bn. The final year of the current financial settlement, 2019/20, is forecast to see a further 14.1% reduction to £14.5bn. If this reduction crystallises, on a national level Settlement Funding will have reduced by 21.8% over the period from 2016/17 to 2019/20.
- 4.3 Settlement Funding Assessment (SFA) constitutes the primary source of government support for local authorities, and refers to the combined payments of Revenue Support Grant and Baseline Funding (Business Rates).
- 4.4 Dacorum's SFA has been reduced by 22.2% between 2016/17 and 2018/19. The Provisional Settlement agreement indicates a further £900k reduction in 2019/20, which will result in Dacorum having faced 46% funding reduction since 2016/17. This level of reduction is significantly higher than the national average for district councils, which is forecast to be 31.5% for the period up to 2019/20.

The concept of Core Spending Power

- 4.5 DBC's SFA reduction has been high relative to the district council average since 2016/17, when Government began to award grant on the basis of each authority's *Core Spending Power* (CSP). Government's rationale for adopting CSP is that it enables the amount of grant reduction to be determined by each individual council's affordability rather than simply applying similar percentage reductions to all authorities. In addition to SFA, the CSP affordability calculation takes into account the amount that a council can raise locally from Council Tax and New Homes Bonus (NHB) when apportioning funding reductions.
- 4.6 In 2018/19, DBC was forecast by Government to generate around £11m in Council Tax income compared to a national average for districts of around £6.8m. This means that DBC can generate more income locally than most district councils and therefore, within the context of Core Spending Power, Government deem it capable of absorbing a greater reduction in grant than most district councils.

Revenue Support Grant

- 4.7 The 4-year settlement agreed RSG grant funding levels until 2019/20.
- 4.8 In the last 2 years of the settlement DBC will receive no RSG. Further, it will also face the introduction of a 'Tariff Adjustment', costing £1m, in 2019/20, as detailed in table 1 below. The Tariff Adjustment is effectively 'negative RSG',

and its purpose is to allow Government to continue reducing an individual council's SFA, under the Core Spending Power calculation, even after they are no longer in receipt of any RSG to reduce.

Table 1: Four Year Funding Settlement.

	2016/17	2017/18	2018/19	2019/20
Revenue Support Grant	£970k	£100k	0	0
Transitional Grant	£130k	£130k	0	0
'Negative RSG'	0	0	0	(£1m)
Total Funding	£1.1m	£230k	£0	(£1m)

- 4.9 Within the 2018/19 Settlement announcement on 6 February 2018, the Secretary of State announced that a review would be undertaken into the rationale of negative RSG which could result in an amendment to the forecast 2019/20 figure. As of July 2018 further details have yet to be released, but it is possible that this review could result in a favourable adjustment for Dacorum in 2019/20.
- 4.10 Notably, the four-year deal excludes New Homes Bonus, of which Dacorum received £2.1m in 2018/19, and Baseline Funding, of which Dacorum received £2.9m in 2018/19. Updates on both of these funding streams are included within paragraphs 4.13 – 4.25 of this strategy.
- 4.11 Although the four-year deal offers the closest the Council can get to funding certainty over the medium-term, it is by no means guaranteed, with the Secretary of State confirming that the deal will not protect against:
- The extra responsibilities and functions that might need to be accepted by local government as part of the move to 100% business rates retention;
 - Future transfer of functions to or between local authorities, or the impact of mergers; and,
 - Any other 'unforeseen events'. (No parameters have been put on the breadth of this definition.)
- 4.12 A Government Spending Review will take place in 2019 which will provide additional information on future funding levels for the Local Government sector. Until further information is made available, the MTFs assumes that Government funding will continue to fall in line with average reductions over previous years, and that the Council will effectively be self-sufficient by 2022/23.

Baseline Funding

- 4.13 Baseline Funding (also known as Retained Business Rates) contributed £3m to DBC in 2018/19. This is based on Government's assessment of need within the borough, and it can be increased or decreased depending on whether the overall amount of business rates collectable across the borough increases or decreases. The amount by which the Baseline Funding can reduce is capped at 7.5%, which is known as the 'safety net'.

- 4.14 The Council is required to make financial provision against refunds arising from business rates appeals against the revaluations undertaken by the Valuation Office Agency in 2013 and 2017. Between 2013/14 and 2017/18 the MTFs projected that the impact of these appeals would more than offset business rates growth, and would therefore limit DBC to the safety net position.
- 4.15 However, based on analysis of growth levels and the success of appeals over the last two years, the assumption in this version of the MTFs is that the level of appeals payments will not outweigh additional business rates collected. Consequently, from 2018/19 onwards it is forecast that DBC will receive funding at the baseline position, the level at which the government has assessed the level of need. This roughly equates to an additional £250k per annum for the Council.
- 4.16 It should be noted, however, that Government continues to work on its Fair Funding Review which will determine a new model of business rates distribution beyond 2020. Current indications are that the new model will result in the local government sector retaining 75% of business rates collected nationally. Although the retention of 75% of business rates will represent increased funding for the local government sector as a whole, it's not yet possible to evaluate the real-world impact of the new model. This is because the method of distribution among individual authorities is yet to be determined, as are the additional burdens that will be transferred to local government in order to meet Government's objective of the scheme cost being net neutral.
- 4.17 It is widely anticipated that the updated redistribution model will favour those authorities with responsibility for adult social care at the expense of district councils. As previously stated, this MTFs has sought to plan for this economic risk with the assumption by 2022/23 DBC will receive no financial assistance from Government. Based on information currently available, this reflects a prudent approach to what will be a period of great uncertainty, and the S151 Officer will report back to Members as more detail emerges.

Council Tax

- 4.18 The Localism Act 2011 sets a cap on council tax increases of the higher of 2.99% or £5. As part of the 2018 financial settlement the government announced a revised referendum threshold for district councils at the higher of £5 or 2.99% for 2018/19. In February 2018, Council approved an increase in Dacorum Council Tax for 2018/19 of £5.68 (2.99%), within the new 2018/19 threshold. The government have not to date indicated that the additional CT cap increase applied for 2018/19 would be repeated in future years.
- 4.19 The proposed MTFs assumes continued increases of £5 per annum and growth in the tax base of 1% per annum, equating to around 560 dwellings per year. It should be noted that in calculating the four-year Settlement for Dacorum, Government assumed that DBC will increase Council Tax by £5 per year, and that the tax base will grow by around 1.5% per year.

New Homes Bonus

- 4.20 The Council received £3.1m of New Homes Bonus (NHB) from central government in 2017/18. NHB is paid to local authorities to stimulate local housing growth and takes the form of a grant payable to the Council for each additional home created within the borough.
- 4.21 As part of Spending Review 2015, Government announced a review of NHB and a planned reduction in the amount of grant paid nationally by around 50%, or £800m, in order to divert increased funds to the provision of adult social care. In December 2016, Government announced the results of this review, which will result in the level of payment to DBC reducing annually throughout the medium-term.
- 4.22 There are two principle changes to the grant calculation mechanism that result in this reduction:
- Firstly, NHB payments will be made for only 4 years in 2018/19 (down from 5 years in 2017/18, and from 6 years previously). All things being equal, this equates to a reduction in the annual payment to DBC of one third from 2018/19 onwards when compared to awards pre-2017/18;
 - Secondly, from 2017/18 NHB will only be payable on growth in excess of 0.4% of the tax base, where previously it was payable on all growth. The proposed MTFs assumes annual tax base growth of 1% (based on average growth over the last three years), which equates to around 570 additional dwellings per year, of which only around 342 dwellings (0.6%) will now attract NHB.
- 4.23 The table below demonstrates how DBC's NHB payments are predicted to fall over the medium-term as a result of these changes:

Table 2: New Homes Bonus Funding

	Actual			Forecast		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
New Homes Bonus	£3.5m	£3.1m	£2.1m	£1.9m	£1.2m	£1m

- 4.24 With the exception of £325k per year, which is used to support annual revenue budgets, the Council has always used NHB to fund capital projects. This strategy has prevented the Council's revenue budgets from becoming dependent on NHB, which has always been considered a volatile funding stream, thereby ensuring that reductions are unlikely to be severe enough to increase the MTFs savings requirements.
- 4.25 In addition, the forecast reductions in NHB do not leave the Capital Programme underfunded over the medium-term, and therefore do not affect the Council's revenue position by increasing the borrowing requirement. It is recommended that Members continue with the strategy of retaining only £325k of NHB to support the provision of General Fund services.

5. Review of MTFs assumptions

Update of General Fund budget assumptions based on 2017/18 outturn

- 5.1 The basic principle of the MTFS model is to extrapolate the current year's approved budget, in this case 2018/19, over the next four years. The extrapolation process incorporates assumptions on government grant, inflation, changes in demand for services, changing legislation, and probable risks and opportunities.
- 5.2 The 2017/18 outturn is to be presented to the Audit Committee at its meeting of 25 July. A fundamental part of the outturn analysis is to focus on those areas where there were over- or under-spends in order to identify whether the budget assumptions could be updated in order to improve the accuracy of the MTFS. Budgetary assumptions for 2019/20 have been updated where appropriate.

Update of MTFS assumptions based on other information

- 5.3 A range of information sources have been used to inform the updated assumptions shown within the following table. The rationale behind estimates is shown in the notes below. Further sensitivity will be undertaken as new information becomes available.

Table 3: Budget Assumptions.

	Note	2019/20	2020/21	2021/22	2022/23
Income					
Council Tax	1	3.58%	3.52%	3.46%	3.46%
Revenue Support Grant	2	(£990k)	(£1.64m)	(£2.44m)	(£3.23m)
Business Rates Retained	3	2.3%	2%	2%	2%
Fees & Charges	4	0.87%	0.76%	0.76%	0.76%
Expenditure					
Pay settlement	5	2.45%	2%	2%	2%
Pay: contract increments	6	0.5%	0.5%	0.5%	0.5%
Pension contributions	7	0	1%	0	0
Utilities	8	5%	5%	5%	5%
Fuel	9	5%	5%	5%	5%
Supplies & Services	10	2.3%	2%	2%	2%

Notes:

1. Increase by £5 per Band D and 1% increase in tax base (see paras 4.18 – 4.19).
2. Based on four-year Settlement (see paragraphs 4.7 – 4.12).
3. Based on four-year Settlement (see paragraphs 4.7 – 4.12).
4. Inflation assumptions from OBR on controllable income.
5. Consistent with April 2018 LGS announcement on the pay settlement.
6. Based on actual increments due and historical staff turnover rates.
7. Increase 1% on past service costs from next revaluation in 2020/21.
8. Based on Current inflation estimates.
9. Based on Current inflation estimates.
10. Inflation assumptions from Office of Budget Responsibility (OBR).

Growth

- 5.4 Growth is defined as an increase in the expenditure, or the net expenditure, budgets of the Council. In the event that essential or unavoidable growth is required within a Service area, a business case outlining the requirements should be produced by the relevant Group Manager and Assistant Director, and be signed off by the Director and S151 Officer, before being submitted for consideration by the Budget Review Group.
- 5.5 Growth in the income generating capacity of a particular Service does not mean that the additional income automatically accrues to that Service. All Council income, unless stated otherwise by statute, is considered corporate income and is used to finance the provision of all Council services. All requests from budget holders to retain additional income budget in order to finance increased expenditure are subject to the growth process outlined above.
- 5.6 If, during the budget-setting process, a budget holder reduces the cost of providing one of their services, the resultant saving does not automatically become available to them to finance the expansion of an alternative service area. All savings made across services constitute a contribution to the Council's corporate budgetary position. Any expansion of a Service area constitutes growth, which necessitates a separate growth bid.

Fees and Charges Strategy

- 5.7 The fees and charges set by the Council are subject to annual review as part of the budget-setting process. Changes made between years are included within the annual Budget Report, and are subject to Council approval. The key principles behind charging are that:
- discretionary charges should recover costs unless the strategy is to provide a particular service at a subsidy;
 - discretionary income should be optimised through appropriate commercial charges; and,
 - robust systems of discounts or concessions should be in place for those who would otherwise find that they could not access services, where deemed appropriate.
- 5.8 Provision of many Council services is a statutory requirement and charges for access to these are determined as part of that requirement. The Council therefore has no discretion in setting these fees.
- 5.9 A thorough review of the true cost and effectiveness of providing statutory services must be undertaken on a regular basis to ensure that the fees charged meet the cost of service provision wherever possible. Where any review indicates an under- recovery of cost, alternative methods of service provision and comparison with other comparable authorities must be undertaken to identify opportunities for minimising the liability to the Council.
- 5.10 The Local Government Act 2003 includes a general power for Councils to charge for discretionary services i.e. services that an authority has the power,

but no obligation, to provide. Some discretionary charges are governed by alternative legislation, in which case this general power does not then apply.

- 5.11 Increases for the annual review of fees and charges have been included in the MTFS projections based on the percentages set out in table 5.3.

General Fund Working Balances and Earmarked Reserves

- 5.12 The Council's Reserves Strategy is integral to the MTFS because it demonstrates how the Council augments its annual ongoing running costs with plans to finance specific items of one-off expenditure over the medium-term. The Strategy is reviewed annually, and was most recently approved by Council within the 2018/19 Budget Report, in February 2018. The reserves position was most recently approved by the Audit Committee as part of the outturn process for 2017/18 and is included at Appendix C.

- 5.13 The Council holds two types of reserve. These are:

- a. **Working balances**, which are required as a contingency against unforeseen events and to ensure that the Council has sufficient funds available to meet its cash flow requirements. The Local Government Act 2003 requires the S151 Officer to report on the adequacy of financial reserves when setting the General Fund budget requirement for the year. This requirement was met within Appendix M of the Budget Report to Cabinet in February 2018.
- b. **Earmarked reserves**, which are funds approved by Members to finance specific items of future expenditure. The Council's Financial Regulations dictate that Earmarked Reserves can be created only by Member approval, and that all subsequent transfers to and from those reserves also require Member approval.

- 5.14 In accordance with best practice, the General Fund Working Balance is maintained at a level between 5% and 15% of Net Service Expenditure.

6. General Fund medium-term savings requirements

- 6.1 Based on the assumptions detailed throughout this Strategy, and the need to maintain the desired level of General Fund Working Balances, the Total Savings Requirement over the life of this MTFS is £2.8m.
- 6.2 In 2016/17 the Council adopted a three-year savings plan in recognition of the fact that the more easily deliverable savings opportunities have already been taken and that future initiatives are likely to be more complicated and have a longer lead-in period. As a result of this, the Total Savings Requirement comprises three elements which reflect the fact that the Council has a number of initiatives already underway to deliver savings in future years. The table below provides a breakdown of the savings requirement, and is followed by a brief explanation of each element.

Table 4: Medium Term Financial Savings Requirement.

		2019/20	2020/21	2021/22	2022/23
a.	Savings identified, and already delivered	0	0	0	0
b.	Savings identified, but still to be delivered	£366k	£280k	£15k	0
c.	Savings still to be identified	£523k	£292k	£599k	£735k
	Total Savings Requirement	£889k	£572k	£614k	£735k

- a. **‘Savings identified and already delivered’** – refers to additional income, over and above the budgeted level, which is already being realised by the Council. These savings are lower risk as they were identified as part of the year-end process as having already contributed to the year-end surplus for 2017/18.
- b. **‘Savings identified but still to be delivered’** – refers to those savings initiatives identified by budget holders as deliverable in future years. These savings, particularly the £366k identified for 2019/20, must be considered high risk. If delivery of these schemes is delayed, the savings target for 2019/20 will increase.

To mitigate the risk of delayed delivery, the Finance Team implemented a new process in 2017/18 to scrutinise budget holders’ progress on a quarterly basis. Updates will be reported to CMT each month and to Budget Review Group throughout the year, as well as formally to Members of OSC’s and Cabinet as part of the quarterly Budget Monitoring reports.

- c. **‘Savings still to be identified’** – refers to additional initiatives that must be put in place prior to April 2019 in order to meet the Total Savings Requirement. These initiatives will be identified through the annual budget-setting process detailed within the Financial Planning Framework in paragraph 3.1.

7. Key Budget Risks (General Fund)

- 7.1 The following paragraphs outline some of the key financial risks facing DBC over the medium-term. These risks will be monitored and Members kept updated on the implications for the MTFS.

Local Government Funding Changes.

Spending Review/Fair Funding/Business Rates Retention.

- 7.2 The MHCLG is in the process of reviewing the fundamental principle of local government funding. Government’s stated strategic aim is for the local government sector to become financially self-sufficient, primarily through the continued implementation of its 100% Business Rates Retention policy from 2020 onwards.
- 7.3 There are currently two reviews underway within Central Government which will fundamentally influence the level of funding Dacorum receives in the future. These are:
- The 2019 Spending review;
 - The Fair Funding Review.

- 7.4 A **Spending Review** is a Central Government exercise which sets Departmental Expenditure Limits (DEL) for a multi-year period for all government departments. In his 2018 Budget, the Chancellor announced an SR for 2019. SR19 is significant for the local government sector because it will determine the amount of funding available to MHCLG to fund local authorities over the next three or four years. In the face of competing priorities such as health and education, the overall funding envelope for local government may be negatively impacted.
- 7.5 The **Fair Funding Review** (FFR) is running concurrently with SR19 and has been set up to create a model that will assess the relative financial needs of local authorities, and allocate a level of funding accordingly. The FFR runs hand in hand with the Spending Review because it provides the model that will distribute the amount of funding made available through the SR.
- 7.6 Examples of criteria currently under consideration by the FFR to assess need are deprivation, demography and geographical location. Although the relative weighting of each criterion is yet to be determined, current thinking is that the final funding 'drivers' will favour those authorities providing social care, which will result in a diminished pot of funding available for distribution among district councils.
- 7.7 The current Business Rates Retention scheme will be incorporated within the FFR model, which it is anticipated will include drivers to continue incentivising local authorities to deliver the national policy agenda of economic growth and increased housing numbers.
- 7.8 The Spending Review and the Fair Funding Review are currently expected to be developed, consulted on and finalised by January 2020 for implementation from 2020/21 onwards. Members will be updated as more information becomes available.

Brexit

- 7.9 The continued move towards financial self-sufficiency means that local authorities are increasingly exposed to fluctuations and changes in the economy. In particular, the extent to which councils' financial sustainability will be linked to their ability to grow and retain rate-paying businesses has yet to be confirmed through the FFR.
- 7.10 Added to this uncertainty are the ongoing negotiations around Brexit, and the uncertainty around how multinational companies will view the UK's attractiveness as a base for investment as details of Brexit begin to emerge. There is a risk that demand for commercial property in the UK will fall as a result of the UK leaving the EU, resulting in reduced Business Rates and consequent funding pressures for local authorities in the medium-term.

Borrowing

- 7.11 There is a risk that the UK's credit rating could be downgraded as a result of slow economic growth and prolonged Brexit negotiations, thereby prolonging economic uncertainty in the eyes of investors.
- 7.12 If this risk were to crystallise, and the cost of government borrowing was to increase, the lending rates available to the Council through the Public Works

Loan Board would also increase. Based on the currently approved Capital Programme such an increase would not pose an immediate problem for the Council because there is a minimal additional borrowing requirement over the medium-term. However, this could change if the Council wished to extend the Capital Programme, thereby increasing its borrowing requirement at a time when interest rates were rising.

Pensions

- 7.13 The Council's pension fund is the most volatile material liability on the balance sheet and prolonged economic uncertainty could drive up the deficit in the short-term. The size of the pension fund deficit has a direct relationship with the amount of contributions the Council is required to make to the fund, and therefore to the annual revenue cost of providing the scheme.
- 7.14 Changes to the Council's contributions are triggered by the recommendations of the fund's triennial review, the next is due in December 2019. The previous 2016 review required the Council to increase its employer's contribution rate from 16% to 18.5%, c£370k per annum, from 2017 in order to meet the likely future costs for current employees. There is also the risk that increased deficit relating to past service costs will increase depending on the assumptions within the actuarial valuation.
- 7.15 The Council currently has a Pensions Reserve of £2m which could be used for one-off payments to reduce the deficit, pending future actuarial reviews. However, given the scale of potential payment fluctuations, this MTFS recommends a continued further annual contribution to the reserve of £200k per annum. This recommendation can be reviewed at the time of the next triennial review, December 2019, to ensure that it remains appropriate.

Staffing pressures

- 7.16 In common with other local authorities within Hertfordshire, the Council is currently facing difficulties in the recruitment of staff with professional qualifications e.g. within Finance, Legal, Building Control, Planning, and Environmental Health. In the short-term this can cause a revenue pressure as the Council is forced to increase its use of (more costly) agency staff in order to maintain service provision. Council officers continue to work with neighbouring authorities to identify a strategic solution to future recruitment needs.
- 7.17 The current MTFS assumes pay inflation of 2% per annum in accordance with recent Local Government pay agreements for 2018 and 2019. Any future increase in pay levels greater than 2% would result in additional financial pressure to the council. An additional increase of 1% in pay would result in an annual budgetary pressure of c£200k.

Universal Credit.

- 7.18 The implementation of Universal Credit, to be rolled out across Dacorum from 2018, is expected to have a financial impact on the Revenues and Benefits service. At present the extent of the impact is uncertain as the value of future Benefits Administration Grants is unknown, and the level of service the Council will be required to provide to residents on an ongoing basis is also

uncertain. These developments will be monitored closely as part of the UC implementation and any future government announcements will be communicated to Members accordingly.

8. Housing Revenue Account (HRA)

- 8.1 The HRA Business Plan plans delivery of the Council's housing objectives over a thirty-year period. The long-term perspective is necessary to ensure sound investment decisions both in terms of the Council's new build programme and in maintaining existing stock.
- 8.2 The Business Plan is kept constantly under review, and is presented for Members' approval at least annually. The most recently approved HRA Business Plan was approved by Cabinet in March 2018. The table below details the assumptions within the most recently approved plan,

Table 5: HRA Budget Assumptions.

Budget	Assumptions
HRA Working Balance	Minimum 5% of turnover, as per Reserves Strategy.
Major Repairs Reserve (MRR) Balance	Depreciation is ring-fenced to the MRR. The plan does not show an increasing MRR balance because in all years planned capital expenditure exceeds depreciation.
Rent	In accordance with Government policy, the Business Plan assumes an annual reduction to rents of 1% up to 2019/20. After this, the plan assumes uplift on rents of CPI + 1% to all rents for 5 years, followed by CPI for the remainder of the plan.
RPI	3.9% in 18/19, 3.3% in 19/20 and 2.9% thereafter. Applies to service charges, repairs and maintenance
CPI	2.2%, from 2020 onwards.
New Build Programme	170 units planned with provision for expenditure for 100 more. Let at existing (social) formula rent.
Bad Debt Provision	VOIDS 0.8% of gross income. Bad debts 0.5% rising to 1.9% then reducing to 1.5% with the increases making provision for the impact of Welfare reform.
52 week rent per unit	Average rent of £101.2 p/w for 2017/18 with future years subject to the inflationary or deflationary assumptions detailed above.
Right to Buy	Assumes 55 in 2018/19 and 2019/20 then 50 in 2020/21 reducing to 20 for the remainder of the 30 business plan.
Interest Rates	Existing borrowing rates, fixed between 1.5 - 3.5% depending on the duration. New borrowing assumed later in the plan is modelled at 4%

Key HRA Budget Risks

- 8.3 The rent levels within the HRA business plan are set to continue to decrease by 1% per year up to 2019/20, in line with current legislation. Rents after this period are assumed to increase at CPI + 1%, as per the previous rent policy.

Any future decisions by Government to impose further rent reductions will have a detrimental effect on the income levels assumed in this plan.

- 8.4 In order to finance the cost of implementing RTB for Housing Associations, the Housing and Planning Act 2016 stated that stock holding local authorities would be required to sell their high value properties. Receipts would be returned to HM Treasury, which would then allocate to HAs to cover the cost of the RTB discount. This policy was originally set for implementation in 2017 but has been postponed, though remains likely at some point in the future. Further detail is yet to be released on how the process would operate, though it is highly likely to result in reduced rental income for the Council as well as a diminution in the Council's overall asset value.
- 8.5 The number of properties sold under Right to Buy (RTB) reduced from around 100 in previous years to 53 in 2017/18 with a slow final quarter. The revised business model has RTB sales projected at 55 a year in 2018/19 reducing in future years. The 2018/19 Quarter 1 RTB sales processed has remained slow and this will be monitored as part of the monthly financial monitoring process. Within the current model, the resulting loss of rental income is not yet sufficient to jeopardise the Council's medium-term ambitions.
- 8.6 The Council subscribes to Government's 'One for One Replacement' scheme, which entitles it to retain substantially all of the receipts from RTB sales. However, in order to retain the income, the Scheme stipulates that it can only be used as a contribution to new build schemes up to a maximum contribution of 30%, and must be utilised within three years of receipt.
- 8.7 There is a risk that the Council will be unable to retain this income because the high value of receipts (£10.8m in 2017/18) means that the Council may struggle to cash-flow its 70% share of new build project costs within the three-year timeframe. The borrowing cap imposed by government as part of the Self-Financing settlement precludes the Council from borrowing sufficient amounts to meet the costs.
- 8.8 In order to retain the receipts locally, the Council is currently working with a number of local Housing Associations (HAs) with a view to grant aiding their development projects within the borough. This is consistent with the terms of the One for One scheme. During 2017/18 the council awarded £3.7m of grants to HA's to deliver 82 additional units. However, there remains a risk that RTB sales will continue at a rate that prevents HAs from meeting the 70% contribution rate required to retain the funding. This risk will be closely monitored to ensure that the council exhausts every opportunity to ensure that the funding is retained locally.
- 8.9 The 2018/19 Roll out of universal credit has meant an increase in bad debt provision has been made for 2018/19 onwards but the full impact on rental income is uncertain to predict at this stage.

9. Capital Resources

- 9.1 Capital expenditure is defined as expenditure incurred on the acquisition or creation of assets needed to provide services, such as houses, vehicles, public buildings, play areas, ICT, etc.

- 9.2 Capital grants and borrowing can only be spent on capital items and cannot be used to support revenue budgets. However, it should be noted that revenue funds can be used to support capital expenditure. Under the Local Government Act 2003, each council can determine how much it can borrow within prudential limits. All borrowings must be financed from the total available resources of the Council.

Flexible use of capital receipts

- 9.3 Within the 2016 Settlement, Government provided new flexibility for local authorities to use capital receipts from the sale of property, plant and equipment to support upfront revenue expenditure on transformational projects that will deliver ongoing efficiency savings. Councils can only use capital receipts from sales made since the date of this announcement, and cannot use existing capital balances for revenue spending.
- 9.4 Consideration is being given to the application of capital receipts to support breakage costs associated with the re-tender of the Council's leisure management contract. A Flexible Use of Capital Receipts Strategy will be put before Members for agreement, subject to finalisation of these breakage costs and an associated funding proposal.

Capital Spending Plans 2018/19 to 2022/23

- 9.5 The Council's approved Capital Programme for the current and future years was approved by Council in February 2018, and is summarised below:

Table 6: Capital Expenditure Budgets.

Capital Expenditure	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
General Fund	21.7	13.4	2.8	9.5	4.7
Housing Revenue Account	36.5	35.9	25.7	23.0	17.1
Total	58.2	49.3	28.5	32.5	21.8

General Fund

- 9.6 The Council's Capital Programme is currently fully funded, following borrowing of £19.4m taken in May 2015. The loan is structured over a portfolio of 30 loans, with one maturing each year. The loan was taken from the Public Works Loan Board (PWLb), at favourable rates, around 60 basis points above gilts, and resulted in an average initial interest rate of 2.98%.
- 9.7 The Council is required to pay off an element of borrowing each year through a revenue charge, the Minimum Revenue Provision (MRP). The Council's Treasury Management Strategy approved by Cabinet in February 2018, sets out the Council's policy to, at a minimum, pay off the debt over the life of the asset associated with the borrowing. This policy has been applied to the MTFS forecasts.
- 9.8 The full impact of borrowing costs of the current Capital Programme on the Council's revenue budgets is reflected in the forecasts included in this strategy. However, at the time of writing the Council is examining the potential

for further investment in a number of capital projects, most notably in a housing development company. The costs associated with these projects have yet to be finalised, and thus, at this stage, there is no provision for their funding within the MTFs.

9.9 The financing of the Capital Programme will continue to be supported through the following prioritisation of funds: firstly, appropriate application of grant funding; secondly, use of revenue contributions and capital receipts generated from the sale of Council assets; and, thirdly, through undertaking prudential borrowing.

9.10 The approved General Fund Capital Programme is financed as follows:

Table 7: General Fund Capital Funding.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Capital Receipts and Reserves	6.6	8.9	0.5	6.6	4.2
Capital 141 Receipts	5.4	1.8	0.6		
Borrowing	6.4				
Grants and Contributions	1.2	1.0	1.0	1.8	0.5
Revenue Contributions to Capital	2.1	1.7	0.8	1.0	
Total	21.7	13.4	2.9	9.4	4.7

Housing Revenue Account

9.11 The majority of the approved HRA capital programme is funded through depreciation allocated to the Major Repairs reserve and revenue surpluses. Revenue is contributed to capital on an annual basis as required to fund the shortfall between planned capital expenditure and depreciation contributions to the Major Repairs Reserve. Surplus revenue not required for capital expenditure is transferred to the HRA revenue reserves.

Table 8: Housing Revenue Account Capital Funding.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Capital Receipts and Reserves	25.4	28.3	17.7	14.4	9.2
Capital 141 Receipts	2.6	2.5	2.5	2.3	0.9
Borrowing					
Grants and Contributions	1.5				
Revenue Contributions to Capital	7.0	5.1	5.5	6.3	7.0
Total	36.5	35.9	25.7	23.0	17.1

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY UPDATE					
	Revised 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23
	£000	£000	£000	£000	£000
Service Expenditure & Income					
Employees	23,333	23,835	25,980	25,026	25,526
Premises	4,406	4,590	4,705	4,813	4,924
Transport	1,430	1,493	1,558	1,626	1,697
Supplies & Services	7,355	6,821	6,790	6,934	7,072
Third-Parties	609	623	636	648	661
Transfer Payments	47,199	47,199	47,199	47,199	47,199
Capital Charges & Bad Debts	4,491	4,494	4,496	4,498	4,501
Income	(67,846)	(68,450)	(68,993)	(69,385)	(69,682)
Recharge to HRA	(4,114)	(4,215)	(4,342)	(4,428)	(4,517)
Cumulative Savings	0	0	(534)	(832)	(1,443)
Net Cost Of Services	16,863	16,389	17,496	16,098	15,939
Less:					
Interest Receipts	(158)	(158)	(158)	(158)	(158)
Interest Payments & MRP	970	956	942	1,063	1,063
Reversal of Capital Charges	(4,344)	(4,376)	(4,376)	(4,376)	(4,376)
Revenue Contributions to Capital	2,111	1,882	1,260	3,137	1,037
Net movement to/(from) Earmarked Reserves	702	1,228	(280)	(1,124)	976
Budget Requirement General Fund	16,144	15,921	14,883	14,640	14,481
Parish Precepts	778	806	834	863	893
Budget Requirement Including Parishes	16,922	16,727	15,718	15,503	15,374
Funded by:					
Use of General Fund Balance	7	0	0	0	0
(Revenue Support Grant)/Tariff	0	990	1,640	2,440	3,225
Transition Grant	0	0	0	0	0
Business Rates Retained	(2,971)	(3,039)	(3,100)	(3,162)	(3,225)
New Homes Bonus/Government Grants	(2,086)	(1,857)	(1,235)	(1,012)	(1,012)
Council Tax (Surplus)/Deficit	0	0	0	0	0
Business Rates (Surplus)/Deficit	0	0	0	0	0
Net Expenditure before Council Tax	11,872	12,821	13,023	13,769	14,361
Demand on the Collection Fund	(11,872)	(12,297)	(12,730)	(13,170)	(13,626)
General Fund Balance B/Fwd	(2,502)	(2,509)	(2,509)	(2,509)	(2,509)
In year use	(7)	0	0	0	0
General Fund Balance C/Fwd	(2,509)	(2,509)	(2,509)	(2,509)	(2,509)
Total Savings Requirement		889	572	614	735
of which,					
Savings identified, and already delivered		0	0	0	0
Savings identified, but still to be delivered		(366)	(280)	(15)	0
Savings still to be identified		523	292	599	735

HOUSING REVENUE ACCOUNT BUDGETS

Year	2018.19	2019.20	2020.21	2021.22	2022.23
£ '000	2	3	4	5	6
INCOME:					
Rental Income	53,448	52,972	54,604	56,349	58,040
Void Losses	-430	-428	-443	-458	-472
Service Charges	1,999	2,065	2,125	2,186	2,250
Non-Dwelling Income	102	105	108	112	115
Grants & Other Income	535	550	565	580	595
Total Income	55,653	55,265	56,960	58,769	60,528
EXPENDITURE:					
General Management	-12,442	-12,938	-13,368	-13,803	-14,235
Special Management	0	0	0	0	0
Other Management	-34	-35	-36	-37	-38
Rent Rebates	0	0	0	0	0
Bad Debt Provision	-696	-1,003	-1,035	-848	-873
Responsive & Cyclical Repairs	-12,195	-12,526	-12,895	-13,261	-13,640
Total Revenue Expenditure	-25,367	-26,502	-27,334	-27,948	-28,787
Interest Paid	-11,594	-11,558	-11,486	-11,385	-11,302
Interest Received	387	304	207	234	253
Depreciation	-12,050	-12,474	-12,900	-13,303	-13,689
Net Operating Income	7,029	5,034	5,447	6,366	7,004
APPROPRIATIONS:					
Revenue Contribution to Capital	-7,029	-5,034	-5,447	-6,366	-7,004
Total Appropriations	-7,029	-5,034	-5,447	-6,366	-7,004
ANNUAL CASHFLOW	0	0	0	0	0
Opening Balance	2,892	2,892	2,892	2,892	2,892
Closing Balance	2,892	2,892	2,892	2,892	2,892

This excerpt is taken from the most recent version of the HRA 30 year business plan, approved by Cabinet 27 March 2018

General Fund Reserves Summary	Balance as at 31/03/2018 £'000	Net Reserve Movement 2018/19 £'000	Balance as at 31/03/2019 £'000	Net Reserve Movement 2019/20 £'000	Balance as at 31/03/2020 £'000	Net Reserve Movement 2020/21 £'000	Balance as at 31/03/2021 £'000	Net Reserve Movement 2021/22 £'000	Balance as at 31/03/2022 £'000	Net Reserve Movement 2022/23 £'000	Balance as at 31/03/2023 £'000
Civic Buildings Major Repairs Reserve	200		200		200		200		200		200
Capital Development Reserve	465	(165)	300		300		300		300		300
Earmarked Grants Reserve	103	(93)	10	(10)	0		0		0		0
Management of Change Reserve	1,425	(232)	1,193	304	1,497	350	1,847	350	2,197	350	2,547
Technology Reserve	56	200	256		256		256		256		256
Savings Efficiencies Reserve	0	604	604	377	981	244	1,225		1,225		1,225
On Street Car Parking Reserve	212	15	227		227		227		227		227
Local Development Framework Reserve	66		66		66		66		66		66
Dacorum Development Reserve	164	(110)	54		54		54		54		54
Planning Enforcement & Appeals Reserve	54		54		54		54		54		54
Planning & Regeneration Project Reserve	141	(70)	71		71		71		71		71
Litigation Reserve	201	86	287	200	487		487		487		487
Vehicle Replacement Reserve	1,050	350	1,400	350	1,750	350	2,100	(1,750)	350	350	700
Invest to Save	248		248		248		248		248		248
Tring Swimming Pool Repairs Reserve	8	8	16	8	24	8	32	8	40	8	48
Youth Provision Reserve	61	(40)	21		21		21		21		21
Election Reserve	90	30	120	(90)	30	30	60	30	90	30	120
Uninsured Loss Reserve	586	(86)	500		500		500		500		500
Training & Development Reserve	56	(33)	23	(23)	0		0		0		0
Housing Conditions Survey Reserve	96	15	111	(111)	0	15	15	15	30	15	45
Dacorum Partnership Reserve	39		39		39		39		39		39
Dacorum Rent Aid - Guarantee Scheme	15		15		15		15		15		15
Rent Guarantee Scheme Reserve	15		15		15		15		15		15
Funding Equalisation Reserve	2,480		2,480		2,480		2,480		2,480		2,480
Pensions Reserve	1,773	200	1,973	200	2,173	(1,300)	873	200	1,073	200	1,273
Maylands Plus Reserve	46	23	69	23	92	23	115	23	138	23	161
Total Earmarked Reserves	9,650	702	10,352	1,228	11,580	(280)	11,300	(1,124)	10,176	976	11,152
Working Balance	2,502		2,509		2,509		2,509		2,509		2,509
Total General Fund Reserves	12,152		12,861	1,228	14,089	(280)	13,809	(1,124)	12,685	976	13,661

Agenda Item 13

Clerk: tbc – temporary contact Cassy O’Neil (ext. 2313)

Finance and Resources Overview & Scrutiny Committee: Work Programme 2018/19

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

Meeting Date	Report Deadline	Items	Contact Details	Background information
11 Sept 2018	25 August 2018	Action Points (from previous meeting)	Chairman	
		Budget Monitoring Report Q1	Assistant Director Finance & Resources Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Finance and Resources Q1 Performance Report	Assistant Director Finance & Resources Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Legal Governance & Democratic Services Q1 Performance Report	Solicitor to the Council Mark.brookes@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Performance, People & Innovation Q1 Performance Report	Assistant Director, Performance, People & Innovation linda.roberts@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Medium Term Financial Strategy Report	Assistant Director Finance and Resources Nigel.howcutt@dacorum.gov.uk	
		Leisure Contract KPI's and first quarter performance.	Group Manager Commissioning Procurement and Compliance. Ben.Hosier@dacorum.gov.uk SLM Availability??	
9 October 2018	22 September 2018	Action Points (from previous meeting)	Chairman	
			CANCEL	
6 November 2018	20 October 2018	Action Points (from previous meeting)	Chairman	

		Budget Monitoring Report Q2	Assistant Director Finance & Resources Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Finance and Resources Q2 Performance Report	Assistant Director Finance & Resources Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Legal Governance & Democratic Services Q2 Performance Report	Solicitor to the Council Mark.brookes@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Performance, People & Innovation Q2 Performance Report	Assistant Director, Performance, People & Innovation linda.roberts@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Parking Contract Performance	Group Manager Commissioning Procurement and Compliance. Ben.Hosier@dacorum.gov.uk	
Joint Budget 4 December 2018	22 November 2018	**** Joint Budget**** ****2019-2020**** ***** <i>Ideally no further items to be added</i>	Corporate Director Finance & Operations & S.151 Officer James.deane@dacorum.gov.uk	
8 January 2019	22 December 2018	Action Points (from previous meeting)	Chairman	
Joint Budget 5 February 2019	22 January 2019	**** Joint Budget**** ****2019-2020**** ***** <i>Ideally no further items to be added</i>	Corporate Director Finance & Operations James.deane@dacorum.gov.uk	

26 March 2019	9 February 2019	Action Points (from previous meeting)		
		Budget Monitoring Report Q3	Assistant Director Finance & Resources Nigel.howcutt@dacorum.gvo.uk	<i>To review and scrutinise quarterly performance</i>
		Finance and Resources Q3 Performance Report	Assistant Director Finance & Resources Nigel.howcutt@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Legal Governance & Democratic Services Q3 Performance Report	Solicitor to the Council Mark.brookes@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>
		Performance, People & Innovation Q3 Performance Report	Assistant Director, Performance, People & Innovation linda.roberts@dacorum.gov.uk	<i>To review and scrutinise quarterly performance</i>

Items to be scheduled: