



**FINANCE, AUDIT AND PERFORMANCE UPDATE – RESOURCES
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

1.1 To provide the committee with an update on the financial, performance and risk position of the following service areas as at 31st December 2014:

- Finance
- Estates and Asset Management
- ICT
- Revenues and Benefits

2. RECOMMENDATION

2.1 That members note the contents of this report

3. BACKGROUND TO THE REPORT

Finance

3.1 The financial performance for finance from 1st April 2014 – 31st December 2014 has been detailed in Appendix 1. As at 31st December, the service area had under spent against the profiled budget (taking into account timing differences) by £618,158. In addition there were £241,842 of forecast variances meaning a forecast outturn under spend of £860,000.

3.2 Details of variances over £25,000 have been provided in Appendix 1. The majority of the variance is due to a s31 grant awarded to the Council based on NNDR forecasts for the year. The level of this grant that may be retained at year end will depend on the business rates outturn at 31st March 2015 and any levy payments due. Therefore in order to be prudent, this income has been placed into the Business Rates reserve pending any notification

3.3 Performance against performance indicators for finance from 1st April 2014 – 31st December 2014 has been detailed in Appendix 2, along with explanation where indicators have not been met. In total 67% (2) of indicators are currently meeting target.

3.4 The risk register for service area contains 7 risks for 2014/2015. There are no red (high) risks as at 31st December 2014.

3.5 In addition, the following corporate risks are deemed to impact finance. An update on these risks and corresponding actions are provided below

| Risk | Risk failure leads to: | Net Risk Level | Review commentary | Risk Owner |
|--|---|---------------------------------------|---|-------------------|
| S.11 - Failure to successfully deliver the | Underperformance, inadequate cashflow, ineffective financial planning | 8: Likelihood (medium) - Impact | The medium term financial position of the Council remains challenging but the short term position for 2014/15 and | Sanjiv Kohli |

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|---|--|---------------------------------------|---|----------------|
| Medium Term Financial Strategy | | (high) | <p>2015/16 has improved principally due to development control income exceeding the budget for the current 2014/15 financial year and due to the review carried out by Capacity Grid that has identified homes that were registered for Council Tax purposes as empty but are in fact occupied and therefore subject to Council Tax and attract additional New Homes bonus of circa £220K for the next 6 years.</p> <p>Further support has been demonstrated by the ruling group over introducing new charges e.g. charge for pre-application planning advice for domestic planning applications and a charge for replacement bins that have been damaged by residents. This together with a formula grant settlement at a 16.4% reduction as anticipated means that should be no need for reductions in staff or services in 2015/16 but the position needs to be under continuous review.</p> | |
| S.20 - Non-compliance with Financial Regulations - Caused by: misunderstanding or non-application by officers | Financial loss, Poor Reputation, Failure to deliver Objectives, Failure of service quality | 3: Likelihood (low) - Impact (medium) | No evidence of non compliance of financial procedures. The Rules are embedded in the organisation's decision making processes. | Sanjiv Kohli |
| S.41 - Business Rates Pooling (linked to MTFS) | If target levels of contributions into the Pool in the form of Levy's is not met by the partner authorities then sufficient amounts may not be set aside for a local safety net. This may result in additional contributions into the Pool or withdrawl. | 2: Likelihood (medium) - Impact (low) | This is a positive net risk as the forecast position on Business rates up lift is moving in the right direction. Will be resurrecting the Leicestershire Pool for 2015/16 | Sanjiv Kohli |
| S.42 - LEP Funding | Lack of reassurance regarding funding | 5: Likelihood | Constructive discussion with DCLG, being followed up by | Steve Atkinson |

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|--|---|--|---|--------------|
| | sources and levels; inability to engage in effective strategic planning with partners; may result in priority local economic/regeneration needs and projects being put at risk. | (medium) - Impact (medium) | practical work with partners in Coventry and Warwickshire to formally consult on Economic Prosperity Board, with HBBC as a non-constituent, but 'voting' member. Consultation with stakeholders due in November/December 2014; to be followed by DCLG consultation in early 2015. | |
| S.43 - Leicestershire County Council budget cuts | Reduction in budgets for service delivery, therefore increasing the risk that services will be adversely impacted or charges may be required to recoup funding lost | 9: Likelihood (high) - Impact (high) | LCC have given notice of withdrawal of green recycling credits from 2015/16. This impacts HBBC budgets by taking away income of around £320K. LCC also announced that their financial position has worsened so it is likely that they will also remove dry recycling credits from 2016/17 (previously anticipated in 2017/18). This could mean a further £550 loss of income. In addition, as LCC position worsens to a budget gap of £130m with £50m of savings not yet identified there is a likelihood that their further decisions on budget reductions will continue to have an on going impact on Leicestershire District councils budgets. Position is under constant review and will form part of MTFS revision in March 2015 | Sanjiv Kohli |

Estates and Asset Management

- 3.6 The financial performance for Estates and Asset Management from 1st April 2014 – 31st December 2014 has been detailed in Appendix 1. As at 31st December, Estates and Asset Management has under spent against the profiled budget (taking into account timing differences) by £175,633. In addition there are (£96,633) of forecast variances meaning a forecast outturn under spend of £79,000.
- 3.7 Details of variances over £25,000 have been provided in Appendix 1.
- 3.8 Performance against performance indicators for Estates and Asset Management from 1st April 2014 – 31st December 2014 has been detailed in Appendix 2, along with explanation where indicators have not been met. In total 66% of indicators are currently meeting target.
- 3.9 The risk register for Estates and Asset Management contains 4 risks for 2014/2015. There are no red (high) risks as at 31st December 2014.

3.10 In addition, the following corporate risks are deemed to impact **service area**. An update on these risks and corresponding actions are provided below

| Risk | Risk failure leads to: | Net Risk Level | Review commentary | Risk Owner |
|--|---|---|---|--------------|
| S.06 - Failure to implement the Town Centre Plan | Lack of member support, private sector investment interest, public sector funding, public support, planning permission for the development and Lack of progress on Town Centre regeneration | 9: Likelihood (high) - Impact (high) | Construction works on the Crescent progressing well with steel works erected for Sainsbury's building and Cinema Block. Public Realm works have been subject to consultation during December. Awaiting LCC sign off of revised S278 Agreement to tie in design of Crescent footpath/highway works with the public realm scheme. The Legal agreement is now secured for Squash facility and construction works progressing on programme with steel works completed. Operational use of existing leisure facilities in place for Squash Club members. | Bill Cullen |
| S.37 - Non delivery of capital projects which are interdependent | Issues to Town Centre plan and Leisure Centre Plans (S.06 and S.25) | 8: Likelihood (medium) - Impact (high) | <p>Members made the decision at full Council on 2nd September 2014 to add to the specification of the swimming pool in the new Leisure Centre. This will add a further £500K to £705K to the cost of the Leisure centre (this is in addition to the £1m cost of the ground remediation work that was previously reported). This now takes the total cost of construction to just over £15m. The cost of the ground works and the moveable floor has resulted in a shortfall in capital funding which has been met through utilisation of the Hub rental reserve (£1m) and by borrowing. This has meant that the Council can no longer consider the following new capital schemes that were being considered:</p> <ul style="list-style-type: none"> • Purchase/development of staff car park (est £900K) | Sanjiv Kohli |

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|--|--|--|--|--|
| | | | <ul style="list-style-type: none"> • Purchase of HUFC (est' £750K) • Purchase/rescue of Springfield Park (not quantified) • Resolution of Klondyke <p>The greatest impact is on lack of parking for staff at the Hub which is leading to increasing complaints from residents and Council will at some point need to revisit this project.</p> <p>The Council could have purchased HUFC if the whole site was consolidated into one title. This could have been achieved by the Council's intervention but the cost of the moveable floor has precluded this option. As a consequence the Council is now coming under pressure to take some action.</p> <p>Springfield Park- Possibility of elderly retired tenants being displaced from private Static Caravan park on completion of lease term in 2016. Council being pressed to intervene however not the Council's responsibility and legal advice is not to purchase the site unless it is clean of any tenancy agreements. Council will have a statutory duty to provide accommodation if the residents become homeless in 2016. Sharon Stacey and her team starting to plan forward in case this does happen.</p> <p>Klondyke- no grounds for CPO and therefore this project has been dropped.</p> | |
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ICT

3.11 The financial performance for ICT from 1st April 2014 – 31 December 2014 has been detailed in Appendix 1. As at 31 December 2014, ICT has under spent against the

profiled budget (taking into account timing differences) by £24,120. In addition there are were £880 of forecast variances meaning a forecast outturn under spend of £25,000.

- 3.12 Details of variances over £25,000 have been provided in Appendix 1. The variance is mainly due to the savings as a result of the joint procurement of email and internet security software; the freezing of contributions to the County Partnership and the reduction in the cost of communications lines.
- 3.13 There are no specific performance indicators in place for ICT.
- 3.14 The risk register for ICT contains 12 risks for 2014/2015. There are no red (high) risks as at 31 December 2014. There are no corporate risks deemed to directly impact ICT.

Revenues and Benefits

- 3.15 The financial performance for Revenues & Benefits from 1st April 2014 – 31st December 2014 has been detailed in Appendix 1. As at 31st December 2014 Revenues & Benefits had underspent against the profiled budget (taking into account timing differences) by £224,316. In addition there are £163,316 of forecast variances meaning a forecast outturn under spend of £61,000
- 3.16 Details of variances over £25,000 have been provided in Appendix 1.
- 3.17 Performance against performance indicators for Revenues and Benefits service from 1st April 2014 – 31st December 2014 has been detailed in Appendix 2, along with explanation where indicators have not been met. In total 57% (4) of indicators are currently meeting target.
- 3.18 The risk register for Revenues & Benefits contains 10 risks for 2014/2015. There are no red (high) risks as at 31st December 2014.
- 3.19 In addition, the following corporate risks are deemed to impact Revenues and Benefits. An update on these risks and corresponding actions are provided below

| Risk | Risk failure leads to: | Net Risk Level | Review commentary | Risk Owner |
|--|--|--|---|-------------------|
| S.17 - A reduction in Benefit Subsidy as a result of error and/or poor performance impacting on Medium Term Financial Strategy | Reduction in benefit subsidy will have significant impact on reserves and reputation for the authority | 6: Likelihood (low) - Impact (high) | Final outcome for the 2013/14 benefit subsidy claim is that it will be met in full with no deductions. Steps are in place to reduce the number of errors that were highlighted in the qualification letter. | Storme Coop |

4. FINANCIAL IMPLICATIONS [KP]

- 4.1 Contained within the *Financial Performance* section of the report

5. LEGAL IMPLICATIONS [EH]

- 5.1 Report is for noting and therefore there are no direct legal implications.
6. CORPORATE PLAN IMPLICATIONS
- 6.1 All budgets, performance indicators and risks are mapped against the appropriate corporate plan implication.
7. CONSULTATION
- 7.1 No direct consultation
8. RISK IMPLICATIONS
- 8.1 Covered within the *Risk Management* section of the report
9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS
- 9.1 Covered as appropriate in the body of the report
10. CORPORATE IMPLICATIONS
- 10.1 By submitting this report, the report author has taken the following into account:
- Community Safety implications
 - Environmental implications
 - ICT implications
 - Asset Management implications
 - Human Resources implications
 - Planning Implications
 - Voluntary Sector

Background papers: Budget Monitoring and TEN Reports

Contact Officer: Katherine Plummer, Chief Officer (Finance, Customer Services and Compliance)

Executive Member: Cllr K Lynch

Appendix 1 – Financial Performance

| | Estimate to Date | Actual to Date | Timing Diff | Variance exc Timing | Explanations >£25k | Forecast variance | Explanations >£25k |
|----------------------|------------------|----------------|-------------|---------------------|---|-------------------|--|
| | £ | £ | £ | £ | | £ | |
| Finance | | | | | | | |
| Corporate Management | 973,192 | 909,117 | 8,000 | 56,075 | Saving made up of: <ul style="list-style-type: none"> £11k saving in Members Allowances £12k reduction in bank charges £8k rebate received from the Audit Commission for audit fees £5k timing variance on civic hospitality costs £5k reduction in travel costs £15k other smaller timing variances on supplies and services | 126,000 | Saving made up of: <ul style="list-style-type: none"> £15k reduction in bank charges £9k saving on Members Allowances for budget set aside for admin support £7k rebate received from the Audit Commission for audit fees, Lump sum recharge to pension fund apportioned to the Revenues & Benefits Partnership (£25k) and HRA (£39k) £29k Reduction in External Audit Fees £2k Contribution to Outside bodies |
| Finance Support | 453,568 | 433,440 | 11,000 | 9,126 | - | 6,000 | - |
| General Grants | 452,713 | (35,244) | (65,000) | 552,957 | Part year impact of forecast savings. | 728,000 | The Council was notified on 30 th June 2014 of £658,430 of "section 31 grant" income, designed to reimburse the following changes announced in the 2012 and 2013 Autumn Statements: <ul style="list-style-type: none"> 2% cap in inflation for 2014/2015 Doubling of Small Business |

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| | | | | | | | <p>Rates Relief</p> <ul style="list-style-type: none"> • Introduction of the £1,000 retail relief • Reoccupation relief; and • Empty new build measure <p>The level of this grant that may be retained will depend on the business rates outturn at 31st March 2015 and any levy payments due. Therefore in order to be prudent, this income has been placed into the Business Rates reserve pending any notification.</p> <p>In addition £70,000 saving is shown to the year end relating to Charitable Relief payments that are no longer required to be charged to the General Fund.</p> |
| Total Finance | 1,879,473 | 1,307,313 | (46,000) | 618,158 | | 860,000 | |
| <i>Estates and Asset Management</i> | | | | | | | |
| Asset Management | 203,584 | 170,562 | 15,000 | 18,022 | - | 20,000 | - |
| Council Offices | 831,177 | 667,117 | 68,000 | 96,060 | <ul style="list-style-type: none"> • £17k Variance on utility costs, • £5k metered water, • £6k variance in NNDR, • £26k Adjustment to 2013/14 service charge following YE reconciliation. • £6k variance on shared service employee for full time post but only part time until the end of | 51,000 | <ul style="list-style-type: none"> • £6k NNDR • £3k rent for office space at Leisure Centre • £26k adjustment to 2013/14 service charge after YE reconciliation, • £5k shared service employee as budgeted for full time post but only part time until the end of August, • £4k metered water re 2013/14 over accrued at |

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|---|----------------|----------------|---------------|----------------|---|---------------|--|
| | | | | | <ul style="list-style-type: none"> August. £12k External works, £8k Manned Security £16k Other Smaller Variances | | <ul style="list-style-type: none"> year end, £3k Reduced Security Costs incurred at Middlefield Lane, £4k Refund on Manned Security Costs due to incorrect rate being charged |
| Miscellaneous Property | 45,070 | (5,329) | 11,000 | 39,399 | <ul style="list-style-type: none"> £6k salaries, £9k Utility Cost £11k additional rent, £5k additional income for Utility Costs at the Atkins, £8k Other Smaller Variances | 3,000 | |
| Industrial Estates | (446,501) | (468,653) | 0 | 22,152 | - | 5,000 | - |
| Total Estates and Asset Management | 633,330 | 363,697 | 94,000 | 175,633 | | 79,000 | |
| ICT | | | | | | | |
| IT Support | 748,501 | 1,129,381 | (405,000) | 24,120 | - | 25,000 | - |
| Revenues and Benefits | | | | | | | |
| Council Tax / NNDR | 260,308 | 457,680 | 39,000 | 38,055 | <ul style="list-style-type: none"> £26k additional income from legal costs recovered £4k Audit Fees | 29,000 | <ul style="list-style-type: none"> £26k Additional legal fee income £3k Audit Fees |
| Council Tax Support | 185,059 | 99,559 | 68,000 | 17,500 | - | 14,000 | - |
| Benefits Fraud | 148,935 | 108,168 | 38,000 | 2,767 | - | 0 | - |
| Rent Allowances | (154,831) | (736,122) | 407,000 | 174,291 | <ul style="list-style-type: none"> £96k Additional income from Benefits Iman 24k income received from DWP to cover additional costs of implementing welfare reform changes in 2014/15 (hence no year | 18,000 | - |

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|------------------------------------|----------------|----------------|----------------|----------------|---|---------------|--|
| | | | | | end impact) <ul style="list-style-type: none"> • £47k additional income for Discretionary Housing Payments • £7k Other smaller variances | | |
| Total Revenues and Benefits | 439,471 | -70,715 | 552,000 | 232,613 | | 61,000 | |

Appendix 2 – Performance Indicators

| Reference | | Target | Current Performance | Comments |
|-------------------------------------|--|--------|---------------------|--|
| Finance | | | | |
| BV008 | Invoices Paid on Time | 98.50% | 99.47% | Target exceeded to date |
| LI008 | Invoices (local businesses) paid Within 10 Days | 85.00% | 88.79% | Target exceeded to date |
| LI009 | Debt over 90 days old as a % of aged debt | 25.00% | 39.89% | Target was exceeded in Q1 and Q2. Performance has slipped in Q3 because of 4 large invoices that remaining unpaid. Recovery action is being taken by the budget holder in all cases and the target is expected to be met by year end. |
| Estates and Asset Management | | | | |
| EM1 | Facilities Management (HUB): achievement of customer service requests within 3 days | 90% | 100% | Target exceeded to date |
| EM2 | Facilities Management (HUB): achievement of customer service requests within 10 days | 80% | 100% | Target exceeded to date |
| EM3 | Facilities Management (Non HUB): achievement of customer service requests (maintenance type) 10 to 30 days | 70% | 53% | Current performance is currently below the anticipated performance. This is due to the response for outstanding maintenance issues at the beginning of the year rectifying snagging work for the Hinckley Hub. Whilst these issues have been resolved, the cumulative way this figure is calculated means the year end figure may not be achieved. |
| ICT | | | | |
| n/a | No direct performance indicators | | | |
| Revenues and Benefits | | | | |
| LRBP1 | Council Tax in - year collection rate | 85.77% | 86.20% | The slight reduction in collection rates may be as a result of the reduction in council tax support and the fact that taxpayers can now pay over 12 months. The target is expected to be met by year end. |
| LRBP3 | NNDR in year collection | 84.59% | 84.76% | Ratepayers are electing to pay over 12 months rather than 10 which will have an impact on PI's for this year. The target is expected to be met by year end. |
| LRBP8 | Processing of new claims (days) | 15.50 | 19 | Target exceeded to date |
| LRBP9 | Processing of Change of Circumstances (days) | 7.59 | 9 | Target exceeded to date |

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|--------|--|------|-----|--|
| LRBP10 | Combined performance (NI181) | 8.76 | 11 | Target exceeded to date |
| LRBP7 | Housing Benefit overpayments collection rate | 31% | 36% | Our success in identifying overpayments both in terms of fraud and identifying where a change in circumstances has taken place where we have not been advised means that it is difficult to maintain recovery levels. This is particularly relevant where we are recovering from on-going benefit. Additionally from the latter part of this year assessments are now being made using information that the HMRC are sending through to us, this is known as Real Time Information This means that any increase in wages or income that has not been declared will be picked up by our systems and could result in large overpayments. |
| LRBP11 | Number of successful fraud prosecution & sanctions | 26 | 14 | Target exceeded |