



<b>Subject:</b>	<b>Quarterly Performance Report (Q2 – July to September 2017)</b>
<b>Officer:</b>	Gavin Handford / Jocelyn Convey
<b>To:</b>	Overview and Scrutiny Committee, 7 December 2017.
<b>Purpose:</b>	To consider the key service performance for the second quarter of the year 2017-18.

## Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 2.

The detailed information showing all performance is available for Members to review at the eMembers room.

The headline performance information is set out in the following Annexes:

Key Performance Indicators	Section 1
Revenue Budget Monitoring	Section 2
Capital Budget Monitoring	Section 3
Risk Management	Section 4
Internal audit	Section 5

## Recommendation

The Committee is requested to review the performance update, consider any advance questions received in relation to strategic issues and make any observations to the Executive.

## Section 1

### KEY PERFORMANCE INDICATORS

#### **Headline Information**

Of the twelve Key Performance Indicators (KPIs) that were reported on in this quarter, eleven were either on target or within agreed tolerance for Q2. KPI 4 is a contextual indicator and therefore has no target set.

#### **eMembers room information**

A copy of the full schedule can be found in the eMembers room.

## Section 2

### REVENUE BUDGET MONITORING

Headline Revenue Budget information 2017-18	£'000
Management Budget	16,188.5
Forecast Year End Outturn	15,595.4
Projected underspend	-593.1 (or 4% of the budget)

**Table 1: Major Revenue Variances**



#### Major Variances

##### **Refuse & Recycling:**

Market fluctuations make forecasting income from Mixed Waste recycling difficult. Q1 and Q2 saw an over-recovery of this income due to the current buoyancy of the market. In addition, Q2 has seen an increase in Garden Waste membership numbers which, along with the subscription price increase, has generated additional income.

##### **Housing Services:**

B&B costs have been lower than budget in Q1 and Q2. Given the nature of this service, fluctuations are usual and our experience in recent years has shown that demand can change rapidly with associated cost implications. Activity levels in this area are therefore liable to change.

##### **Environmental Health:**

An unbudgeted £78k for urgent health and safety work (which will be recovered in the long term via a charge on the property in question) was reported in Q1, as was £30k for declining Pest Control income. Q2 has seen a requirement for an unbudgeted £38k to maintain and operate Air Quality monitoring stations and an unbudgeted £24k for statutory case reviews. Both declining Pest Control receipts and Air Quality monitoring costs are being addressed through 2018/19 service and financial planning.

**Legal Services:**

Overspend in Legal Services continues, as reported in Q1. Additional staff, including locums, have been brought on board to deliver an improved service, to support Five Year plan delivery and undertake a service improvement project. Additionally, as reported in Q1, income from Land Charges has fallen for several years, with a forecast shortfall of £100k this year. 2018/19 service and financial planning proposes growth to address this loss of income and increase Legal service salary costs.

**e-Members Room Information**

Further information has been provided in the e-Members Room:

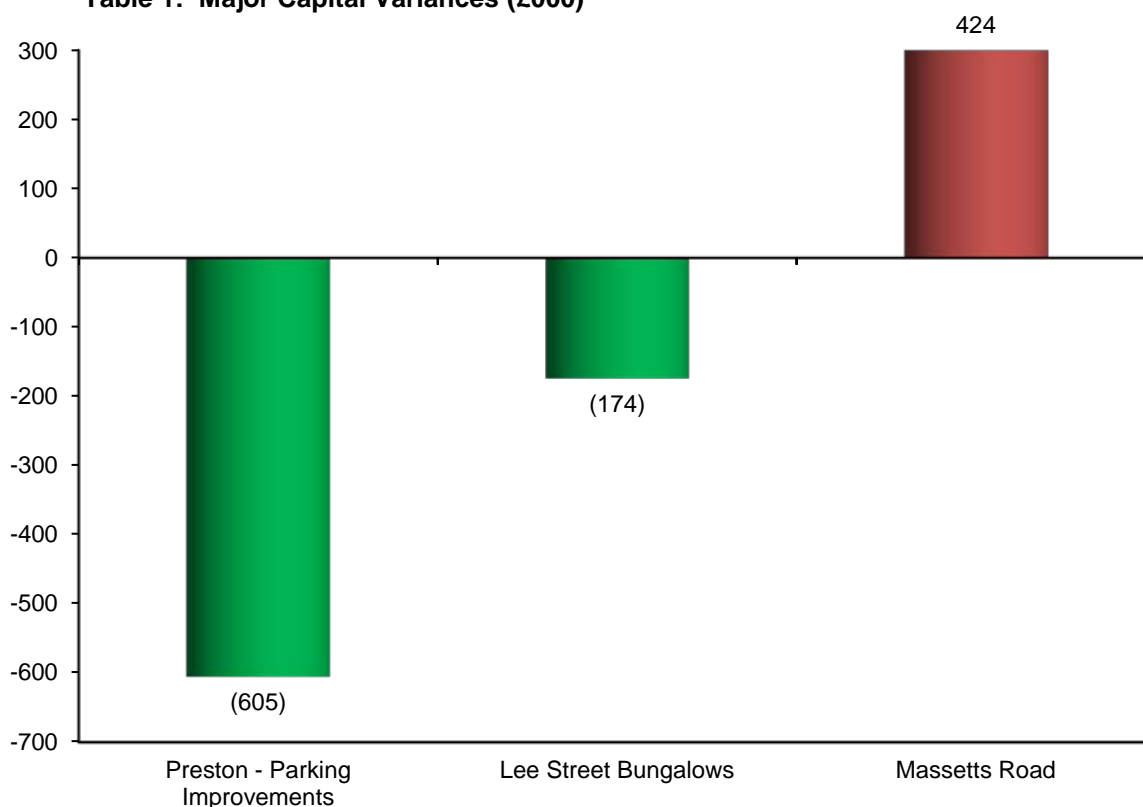
- Reconciliation of Original Budget to Management Budget
- Budget Monitoring Summary
- Analysis of Key Variances
- Impacts on Reserves

## Capital Budget

### Headline Capital Budget Information, Quarter 2 2017/18

Current Budget:	£27,715,900	
Forecast Expenditure:	£26,917,900	
Projected Underspend:	£798,000	(or 2.9% of budget)

**Table 1: Major Capital Variances (£000)**



### Major Variances

**Preston - Parking Improvements:** A proportion of this underspend is allocated to the Chetwode Road highway and parking improvement. It is likely that design work will commence this financial year incurring some costs, with the engineering work taking place next financial year. The remainder of this budget will be allocated by members following a prioritization meeting, at the end of November.

**Lee Street Bungalows:** This is a housing project. Currently alternative delivery options are being considered for this site, but it is anticipated that the entire allocated budget is required for redevelopment of the site although, there is some doubt whether the work will be completed this financial year. The budget will be retained for contingency purposes. The unspent funding will be carried forward to next year (if required) or returned to reserves.

**Massetts Road:** Additional funding is being sought for this Emergency Accommodation for Homeless Cases project. This capital monitoring report flags the request for additional expenditure by the project team. A proposal requesting additional funding for this project will be presented to Executive in early November 2017, the overspend indicated above is subject to Executive approval. The cost increases relate to project scope changes, cost increases and improvements to the fabric of the building.

### **eMembers Room Information**

Further information has been provided in the eMembers' room to support the Committee's consideration of the monitoring report as follows:

- Reconciliation of Capital Programme to Approved Budget
- Budget Monitoring Summary

## Section 4

### RISK MANAGEMENT

The report covers the two aspects of risk management

- **Strategic Risks**

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Five Year Plan and the Medium Term Financial Strategy. The Management Team has shared responsibility for the Strategic Risks.

- **Operational Risks**

Operational risks are those short term risks that are encountered in the course of the day to day delivery of services and functions. Individual operational managers will have responsibility for their own operational risks. The Management Team will be responsible for monitoring the operational risk registers.

All risks are actively monitored by the Management Team to ensure that appropriate controls are in place.

There are no new strategic or operational risks to be considered.

#### Strategic Risks

Ref no	Risk description 2017/18	Risk Rating
SR1	<p><b>Financial sustainability and commercial service development</b></p> <p>The Council no longer receives any Revenue Support Grant, and the reforms to business rates will likely result in a significant reduction, or complete removal, of this funding to Reigate &amp; Banstead by 2020.</p> <p>The Council, therefore, needs to fund services from other income streams. This will increasingly require the Council to identify and take advantage of commercial opportunities, where services can deliver new income streams.</p> <p>This will involve new areas of work which will require new skills and expertise, as well as a reasonable level of risk taking. There will also be new legal requirements wherever company structures are established.</p> <p>If we do not generate new income streams in this way, it could lead to reductions in services and standards or service delivery failure.</p>	Amber

<b>Ref no</b>	<b>Risk description 2017/18</b>	<b>Risk Rating</b>
<b>SR2</b>	<p><b>Housing &amp; Welfare</b></p> <p>An increasing number of residents are being affected by a combination of welfare reforms and increasing housing costs. This increases the risk of residents becoming homeless, leading to their health and wellbeing being affected, which would subsequently increase the cost pressures on the Council.</p> <p>A lack of affordable accommodation increases the Councils reliance on expensive bed and breakfast.</p> <p>The increasing reliance on local charities and voluntary sector support may also impact on their sustainability</p>	<b>Amber</b>
<b>SR3</b>	<p><b>Homelessness Reduction Bill</b></p> <p>The Homelessness Reduction Bill, expected to go live on 1 April 2018, will place an obligation on local authorities to provide a written personal housing plan to anyone that approaches the authority within 56 days of potential homelessness. Local authorities have a duty to keep the plan updated, and if homelessness is not avoided, have a further 56 day duty to continue working on the plan with the applicant; in many cases this will involve providing housing during the period.</p> <p>As a result, we expect a marked increase in casework, which has resource implications. As well as this, we also expect an increase in the number of households that we have a statutory obligation to accommodate.</p>	<b>Green</b>
<b>SR4</b>	<p><b>Gatwick Airport</b></p> <p>The Government has announced that its preferred option for additional runway capacity in the south east is that it should be provided at London Heathrow. Consultation on a National Policy Statement (NPS) for the new runway is taking place in early 2017/18, following which a final decision will be made by Government and the airport operator will be able to submit a planning application.</p> <p>Given the controversy associated with a proposal of this scale, until national policy is formalised and planning permission granted, there will continue to be uncertainty about future plans for, and impacts on, Gatwick Airport. It is also noted that the current legal agreement not to build a second runway at Gatwick expires in 2019.</p> <p>In the meantime, Gatwick Airport is developing its own proposals for expansion under a one-runway scenario. As a major local business and employer, and given its proximity to the borough and the scale of passenger movements, it will be important to influence these proposals</p>	<b>Green</b>



Ref no	Risk description 2017/18	Risk Rating
SR5	<p><b>Development Management Plan</b></p> <p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan will be prepared, and further consultation (Regulation 19) undertaken prior to submission to the Secretary of State for Examination.</p> <p>The process for the allocation of specific sites for development will be politically sensitive and could result in negative publicity, impacting on the Council's reputation.</p> <p>Formal allocation of development sites through an adopted Local Plan will help the Council manage where and how development goes ahead, and will minimise the risk of speculative (particularly greenfield) planning applications.</p> <p>It is important that the draft DMP complies with the national planning policies: at the Examination a planning inspector will need to be satisfied that the plan is sound (evidence based, deliverable and consistent with national policy). If the draft DMP is found to be not sound, the adoption of the plan will be delayed until issues are rectified.</p>	Amber
SR6	<p><b>Property Development</b></p> <p>In order to support the Council's financial sustainability, we will need to invest further in property to generate revenue income. The Council will need a well-defined and resourced Asset Management Plan to support this activity, with a programme of investments, developments and acquisitions. This may be carried out by the Council, the property company, or as part of joint working arrangements within and outside the Borough.</p> <p>Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks. These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing, following the triggering of Article 50.</p> <p>Failure to invest in property will result in the Council not delivering the required savings and income to deliver services and to fulfil our corporate objectives.</p>	Amber
SR7	<p><b>Cyber Security</b></p> <p>Computer Viruses including new Trojans such as Ransomware are being released onto the Internet at an ever increasing rate. More sophisticated approaches and new variants suggest that on occasions it is possible that viruses will get through corporate defences and could be activated by unsuspecting ICT consumers. The effects of activating a virus are varied but at their worse the results can be destructive, service affecting or can leave the organisation with data protection issues</p>	Amber

<b>Ref no</b>	<b>Risk description 2017/18</b>	<b>Risk Rating</b>
<b>SR8</b>	<p><b>The UK's exit from the European Union</b></p> <p>The 'leave' result of the referendum on the United Kingdom's continued membership of the European Union has created a significant degree of uncertainty for the economy and the governance of the country.</p> <p>The results of this uncertainty are multifaceted and interlinked, but may include a generally weakened economy, a weakened currency, reduced consumer confidence and delays in investment decisions. The Government and the Bank of England are likely to adjust fiscal and monetary policies in response which could, in turn, have further impacts on markets and the economy. This could result in changes in the rate of inflation, interest rates, property prices and devolution deals.</p>	<b>Green</b>
<b>SR9</b>	<p><b>Partner Decisions</b></p> <p>Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may impact on our residents, businesses, and directly on RBBC itself. For example, we receive recycling credits from Surrey County Council worth circa £1m. SCC are the social care provider, and reductions in funding may impact on the service and support that is provided to our communities, and RBBC may need to increase services or support as a result.</p>	<b>Red</b>
<b>SR10</b>	<p><b>Recycling Credits</b></p> <p>There is a risk that Surrey County Council and the Surrey Waste Partnership could withdraw recycling credits which would have a further negative impact on the council's budget</p>	<b>Red</b>
<b>SR11</b>	<p><b>Data Protection and General Data Protection Regulations (GDPR) ) ) Now the Data Protection Bill passing through Parliament</b></p> <p>We have always been aware of the potential risk of personal information being disclosed in breach of the Data Protection Act 1998 (DPA) and the associate penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 28 May 2018. The General Data Protection Regulations (GDPR) will replace the DPA and represents the biggest change to data protection law for 20 years. The implications of breaching the GDPR are potentially significant, with some breaches carrying fines of up to 4% of global annual turnover or 20 million Euros. Similar provisions are laid out in the Data Protection Bill (DPB)(2017) .</p>	<b>Amber</b>

### Operational Risks (Exception reporting)

This report highlights those risks that have been rated as RED. These are the risks where management are focusing their attention and immediate actions have been identified and plans are in place to reduce risk as a priority.

There is one risk rated RED in Quarter 2.

<b>Ref no</b>	<b>Risk description 2017/18</b>	<b>Risk Rating</b>
<b>OR5</b>	<b>Parking Services</b>  There are a number of agreements in place with external partners that will be subject to review in 2017-18. Depending on the outcome of these reviews there could be an impact on income and service efficiencies.	<b>Red</b>

### **e-Members Room Information**

Further information has been provided in the e-Members Room:

- Operational and Strategic Risk Registers

## Section 5

### INTERNAL AUDIT

#### Background

The annual Audit Plan is agreed by the Overview and Scrutiny Committee.

#### SCORING

<b>RED</b>	<b>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</b>
<b>AMBER/ RED</b>	<b>Taking account of the issues identified, the Authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</b>
<b>AMBER/ GREEN</b>	<b>Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</b>
<b>GREEN</b>	<b>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</b>

## Headline Information

During the last quarter 2 internal audits have been completed:

Name of Audit	score
Management of the Housing Register	Amber
Planning Decision Approval Process	Green

## Recommendations with a high priority

None

## Management action

n/a

## eMembers room information

Copies of the individual audit reports.