

<b>Subject:</b>	<b>Quarterly Performance Report (Q2 – July to September 2018)</b>
<b>Officer:</b>	Jocelyn Convey
<b>To:</b>	Overview and Scrutiny Committee, 6 December 2018.
<b>Purpose:</b>	To consider the key service performance for the second quarter of the year 2018-19.

## 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	Annex 1
Revenue Budget Monitoring	Annex 2
Capital Budget Monitoring	Annex 3
Risk Management	Annex 4
Internal audit	Annex 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.

**Annex 1**

**KEY PERFORMANCE INDICATORS**

**Headline Information**

Of the 14 Key Performance Indicators (KPIs) reported on this quarter, 8 are on target or within the agreed tolerance.

KPIs 4-8 are contextual homelessness indicators introduced to reflect the changes required by the Homelessness Reduction Act (2017). As the impact of the new legislation is uncertain, no target has been set for these indicators this year. Performance this year will therefore inform targets for the next year.

**Major variances (those off target)**

<b>KPI 13 – number of active bins</b>	
<b>Target</b>	<b>Actual</b>
Net increase of 100 active bins	15

Performance this quarter is reflective of a usual seasonal fluctuation. Despite this, the service is on target to achieve its overarching target for the year.

**eMembers room information**

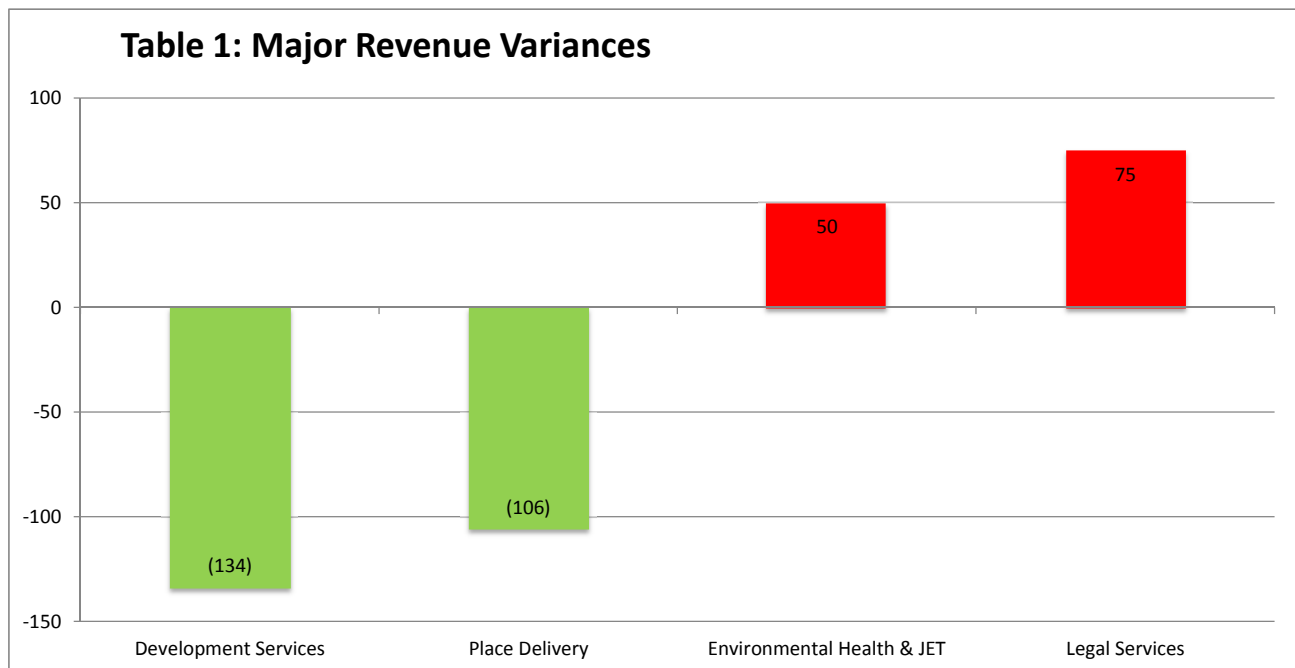
A copy of the full schedule can be found in the eMembers room.

## REVENUE BUDGET MONITORING

## Revenue Budget

Reconciliation of Original Budget to Management Budget for 2018-19		£'000	£'000
Original Budget			15,494.5
Transfers from Reserves:			
	Corporate Plan Delivery Fund	2,019.8	
	CIL funds	100.1	
	Neighbourhood Improvement Fund	10.7	
			<u>2,130.6</u>
Management Budget			<u><u>17,625.1</u></u>

Headline Revenue Budget information 2018-19		£'000
Management Budget		17,625.1
Forecast Year End Outturn		17,538.4
Projected underspend		-86.7 (or -0.5% of the budget)



### Major Variances

**Development Services:**

As reported at Q1, the income from planning fees continues to remain buoyant with a surplus over the budget being forecast at this stage.

**Place Delivery:**

As reported at Q1, the forecast underspend relates to posts created in the business plan that are currently vacant. This is temporary. Recruitment will commence shortly following management restructure and will reflect the skills required to deliver the Council's corporate place priorities. Favourable variances accrue whilst this is happening.

**Environmental Health and JET:**

Two unbudgeted elements have given rise to the forecast overspend. Firstly, £27k for prevention reviews of domestic homicide cases. Secondly, staffing costs totalling £12k for temporary maternity cover and £11k relating to performance pay reviews for staff, make up the balance. All these items are being addressed through the Service and Financial Planning process in 2019/20

**Legal Services:**

The forecast overspend relates to the reliance on locum staff and external advice to deliver the service.

**e-Members Room Information**

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

- Budget Monitoring Summary
- Analysis of Key Variances
- Impacts on Reserves

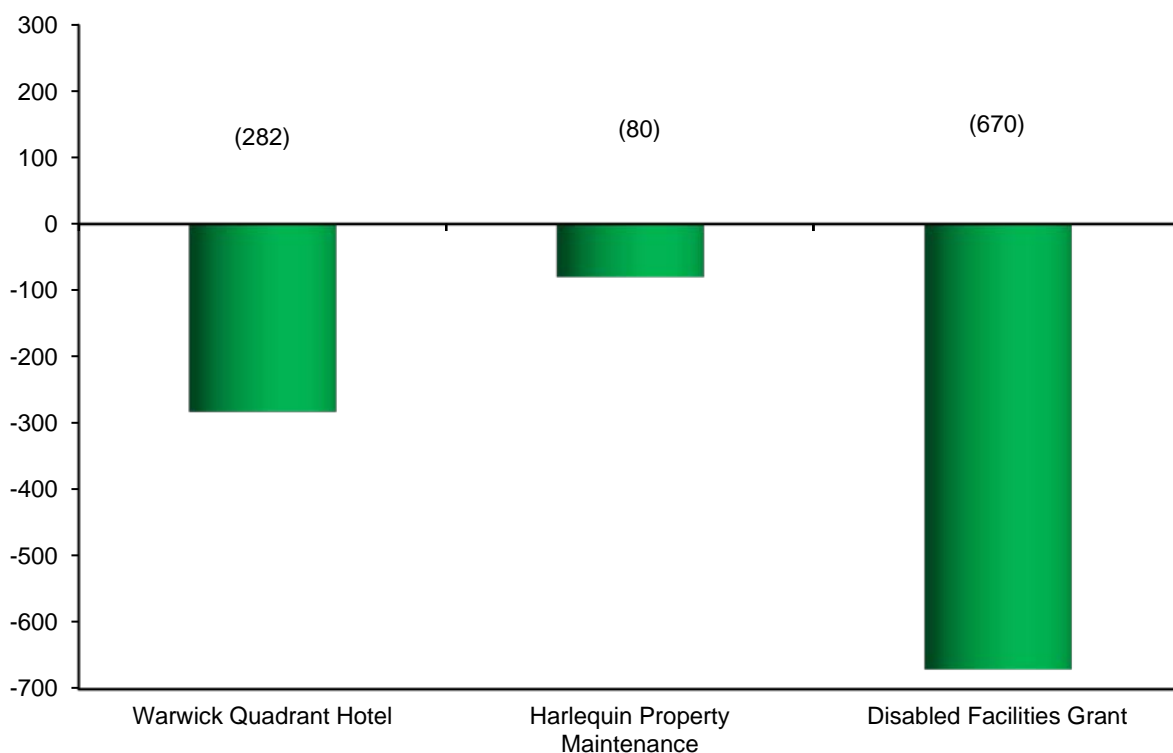
**CAPITAL BUDGET MONITORING**

**Capital Budget**

**Headline Capital Budget Information, Quarter 1 2018/19**

Current Budget:	£9,839,200	
Forecast Expenditure:	£8,639,100	
Projected Underspend:	(£1,200,100)	(or -12.2% of budget)

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



**Major Variances**

**Warwick Quadrant Hotel:** £282k is an actual underspend as the final work is now completed and no further expenditure is expected.

**Harlequin Property Maintenance:** There is currently an £80k underspend expected, however, there is a major piece of work currently to realign and agree a new capital budget for the Harlequin. This is expected to be carried out over the next quarter.

**Disabled Facilities Grant:** Disabled Facilities Grant: The Council is in final stages of awarding our Home Improvement Agency contract with tenders being evaluated and scheduled to mobilise by January 7th. Additional DFG funding was received at the end of 17/18 of £100k and comes with less restricted conditions; which can be utilised to subsidise the management fee in 17/18. Working closely with our new supplier will see an increase to the outturn of our accumulated DFG grant.

### Other Capital Investment

<b>Loans to Companies</b>	
<b>As @ 30/09/2018:</b>	
Greensand Holding Ltd	£2,269,639
Horley Business Park Development LLP	£552,000

<b>Preference Shares</b>	
<b>As @ 30/09/2018:</b>	
Pathway for Care Limited	£1,099,920

### 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

**Annex 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 risks to be considered.

**Strategic Risks**

Ref no	Risk description 2018/19	Risk Rating
SR1	<p><b>Long-term financial sustainability</b></p> <p>The Council receives no Revenue Support Grant from government, and although piloting local retention, we anticipate business rate income to reduce significantly.</p> <p>The Council is therefore reliant on other income including council tax, fees &amp; charges. Increasingly these are impacted by wider economic factors.</p> <p>The Council also has long term Capital requirements and will need to address replenishment of capital.</p> <p>The Council will set out an Investment Strategy to support Revenue and Capital budget requirements in order to help ensure the Council’s long term financial sustainability. The Council will therefore need to determine the extent to which we will need to invest further in Treasury management, property and other commercial activities to generate revenue income and capital returns.</p> <p>The Council is therefore seeking a diverse range of investment and</p>	<p><b>Yellow</b></p>

Ref no	Risk description 2018/19	Risk Rating
	<p>commercial opportunities. These will require capacity, skills, expertise and behaviours within the organisation to generate new initiatives that can be used to invest in our services to residents and businesses. Without this investment, there is a risk that funding reductions or economic downturn could result in cuts to service provision.</p>	
<p><b>SR2</b></p>	<p><b>Housing, homelessness and welfare</b></p> <p>An increasing number of residents are being affected by a combination of welfare reforms – such as Universal Credit – and increasing housing costs. This increases the risk of residents being threatened with homelessness, leading to their health and wellbeing being affected, which could also subsequently increase cost pressures on the Council.</p> <p>A lack of affordable accommodation increases the Council’s reliance on expensive bed and breakfast, although following the opening of temporary emergency accommodation we are expecting this to stabilise.</p> <p>At the same time, the Homelessness Reduction Act – coming into effect from 3 April 2018 – has significantly increased the statutory requirements of local authorities in respect of homelessness, including a new prevention duty.</p> <p>As a result, we will experience a marked increase in casework, administration and statutory reviews, which will have resource implications. As well as this, the number of households that we have a statutory obligation to accommodate is likely to increase, and for longer periods.</p>	<p><b>Amber</b></p>
<p><b>SR3</b></p>	<p><b>Development Management Plan</b></p> <p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan has been prepared, and further consultation (Regulation 19) has been 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>	<p><b>Amber</b></p>



Ref no	Risk description 2018/19	Risk Rating
SR4	<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.</p> <p>Also the future uncertainty surrounding access to borrowing from the Public Works Loan Board may make it necessary for the Council to have to seek funding from the money markets in line with other commercial property companies</p> <p>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
SR5	<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
SR6	<p><b>Economic prosperity</b></p> <p>Economic prosperity is essential for the wellbeing of the borough, creating employment and wealth that benefits local people.</p> <p>Increasingly, this also has a direct link to the Council's finance position and impacts on the demand for our services. Reforms to the business rate system mean that the council is liable for any reductions, but also has the potential to benefit from increases (especially through the business rate pilot).</p> <p>Economic prosperity cannot be taken for granted, and there are risks such as uncertainty from the withdrawal from the EU, future interest rate levels, increasing consumer debt and high housing costs.</p>	Amber
SR7	<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</p>	Red

Ref no	Risk description 2018/19	Risk Rating
	impact on our residents, businesses, and directly on RBBC itself 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	
SR8	<b>Recycling credits</b>  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	<b>Amber</b>
SR9	<b>Data Protection and General Data Protection Regulations (GDPR) – Now the Data Protection Bill passing through Parliament</b>  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 associated penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 25 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.	<b>Amber</b>

### Operational Risks (Exception reporting)

This report highlights those Operational 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:

Ref no	Risk description 2018/19	Risk Rating
OR4	<b>Ageing RBBC fleet</b>  Our fleet vehicles have reached the second half of their service life, and will soon require replacement.  In terms of our refuse vehicles, our future fleet replacement is dependent on the waste streams to be collected. As a result of Surrey Waste Partnership's futures paper, we do not have sufficient clarity to plan for future fleet procurement. <i>(This element of the risk</i>	<b>Red</b>

Ref no	Risk description 2018/19	Risk Rating
	<p><i>is now superseded).</i></p> <p>Regarding our pool cars, our fleet is ageing and is beginning to require increasing levels of maintenance.</p> <p>An increase in maintenance costs of our fleet of vehicles is therefore likely.</p>	

**INTERNAL AUDIT**

**Background**

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

**SCORING**

<p><b>RED</b></p>	<p>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.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
<p><b>AMBER/ RED</b></p>	<p>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).</p>
<p><b>AMBER/ GREEN</b></p>	<p>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.</p> <p>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).</p>
<p><b>GREEN</b></p>	<p>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.</p>

**Headline Information**

**During the last quarter 1 internal audit has been completed that provides 2 opinions:**

<b>Name of Audit</b>	<b>score</b>
Redaction Procedures - For online representations	Partial Assurance
Redaction Procedures - For areas other than online representations	Reasonable Assurance

**Recommendations with a high priority**

None

**Management action**

N/A

**eMembers room information**

Copies of the individual audit reports.

