



REPORT OF:	MANAGEMENT TEAM
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TO:	EXECUTIVE
DATE:	29 March 2018
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	QUARTERLY PERFORMANCE REPORT (Q3 2017-18)
RECOMMENDATION:	
<p>To note the performance outlined in the attached report, to approve the revised Key Performance Indicators for 2018/19 and to approve the 2018-19 Strategic Risks.</p>	
REASONS FOR RECOMMENDATIONS:	
<ul style="list-style-type: none"> (i) To consider the performance for the third quarter of the financial year 2017-18; (ii) To ensure that the Council has appropriate arrangements in place for performance monitoring in 2018/19; (iii) To ensure that the Council has appropriate arrangements in place for risk management in 2018-19 	
EXECUTIVE SUMMARY:	
<p>The attached report provides the headline issues in relation to the Council's overall performance for Quarter 3.</p> <p>The Key Performance indicators have been revised and include changes required as a result of the Homelessness Reduction Act and the inclusion of a new indicator, they are attached (Section 6 of Annex 1) for approval.</p> <p>The Strategic Risk Register is reviewed annually and a new set of risks have been identified for 2018-19. The updated Strategic Risks for 2018-19 are attached (Section 7 of Annex 1) for approval.</p> <p>The attached report (Annex1) was considered by the Overview and Scrutiny Committee on the 15 March 2018.</p> <p>The Committee's observations will be reported to the Executive.</p>	

Executive has authority to approve the above recommendation.

Subject:	Quarterly Performance Report (Q3 – October to December 2017)
Officer:	Gavin Handford / Jocelyn Convey
To:	Overview and Scrutiny Committee, 15 March 2018
Purpose:	To consider the key service performance for the third 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 3.

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 sections:

Key Performance Indicators – Q3 2017-18	Section 1
Revenue Budget Monitoring	Section 2
Capital Budget Monitoring	Section 3
Risk Management	Section 4
Internal audit	Section 5
Update to Key Performance Indicators to take effect from Q1 2018-19	Section 6
Risk Management – New Strategic Risks for 2018/19	Section 7

Recommendation

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

The Committee is also requested to consider the revised Key Performance Indicators to take effect from Q1 2018-19 and make any observations to the Executive.

In addition, the Committee is requested to consider the identified Strategic Risks for 2018-19 and make any observations to the Executive.

Section 1

KEY PERFORMANCE INDICATORS

Headline Information

Ten of the eleven Key Performance Indicators (KPIs) that are reported on in this quarter are on target.

KPI 4 is a contextual indicator and therefore has no target set.

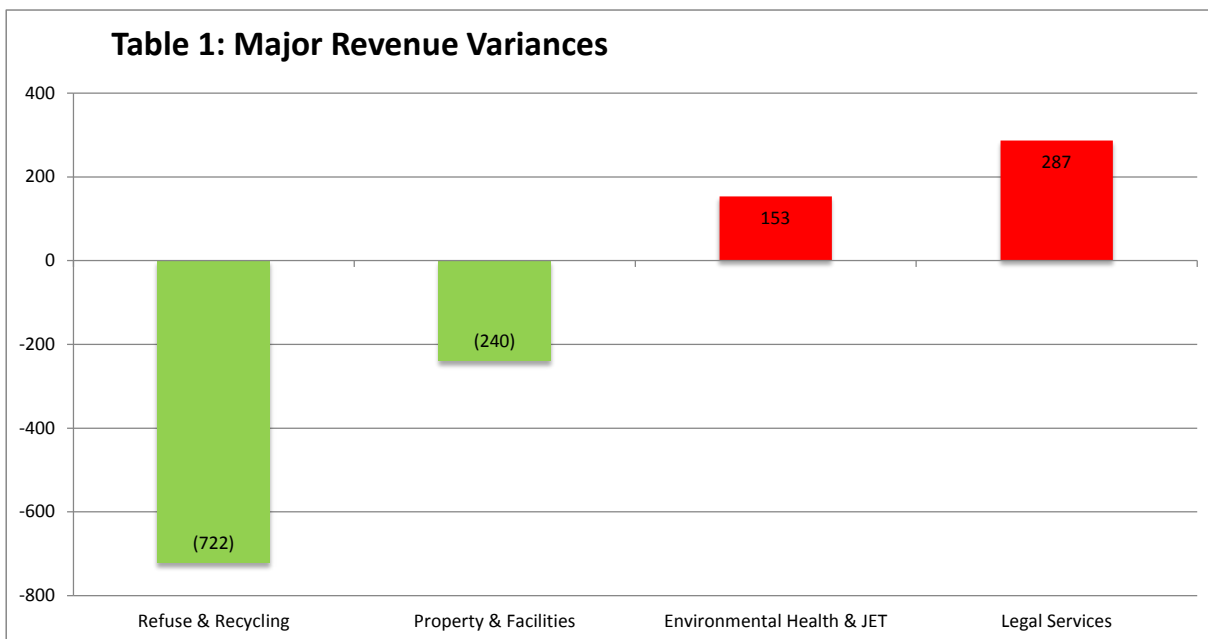
eMembers room information

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

REVENUE BUDGET MONITORING

Reconciliation of Original Budget to Management Budget for 2017-18		Period 8: Revenue Budget	
	£'000	£'000	
Original Budget		14,894.0	
Transfers from Reserves:			
Corporate Plan Delivery Fund	1,495.6		
Total Transfers from Reserves		<u>1,495.6</u>	
Management Budget		<u><u>16,389.6</u></u>	

Headline Revenue Budget information 2017-18	£'000
Management Budget	16,389.6
Forecast Year End Outturn	15,395.0
Projected underspend	-994.6 (or 6% of the budget)



Major Variances

Refuse & Recycling:

Market fluctuations make forecasting income from Mixed Waste recycling difficult. Q1, Q2 and Q3 saw an over-recovery of this income due to the current buoyancy of the market. In addition, we have seen an increase in Garden Waste membership numbers which, along with the subscription price increase, has generated additional income.

Property & Facilities:

The large over-recovery is mainly due to the rent receivable and is attributable to Forum House, purchased in July and Beech House purchased in August 2017. This has been revised downwards for recent tenancy turnover in other assets.

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 and Q2. 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 and Q2, 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 the Legal service salary costs.

e-Members Room Information

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

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

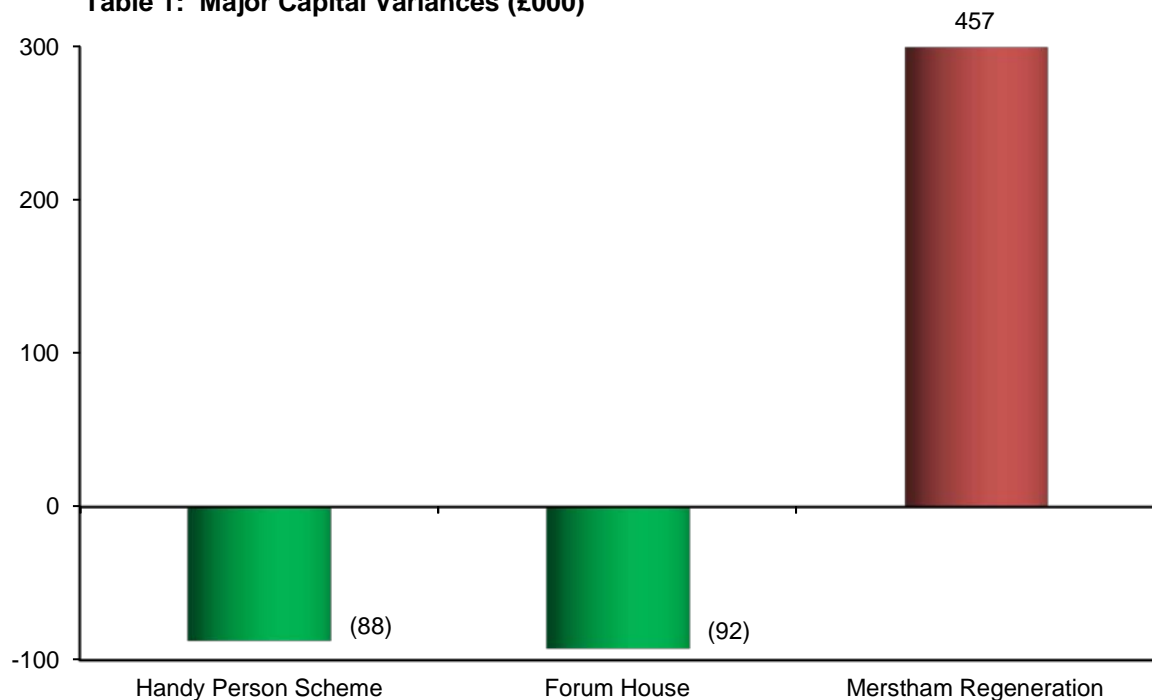
Section 3

CAPITAL BUDGET MONITORING

Headline Capital Budget Information, Quarter 3 2017/18

Current Budget:	£23,209,400	
Forecast Expenditure:	£23,085,400	
Projected Underspend:	£124,000	(or 0.53% of budget)

Table 1: Major Capital Variances (£000)



Major Variances

Handy Person Scheme: This is currently reported as an underspend. It is intended that this underspend will be used to replace the expenditure usually covered by the Home Improvement Agency Grant from Surrey County Council, which has paid in full by SCC in 17/18.

Forum House: Acquisition fees for Forum House was £92.3k less than expected therefore is a genuine underspend.

Merstham Regeneration: The forecast overspend at Merstham will be covered by reimbursements from Surrey County Council being their proportion of the construction costs. The final instalment due by August 2018.

NB: The variances for Forum House and Merstham Regeneration shown are a snapshot of the situation in period 9 of the current year. As we change our reporting on major projects in 18/19, variances such as Merstham and Forum House will be reflected in context of the full project lifecycle, giving more informative output on variances such as these.

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

An update on risk management does not form part of the Q3 performance report.

No new strategic risks were identified during Q3 2017-18.

Section 5

INTERNAL AUDIT

Background

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

SCORING

RED	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).
AMBER/ RED	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).
AMBER/ GREEN	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).
GREEN	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.

Headline Information

During the last quarter 6 internal audits have been completed:

Name of Audit	score
Revenues	Green
Benefits	Amber / Green
Car Parking Account	Green
Civil Contingencies	Green
Service & Financial Planning	Green
Creditors	Amber/ Green

Recommendations with a high priority – there are none

Management action

N/A

eMembers room information

Copies of the individual audit reports are available on eMembers.

Section 6

UPDATED KEY PERFORMANCE INDICATORS 2018-19

The organisation's Key Performance Indicators (KPIs) have been reviewed updated where appropriate.

The below KPIs will be reported on from Q1 2018-19.

Ref	KPI description
KPI 1	Maintain levels of self-service transactions
KPI 2	Total number of residential completions
KPI 3	Number of affordable homes included in KPI 2
KPI 4	Number of new housing prevention cases*
KPI 5	Number of new housing relief cases*
KPI 6	Number of positive prevention and relief outcomes*
KPI 7	Number of homeless applications
KPI 8	Number of homeless acceptances
KPI 9	Average number of households in B&B accommodation
KPI 10	Business income as a percentage of gross budget
KPI 11	Percentage of Council Tax collected by the Council in the year

Ref	KPI description
KPI 12	Percentage of Business Rates (NNDR) collected by the Council in the year**
KPI 13	Trade waste - number of customers
KPI 14	Green waste – number of active bins
KPI 15	Total percentage of household waste that is recycled and composted.

**Indicators revised to reflect the changes required by the Homelessness Reduction Act.*

*** A new indicator*

Section 7

RISK MANAGEMENT

New strategic risks for 2018-19

The table below details the strategic risks that have been identified for 2018-19.

Risk Description 2018-19
<p>Long-term financial sustainability</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 & 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 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>Housing, homelessness and welfare</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</p>

Risk Description 2018-19

periods.

Development Management Plan

Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan has been prepared, and further consultation (Regulation 19) will be undertaken prior to submission to the Secretary of State for Examination.

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.

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.

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.

Property Development

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.

Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks.

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

These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.

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.

Cyber security

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.

Risk Description 2018-19
<p>Economic prosperity</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>
<p>Partner decisions</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 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>
<p>Recycling credits</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>
<p>Data Protection and General Data Protection Regulations (GDPR) – Now the Data Protection Bill passing through Parliament</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.</p>

Operational Risks

New operational risks for 2018-19 will be identified and managed by the Business Managers Group and Management Team.