MoleValley
District Council

Agenda Item 8

Cabinet Member	Councillor Metin Huseyin, Cabinet Member for Finance, Performance and Risk
Strategic Management Team Lead Officer	Nick Gray, Deputy Chief Executive Jasvir Chohan, Executive Head of Service, People and Transformation
Author	Mr Kay, Chief Accountant Jane Nottage, Risk Management and Performance Manager
Telephone	Mr Kay: 01306 879374 Jane Nottage : 01306 879188
Email	Jane.nottage@molevalley.gov.uk
Date	26th June 2018
Ward (s) affected	The 2017/18 Outturn Report covers the whole District
Subject	**2017/18 Outturn Report**

RECOMMENDATIONS

That the Cabinet:

- notes the Council's performance and financial position for the period April 2017 to March 2018, and endorses publication of the Annual Report (Appendix A);

- confirms requested carry forwards amounting to £579,000 of Capital Minor Works from 2017/18 to 2018/19;

- notes the Strategic Risk Register and the action taken in mitigation.

Executive Summary

This report provides the Cabinet with the financial context to the progress made during 2017/18 to deliver on the Council's corporate strategy priorities. It highlights areas of good performance and, where performance has fallen below the target set, outlines the reasons and the actions taken in response.

The Annual Report (Appendix A) provides further service and financial information. It:

- sets out progress made in respect of each of the three priority outcomes in the Corporate Strategy: Environment, Prosperity and Community Wellbeing (pages 10-17).
- includes details of performance achieved for each of the 21 Key Performance Indicators (pages 18-20), and;
- provides a detailed breakdown of revenue budget monitoring and the capital programme (pages 21-22)

The report also sets out the strategic risks faced by Mole Valley District Council in relation to achieving the priorities as defined in the Corporate Strategy, and notes the current mitigation action being taken to control these risks (Appendix B).

The report is set out as follows: Part 1 – introduction Part 2 - service delivery Part 3 – financial outturn: summary Part 4 – financial outturn : revenue Part 5 – financial monitoring : capital Part 6 – budget carry forwards Part 7 – use of reserves Part 8 – strategic risk There are two appendices: Appendix A is the Annual Report 2017/18 and includes a summary of • progress against the corporate strategy priorities; • progress against the performance indicators; • revenue position by service area, and; • progress on capital schemes. Appendix B is the Strategic Risk Register.
CORPORATE PRIORITIES This report is an update on the Council's progress in implementing the priorities contained in the Corporate Strategy.
The Cabinet has the authority to determine the Recommendations

1.0 Introduction

1.1 Mole Valley's Corporate Strategy 2015-2019 is framed around three priority outcomes:

- Environment – a highly attractive area with housing that meets local need
- Prosperity – a vibrant local economy with thriving towns and villages
- Community Wellbeing – active communities and support for those who need it

1.2 The Annual Report, attached as Appendix A, sets out key achievements against each of the three priority outcomes (pages 10-17), and includes details of service performance indicators (pages 18-20) and financial performance (pages 21-22).

1.3 This report provides further detail that puts performance in context, and provides explanation where performance was significantly different to the target. It details the capital programme, requests minor works carry forwards, and presents a summary of the reserves position.

2.0 Service Delivery

2.1 The full list of 21 performance indicators (PIs), and progress made on these, is given in Appendix A (pages 18-20). Three do not have targets as they are indicators which put the other performance indicators into context, such as the overall business rateable value of the district. At the end of March 2018, of the remaining 18 PIs, performance is assessed as follows:

- PIs on or above target (green): 15 (83.3%)
- PIs slightly off target (amber): 3 (16.7%)
- PIs off target (red): 0 (0%)

2.2 Comparing this year's performance with the same period last year, 100% of the PIs for which we have 2016/17 data have either performed better or stayed at similar levels.

2.3 A number of indicators have performed better than the targets set, and are improved compared to the same period last year, notably:

- Housing: net increase in number of dwellings
- Number of missed bins per 100,000 collections
- Percentage of major applications processed within the statutory determination period of 13 weeks

2.4 The end of year target for the provision of affordable homes across the District is based on the adopted Core Strategy Policy which is 950 affordable homes to be provided from 2006 to 2026. MVDC has set an annual target of 50 homes per year during this period, recognising that the actual numbers delivered will vary each year as schemes are developed and completed. During 2017/18, 40 affordable homes were provided at Middlemead Bookham, the Photo Me site in Bookham; at Cleeve Road/Randalls Road in Leatherhead; and at River Lane in Fetcham.

2.5 Whilst this is below the annual target there are 63 affordable homes currently under construction that will complete during 2018/19 at Middlemead in Bookham; Therfield School site in Leatherhead and High Street, Dorking. A further 46 affordable homes have planning permission at Preston Cross Farm in Bookham and Middlemead in Bookham and are likely to commence on site later in 2018/19 and complete in 2019/2020.

2.6 MVDC achieved a recycling rate of 59.88% for 2017/18, representing a marginal increase on last year. We continue to be one of the highest performing authorities nationally for recycling (the most recent Government statistics showed that MVDC was 13th in the country). Mole Valley is a member of the Surrey Waste Partnership alongside the other Districts and Boroughs in Surrey, plus Surrey County Council. Their strategy is to reduce waste and increase recycling and has led to Surrey being joint top of the national recycling league table for 2016/17.

2.7 The increase in recycling has been achieved within the context of an overall reduction in the total amount of waste generated. Residents, both nationally and in Mole Valley, have reduced the total amount of waste they produce – which is a positive improvement. One of the impacts of this is a change in the waste mix, which can lead to a reduction in the amount of recycling. For instance, there has been a national focus on companies reducing the amount of packaging for their products. The reduction in their use, for instance, has positive environmental benefits, although it does impact on the recycling rate as there is less material needing to be recycled. Therefore to achieve an increase in the recycling rate is a significant outcome.

2.8 MVDC ran a series of promotional campaigns throughout the year focusing on boosting recycling and reducing residual waste. The key impacts were an extra 200 tonnes of food waste collected for composting in 2017/18 compared to the previous year, and residual waste saw a 300 tonne decrease.

2.9 For 2018/19, the main focus will be on the launch of the new Joint Waste Collection Contract which sees MVDC's waste and recycling collection contractor switching from Biffa to Amey. MVDC is the final Local Authority in the Joint Waste Partnership to commence wast collection with Amey (along with Elmbridge, Surrey Heath and Woking Borough Councils). Moving forwards, performance improvement will become the focus across the four partner authorities. Through joint working and using the better data that will be available, the partnership will be able to be more innovative in order to bring about increased performance.

2.10 The percentage of council tax collected was slightly below target; 99.1% against a target of 99.2%. Whilst the national figures have yet to be published, this is expected to demonstrate strong performance when compared to both England and the Shire Districts, and likely to place MVDC amongst the higher performers. Figures for 2016/17 showed that the average performance across all England authorities was 97.5%, and across the Shire Districts average performance was reported as 98.4%; MVDC's performance for 2017/18 remains comfortably above both.

2.11 An additional £130,127 of council tax arrears was collected for 2017/18, a significant increase compared to 2016/17. This was achieved by implementing and adopting changes to the recovery procedures, in addition to the introduction of recovery automation which frees up resources to target difficult cases. There were also improvements to the income and expenditure forms and recovery letters which generated a high level of responses. For 2018/19 there should be continued improvement in the arrears reduction figures due to continuing review of the recovery correspondence and working closer with debt agencies such as the Citizens Advice Bureau.

2.12 The number of new dwellings provided during 2017/18 significantly exceeded the target set. There were a number of relatively large sites coming on stream, and also a number of developments which had received prior approval for office to residential conversion that were completed during the year. These include Tyrell House (29 units) and Prime House (24 units) in Leatherhead, and Federated House (71 units) in Dorking.

3.0 Financial Outturn - Summary

3.1 The final outturn on the Council's revenue budget shows an overspend of £158,000. The projection made at the end of December was an overspend of £341,000. The latest projected capital underspend over the life of the programme is £77,000. The Annual Report (Appendix A, pages 22 and 23) includes the detailed breakdown of revenue budget monitoring and the capital programme.

4.0 Financial Outturn – Revenue

4.1 The Council's revenue financial outturn on service costs under the control of business managers, showed an overspend of £158,000 against the budget of £9,430,000 set at the start of the year. This is under the projected outturn reported in December by £183,000. The Annual report (Appendix A, page 22) shows how this is allocated across the Council's services.

4.2 The most significant issues are listed below:

- **Development Management: £306,000 overspend** – difficulties in recruiting experienced staff have persisted through the year with the consequence that Agency staff were required to process applications. This led to increased costs but has enabled a high level of performance to be maintained and Key Performance Indicators to be exceeded. In addition, Public Inquiry costs have been higher than anticipated. There has also been less income from planning application fees because the Government did not implement the fee increase that had been anticipated and built into the budget. The 20% increase in fees came into effect in January rather than the original budgeted July; this had an approximately £79,000 impact (in a full year this would generate an extra £100,000 income).

  An exceptional growth bid of £150,000 was made for the 2018/19 budget to support a review of the team structure. A new Head of the Development Management Team has been appointed and will take up the post at the beginning of September. Two career grade Planning Officers have also been appointed. Following a review of the Development Management Team's work, recruitment of a Planning Enforcement Team Leader, Senior Enforcement Officer and part time Development Manager Team Leader is underway.

- **Waste, Street Care & Sustainability: £194,000 overspend** – The reasons for the overspend are:-

  - **contract indexation**, which is based on the rate of RPI inflation in May each year. The rate of inflation rose in May 2017 to 3.7% which was higher than budgeted.
  - **reduced recycling payments** from Surrey County Council.
  - **53rd week** – every six or seven years a 53rd week, and therefore an extra round of waste collection, occurs. This was the case in 2017/18.

  During 2018 the Council will join the joint services contract for waste collection and the anticipated costs represent a substantial saving, in the region of £1.2m per full year against the current contract costs.

- **Property, Asset Management (including investment and regeneration): £192,000 overspend** – this is mainly due to the delay in the opening schedule for the new sports and community facilities at Meadowbank, Dorking with a loss of income generated in 2017/18. This should not significantly impact 2018/19.

- **Revenues & Exchequer: £128,000 overspend** – an extensive restructuring took place in the Revenues & Exchequer Team this year. The overspend was partly a consequence of interim, one-off costs relating to temporary agency appointments to cover vacancies while the new structure was assembled and partly a reflection of the increased ongoing cost of the new, more resilient, structure. From 2018/19 there is an additional £60,000 following the staff restructure which should prevent an overspend in 2018/19.

- **Car Parking: £251,000 surplus (underspend)** – there were higher levels of income achieved in our car parks than originally forecast. This was particularly the case with the Swan Centre car park which performed significantly better than estimated. Next years budget has been adjusted to reflect increased expected revenues.

- **Corporate Costs £435,000 surplus (underspend):** - There was a positive variance to budget as a result of MVDC choosing to make an additional employers payment in relation to Pension scheme. This reduced the annual ongoing employer corporate Pension contribution in 2017/18. Future years budgets will be adjusted accordingly.

- **Legal costs £133,000 overspend.** This is mainly due to temporary staffing costs, lower than anticipated salary capitalisation, and a lower than expected budget adjustment in relation to work carried out in respect of the AIS.

Transform Leatherhead

4.3 Transform Leatherhead is a key part of the Prosperity Corporate Priority and funded from the reserves.

4.4 The Council approved expenditure of £500,000 on the development of a Master Plan for Leatherhead Town Centre at its meeting of 14 October 2014. This was spent between 2014/15 and 2016/17. It was in addition to the allocated revenue budget for services, so was met from the Council's "reserves" – i.e. those funds set aside by the Council to meet unforeseen expenditure or earmarked for particular future events.

4.5 To fund the next stage of Transform Leatherhead the Council agreed, on 12 July 2016, to the establishment of the Transform Leatherhead Development Reserve of £1m. All allocations from this reserve are agreed by Executive. During 2016/17, £94,000 was agreed and spent on a study to examine the options for a viable redevelopment of Claire House and James House.

4.6 Further allocations have been agreed of £30,000 for a study into delivery methods for affordable housing (approved by Council on 21 February 2017); £190,000 to commission a development strategy and viability study for the Swan Centre (27 June 2017 Executive); and £620,000 for consultancy work in connection with Claire House and James House in the riverside area (26 September 2017 Executive). Expenditure from the Transform Leatherhead Development Reserve during 2017/18 was £71,000.

Asset Investment Strategy

4.7 The Council approved the Asset Investment Strategy in October 2016 which involves £48.5m capital spend on property assets over three years. Council in February 2018 increased the limit to £100.0m. The objective of the Strategy is to produce an annual return of £1.35m net income (increased from the original £750,000) by 2020 to Council. There is a legal requirement that purchases outside the MVDC borders are undertaken by companies wholly owned by the Council. MOVA Holdings Ltd and MOVA Property Ltd were set up specifically for this purpose during 2016/17. In the first year the net return was £400,000 due to the full capital spend not yet being invested.

4.8 The first purchase for the new company was made in April 2017. It is a freehold building occupied by a supermarket in Ystalyfera, near Swansea. The financial details of this purchase, in terms of yield, cost of capital and level of professional fees, were broadly in line with the assumptions underlying the Strategy and will generate about two thirds of the income required in the year. In January 2018, Unity House in Basingstoke occupied by Game was purchased. In December 2017, Focal Point, Leatherhead was acquired and, being a local property, was purchased by MVDC rather than MOVA. The rent income on these properties has increased the 2017/18 income.

4.9 The budget included amounts to reflect the mechanisms around the wholly-owned Limited Company (MOVA Property Limited) set up to purchase assets and collect income. In the Company's accounts, the income received was set against charges from those MVDC services spending time on MOVA-related business. These are mainly Property (the Investment & Regeneration Team) but also include support from Legal, Finance and SLT. The budgets for these services include an estimate of the full year's charge. As far as MVDC monitoring is concerned, this mechanism has a neutral impact as the reduced staffing costs through the recharge to MOVA are matched by reduced net income from the company after the recharges have been made.

4.10 This table represents the final 2017/18 MVDC Asset Investment Strategy outturn (Surplus £408,000) compared with budget (Surplus £390,000):

Asset Investment Strategy

Asset Investment Strategy	Base Budget 2017/18 £000	Outturn 2017/18 £000	Actual Variance Year end 2017/18 £000
Income			
Rental income (MVDC - Focalpoint)		-165	
Management Service Charge income from MOVA		-277	
Interest from MOVA		-412	
Dividend from MOVA		0	
	-700	-854	-154
Expenditure			
Capital Financing (PWLB loan)		362	
Professional & legal advice		84	
	310	446	136
TOTAL	-390	-408	-18

5.0 Finance Monitoring – Capital

5.1 The current capital programme is £133.5m as set out in the Annual Report (Appendix A, page 23). This is over the life of the programme and includes the Asset Investment Strategy (AIS) approved spend of £100m, with £39,000 spend in the year. Projected costs are £77,000 below the programme budget.

5.2 As explained in the previous Business and Budget monitoring report (Month 9 in February 2018 to Executive), the main additional costs have been at Meadowbank.

This has been caused by, firstly, the discovery of a natural spring which led to adjustment to the overall level of the site and, secondly, the discovery of asbestos deposits which required the clearance of contaminated and hazardous soil at the site. The discovery of this material, during initial excavation works on the site, left the Council with an obligation to rectify the situation through survey, test and removal of the contaminated soil.

6.0 Budget Carry Forwards

6.1 On the Capital Programme, carry forward of unspent provision on major projects is assumed. For minor projects, requests have been made to carry forward £579,000 of the underspend on these projects.

7.0 Use of reserves

7.1 The Council's Usable Reserves stand at £16.6m at the end of 2017/18 (as compared to £16.6m a year ago). The table shows the detail for 2017/8 and 2016/17.

	2017/18	2016/17
General Fund	3,497	2,897
Ear marked reserves - Capital	5,709	6,080
Ear marked reserves - Revenue	4,362	3,949
Capital Grants unapplied	833	883
Capital Receipts	2,211	2,773
Total Usable Reserves	16,612	16,582

8.0 Strategic Risk

8.1 The Strategic Risk Register (Appendix B) is owned by the Chief Executive and details Mole Valley District Council's strategic risks. The risk register focuses specifically on the strategic risks that have the potential to significantly destabilise the organisation. By their nature, strategic risks are generally not service or objective specific; they are areas of risk that cut across service and objective boundaries.

8.2 The Strategic Risk Register is reviewed by officers at the Statutory Responsibilities Network on a six-weekly basis and by the Risk Management Group on a bi-monthly basis. Audit Committee receives an annual Risk Management Report on MVDC arrangements. Updates to the Register are made as necessary to ensure it remains current.

8.3 The Strategic Risk Register was last presented to Executive at its meeting on 6 February 2018. The Chief Executive and the Senior Leadership Team have subsequently undertaken an annual strategic risk assessment exercise and reviewed the risk tolerance level. One risk has been deleted, and a new risk added.

8.4 Deleted: Risk C1a: Funding Streams. There has been confirmation by Central Government, and clarification at local level, of future funding streams affecting Mole Valley District Council. This has meant that MVDC has been able to plan for the reductions identified, and put in place a number of mitigating actions, including continued implementation of the asset investment strategy.

8.5 Added: Risk C7: Organisational Capacity to Deliver. MVDC needs to ensure that the organisation has the capacity to achieve the priorities in the Corporate Strategy and to ensure the effective delivery of services. This risk is informed by a number of factors including: ability to recruit and retain talented staff; effective prioritisation of key workstreams; ability to respond to additional priorities; and managing public expectations of service delivery. The Strategic Risk Register sets out the actions being taken in mitigation.

8.6 The Register is presented as part of this report to enable MVDC to keep its strategic risks under review and to ensure that appropriate action is being taken to mitigate risks to a tolerable level in the most effective way.

8.7 There are six strategic risks that are being closely and actively managed. The matrix summarises these risks, and shows the risk rating for each after mitigation. Further information for each risk, including mitigation actions in place, can be found in Appendix B.

IMPACT	Catastrophic 5					
	Major 4		C1c, C3, C4b			
	Moderate 3		C5, C4c	C7		
	Minor 2					
	Insignificant 1					
		Remote 1	Possible 2	Likely 3	Probable 4	Highly Probable 5
		PROBABILITY				

C1c Asset Investment Strategy
C3 Health and Safety
C4b IT – hacking
C4c IT – resilience
C5 Data Protection/Information Governance
C7 Organisational capacity to deliver

8.8 The Cabinet has responsibility for agreeing the risk tolerance level for MVDC every four years. It is set out in the Risk Management Policy that was agreed by Executive in March 2015. The risk tolerance level is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. The level was agreed to be any risk with a residual score of 15 or above. Currently, all risks are below the risk tolerance level. The annual review of the risk tolerance by the Senior Leadership Team confirmed that the level is set at an appropriate level.

Financial Implications

Financial implications are set out in the main body of the report.

Legal Implications

There are no legal implications arising as a direct result of this report.

9.0 OPTIONS

The Cabinet has two options for consideration:

- Option 1: That the Cabinet notes the report and the Strategic Risk Register (subject to any comments made) and agrees the requested carry forwards of capital minor works from 2017/18 to 2018/19 to continue the ongoing maintenance of assets; or

- Option 2: That the Cabinet notes the report and the Strategic Risk Register (subject to any comments made) and requests further work by officers prior to agreement of requested carry forwards.

Option 1 is recommended to ensure the ongoing maintenance of assets.

10.0 Corporate Implications

Monitoring Officer commentary

The Monitoring Officer confirms that all relevant legal implications have been taken into account.

S151 Officer commentary

The S151 officer agrees that all financial implications have been taken into account.

Risk Implications

Risk implications associated with the recommendations of this report relate to the carry forward of minor capital works:

Option 1: Confirmation of the carry forward of minor capital works will enable MVDC to maintain its assets including enhancement of IT assets. Lettable assets must be maintained in good order for them to be able to rent to tenants and maximise income.

Option 2: the risk of not approving the carry forwards of the minor capital works is that assets will fall into disrepair. This could lead to increased cost at a later date and non-compliance with health and safety requirements. This could mean that some properties will not be in a lettable condition and therefore income to the Council will reduce.

Equalities Implications

There are no equalities implications to this report.

Employment Issues

There are no employment implications to this report.

Sustainability Issues

There are no sustainability implications to this report.

Communications

A copy of this report and its appendices will be published on the Performance page of the Council's website.

A press release will be published following Cabinet to highlight the progress made in 2017-18 against the Corporate Priorities.

Background Papers

None.