

BODY: CABINET

DATE: 6 February 2013

SUBJECT: Corporate Performance - Quarter 3 2012/13

REPORT OF: Deputy Chief Executive and Chief Finance Officer

Ward(s): All

Purpose: To update Members on the Council's performance against Corporate Plan Priority actions, indicators and financial targets for 2012/13

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Recommendations: Members are asked to:

- i) Agree the performance against national and local Performance Indicators and Actions from the 2010/15 Corporate Plan (2012 refresh)
- ii) Agree the General Fund and HRA financial performance for the quarter ended December 2012, as set out in sections 3 & 4.
- iii) Agree the use of Reserves as set out in Appendix 3
- iv) Approve the amended capital programme as set out in Appendix 4.
- v) Agree the Treasury Management performance as set out in section 6.

1.0 Introduction

- 1.1 The 2010/15 Corporate Plan was refreshed for 2012 and sets out a number of key actions and indicators to deliver and measure progress against key priorities. Throughout the year, performance against these key indicators and milestones will be reported to Cabinet and Scrutiny committees on a quarterly basis.
- 1.2 The information in these performance reports is collected and managed using the Covalent performance management system. Further detail behind the report and evidence providing a full and robust audit trail for the performance information presented is available to view within the online system. Member training sessions dedicated to accessing and using Covalent have been carried out and Members are invited to contact the Strategic Performance Team at any time to arrange individual training support on using the system if required.

1.3 In the absence of a National Performance Framework it is important that the authority continues to strengthen its own performance management procedures particularly in relation to the use of robust local indicators and meaningful reporting against actions and activities. The actions, milestones and performance indicators in the Corporate Plan refresh 2012 have been chosen to reflect this year's priority activities and objectives with a view to realising the longer term vision set out in the Corporate Plan.

2.0 Performance Overview

2.1 **Appendix 1** is a detailed report on the Quarter 3 activities and outturns of the performance indicators listed within the Corporate Plan. This report shows the latest available outturns for the National and Local Performance Indicators featured in the 2010/15 Corporate Plan broken down into themed areas.

2.2 Chapter summary text has been supplied by the relevant Heads of Service to provide added context for the performance reported in each section. This commentary highlights important achievements and challenges for the reporting period and can be found at the start of each chapter.

2.3 Each project has been allocated a number of in-year actions and milestones to be completed in order to progress the project efficiently. Some projects may be completed within the year whereas larger scale priorities will be delivered over a longer period. **The summary action table at the beginning of each section shows the percentage of in-year actions/milestones completed so achieving 100% will not necessarily equate to final completion of the whole project.** The specific milestones up to the end of the third quarter 2012 are set out in the Actions report in Appendix 1 and details of the milestones for the whole year are available on Covalent and can be supplied on request.

2.4 The PI tables show which indicators related to the priority projects are performing on target (green tick icon), failing to reach target (red octagonal icon) or are "near misses" (amber triangle icon). Relative performance is based on quarterly targets as set by the managers of each area using past performance, available benchmarking and planned service developments.

2.5 The actual outturn for each PI is shown on the performance gauges and column 4 – "Year to date". The gauges show visually how the level of performance compares to targets (green zones) and "near miss" levels (amber zones). Amber zones have been reviewed to reflect appropriate levels of performance expectation and any national targets which are lower than our own local aspirations.

2.6 The bar charts in column 6 show comparative performance previous quarters/years as appropriate. This enables an "at a glance" indication of whether performance is improving or not and will identify potential trends and seasonality of performance.

2.7 Commentary has been included in the action and indicator outturn tables

where supplied. This provides some contextual background to the performance and this function and is backed up by the online evidence collation facility of the Covalent system.

- 2.8 Devolved Budget spend is reported at the end of the appended performance report. The table lists the projects supported and the individual spend per project.

3.0 Financial Performance – General Fund

- 3.1 General Fund performance for the year to the end of quarter 3 is shown in the table below:

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 31 Dec 12 £'000	Variance to date £'000	Outturn £'000
SUMMARY					
Corporate Services	5,374	4,810	4,895	85	105
Community Services	(160)	34,729	34,775	46	49
Development and Environment Services	7,301	4,436	4,428	(8)	2
Tourism & Leisure Services	2,841	2,405	2,757	352	285
Total Service Expenditure	15,356	46,380	46,855	475	441
Other operating income and expenditure	237	218	(139)	(357)	(455)
Capital Financing and Interest	1,390	1,102	1,102	-	-
Contributions to/(from) Reserves	(1,311)	(501)	(501)	-	-
Net Expenditure	15,672	47,199	47,317	118	(14)

Service Details are shown at **Appendix 2**.

- 3.2 The position to the end of December shows a variance of £118,000 which is a movement of £96,000 compared to the position reported at the end of the second quarter in September. Service expenditure has a variance of £475,000 mainly as a result of income performance being lower than expected and some overspends for Theatres, Airbourne sponsorship and the Redoubt. These are however offset by:

1. unused balance on the contingency fund.
2. savings due to vacancy management.
3. receipt of additional in year grant support.

- 3.3 The projected outturn shows a small positive variance of £14,000, a £70,000 improvement on the position reported at the end of quarter 2. This is mainly due to the receipt of £60,000 in grant for the retention of weekly waste collection and an expected recovery to the financial position of the Theatres

show account.

- 3.4 The projected outturn is within 0.09% of the net budget.
- 3.5 The contingency allowance currently stands at £234,600 and has been used to offset service expenditure.
- 3.6 Members are asked to approve the transfer from the General Fund Reserve of £57,880 as detailed in **Appendix 3**.

4.0 Financial Performance – HRA

4.1 HRA performance for the quarter is as follows:

	Current Budget £'000	Profiled Budget £'000	Actual to 31 Dec £'000	Variance to date £'000	Outturn £'000
HRA					
Income	(14,250)	(10,476)	(10,456)	20	176
Expenditure	14,311	5,594	5,680	86	(253)
Total HRA	61	(4,882)	(4,776)	106	(77)

The variance to date is due to the Council Tax and unrecoverable Service charges payable on void properties at Coventry Court and sheltered accommodation remodelling schemes.

4.2 These additional costs will be offset by savings at the end of the financial year by treasury management activities, reflecting the lower interest rates on the external borrowing being achieved and the use of internal borrowing. The projected outturn for the end of the year is a positive variance of £77,000.

5.0 Financial Performance – Capital Programme

5.1 The updated capital programme is shown at **Appendix 4**, and includes all new schemes approved as at the end of December. Actual expenditure at 56% of the budget is lower than expected as a number of schemes have only just commenced or have not yet started in particular in the following areas:

- Housing enabling
- Jevington Gardens housing scheme
- Town Hall Roof

5.2 The 2012/13 programme has now been re-profiled to reflect start dates and planned works.

6.0 Treasury Management

6.1 Economic Background

During the quarter ended 31 December: -

- Indicators suggest that the economy probably contracted;

- Retail sales weakened but spending off the high street held up;
- Employment continued to rise, albeit at a slower pace;
- Inflation remained stubbornly above the MPC's 2% target;
- The MPC paused its programme of asset purchases;
- UK equity prices rose and government bond prices fell;
- The US economy continued to recover at a modest pace.

Pay growth remained depressed. Annual growth of overall average earnings dropped from 1.8% in June to 1.3% in October. Given the rate of inflation over this period, real pay continued to fall on an annual basis.

Banks' funding costs continued to ease over the quarter, reflecting the Bank of England's provision of low cost funding via the Funding for Lending Scheme. Rates on new fixed and floating rate mortgages both declined in October compared to their average level in Q2.

As far as the Autumn Statement went, there were few surprises. Austerity was extended for a further year, to 2017/18, and in light of the deterioration in the borrowing forecasts, the Chancellor chose to disregard one of his fiscal targets, to get debt as a share of GDP falling by 2015/16. While he did announce a number of growth friendly measures, including a cut in corporation tax, it was largely a case of give with one hand and take away with the other.

Inflation remained stubbornly sticky in Q3. Indeed, CPI inflation rose from 2.2% in September to 2.7% in October, and remained at that level in November. October's jump in university tuition fees, hefty rises in utility prices at the end of the 2012 and a pick-up in food price inflation following poor harvests, mean that inflation is likely to hover between 2.5% and 3% for the best part of 2013.

Equity prices in the UK and overseas largely continued to rise over the course of the third quarter, with the FTSE 100 picking up from 5,820 to 5,898. Over the period gilt prices fell, causing 10-year gilt yields to rise from about 1.55% to 1.80%. Meanwhile, the pound was unchanged against the dollar, at about \$1.63, but weakened slightly against the euro from €1.25 to €1.23.

6.2 **Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2012/13 was approved by Cabinet on 8 February 2012. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of capital
- Liquidity.

There are no policy changes to the TMSS.

The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and to obtain

an appropriate level of return which is consistent with the Council's risk appetite.

As outlined in Section 6.1 above, there is still considerable uncertainty and volatility in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 8 February 2012 is still fit for purpose in the current economic climate

6.3 Investment

A full list of investment held as at 31 December is shown in the table below. Officer can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31.12.12

Table 3 Investments held as at 31 December 2012

Counterparty	Amount £m	Interest Rate %	Maturity
Royal Bank of Scotland	3,650,000	0.85	Call
Lloyds TSB Bank	1,000,000	0.75	Call
Lloyds TSB Bank	2,000,000	3.10	13.2.13
Lloyds TSB Bank	1,000,000	2.00	15.2.13
	7,650,000		

Investment rates have fallen considerably in the last quarter following the Bank of England funding for Lending Scheme, which allows banks to borrow UK Treasury Bills, thus reducing their need for Money Market borrowing. The average funds available from cash flow timing for precept payments, receipt of grants and capital spending, excluding the investments in table 3 above, during the quarter was £10.6m.

6.4 Investment Performance

The authority outperformed the benchmark by 0.90%, see table 4 below. The budgeted investment return for 2012/13 is £100,000. Performance for the year to date is above target, with the outturn likely to exceed the budget due to locking into higher rates for longer periods with Lloyds TSB Bank.

Interest rates available in the market have continued at historically low levels and Sectors interest rate forecast suggest that bank rate will remain at current levels until quarter 3 2014/15 and then rise by 0.25% quarterly until reaching 1.75% by March 2016, other rates are also expected to follow this trend.

Table 4 Investment performance against benchmark for the quarter ending 31 December 2012.

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day	0.40%	1.30%	£99,700

6.5 **Borrowing**

There has been no new long term external borrowing undertaken during quarter three (September – December 2012). Temporary borrowing has been undertaken to cover temporary cash flow requirements as follows:

Start Date	End Date	Lender	Amount	Interest Rate
24-Sep-12	17-Dec-12	Ealing Borough Council	2,000,000	0.27%
23-Oct-12	31-Oct-12	Rhondda Cynontass	500,000	0.30%
22-Nov-12	07-Dec-12	Rhondda Cynontass	500,000	0.30%
07-Dec-12	07-Jan-13	Rhondda Cynontass	500,000	0.28%

Cash Flow predications indicated that new external borrowing will be required later in the year. Officers are currently monitoring interest rates daily and long term borrowing will be taken when the rates are advantageous. The exact timing and nature of this borrowing will be considered at that time, however to maintain a sustainable maturity profile it is anticipated that new borrowing will be at maturity dates between 10 and 15 years.

7.0 **Compliance with Treasury and Prudential Limits**

7.1 During the financial year to date the Council has operated within the treasury limits and prudential indicators set out in the Council Treasury Management Strategy Statement and in compliance with the Council Treasury Management Practices.

8.0 **Consultation**

8.1 Not Applicable

9.0 **Implications**

9.1 There are no significant implications of this report.

10.0 **Conclusions**

10.1 This report provides an overview of performance against the authority's priority actions and indicators as at the end of the third quarter of 2012/13. Progress against the key projects and indicators is updated on the online Covalent system on a regular basis and provides a "live" view of the Council's performance accessible at any time.

10.2 The variances within both the General Fund and the HRA budgets are well within tolerance levels of the net budgets, however there remain risks within the budget which require careful monitoring.

10.3 Capital expenditure is low compared to the budget but this is expected due to the fact that some major schemes are yet to commence. The capital programme has been re-profiled to reflect expected start dates and work plans.

10.4 Treasury Management performance is on target and within the approved Treasury and Prudential Limits.

William Tompsett
Strategic Performance Manager

Pauline Adams
Financial Services Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

Corporate Plan 2010/15 (2012 refresh)
Covalent performance management system reports

Cabinet reports (Quarterly) on performance monitoring

To inspect or obtain copies of background papers please refer to the contact officer listed above.