BODY:	**CABINET**
DATE:	**22nd MARCH 2017**
SUBJECT:	**Corporate Performance - Quarter 3 2016/17**
REPORT OF:	**Chief Executive**
Ward(s):	All
Purpose:	To update Members on the Council's performance against Corporate Plan priority actions, performance indicators and targets for Quarter 3 2016/17.
Contact:	William Tompsett, Senior Corporate Development Officer Tel 01323 415418 or internally on ext 5418. Pauline Adams, Financial Services Manager, Tel 01323 415979, or internally on ext 5979
Recommendations:	Members are asked to:

i) Agree the performance against national and local Performance Indicators and Actions from the 2016/20 Corporate Plan.

ii) Agree the General Fund, HRA and Collection Fund financial performance for the quarter ended December 2016, as set out in sections 3,4 & 6.

iii) Approve the transfer from/to reserves as set out in appendix 3.

iv) Approve the capital programme as set out in Appendix 4.

v) Agree the Treasury Management performance as set out in section 7.

vi) Approve the write offs as set out in the exempt appendix.

1.0 Introduction

1.1 The Corporate Plan for 2016-20 was adopted by Council in May 2016 and sets out the priority visions for Eastbourne Borough Council to deliver over the 4 year period. These are broken down into the four priority themes each with five aims:

Prosperous Economy

- A great destination for tourism, arts, heritage and culture
- Investing in housing and economic development
- Providing opportunities for businesses to grow and invest
- Supporting employment and skills

- Supporting investment in infrastructure

Quality Environment

- A clean and attractive town
- A range of transport opportunities
- Excellent parks and open spaces
- High quality built environment
- Less waste and a low carbon town

Thriving Communities

- Improved health and wellbeing
- Keeping crime and anti-social behaviour levels low
- Meeting housing needs
- Putting the customer first
- Resilient and engaged communities

Sustainable Performance

- Delivering a balanced budget
- Delivering in partnership
- Making best use of technology
- Making the best of our assets
- Managing people and performance

1.2 In order to monitor and manage the delivery of the priority aims stated within the Corporate Plan, a performance scorecard has been created on Covalent to combine Corporate Projects/actions and performance indicators.

1.3 The latest performance information for the Corporate Plan is available to Members via the live Covalent system. For further details on how to access Covalent please contact the Corporate Development team.

2.0 Performance Overview

2.1 Appendix 1 provides a full overview of the current Corporate Plan performance information broken down by priority themes and aims. Each theme is broken down into its constituent aims with the relevant PIs and actions latest outturns reported against them.

2.2 Performance Indicators

Performance indicators within the appendix can be identified by the Covalent PI icon . Each PI's performance is classed by the following categories in the "status" column:

- - On target
- - Slightly off target

- Off target

- Data Only/No target

The performance gauge shows the year-to-date performance against targets (where applicable) with the latest Quarter's outturn shown next to it in column 5. Commentary against the PI's performance is supplied by the relevant officers/managers.

2.3 Of the Corporate Plan indicators reported at this time, 6 are off target (red), 2 are "near miss" (amber), 6 are on target (green) and 5 are "data only".

The PIs currently showing as off target are:

- CD_051 Number of difficult problem properties remedied
- CD_156 Number of households living in temporary accommodation
- CS_010 Calls to 410000 answered within 30 seconds
- CS_011 Telephone call abandonment rate
- DE_157a Processing of planning applications: Major applications
- TL_017a Redoubt visitors – paying visitors

2.4 Actions

Actions within the appendix are identified by the Covalent icon. These are updates from the Corporate Projects register linked to the delivery of the priority aims and listed within the Corporate Plan. The project description, desired outcome, percentage progress and timescales are listed alongside commentary supplied by the projects team. More detail on each of these projects is available on request.

2.5 Devolved Budgets

This section of the report lists the current Devolved Budget spend by ward and the projects that have been supported through this scheme in the first two quarters of this year. Each ward has a total of £10,000 available to spend each year on schemes requested by the local community. Live information on devolved budget spend and projects supported can be found on Covalent.

3.0 Financial Performance – General Fund

3.1 General Fund performance for the year to 31 December 2016 is shown in the table below:

Department	**Full Year Budget £'000**	**Profiled Budget £'000**	**Actual to 31st Dec 2016 £'000**	**Variance to date £'000**	**Projected Outturn £'000**
SUMMARY					
Corporate Services	5,698	5,617	5,785	168	151
Service Delivery	6,228	42,141	42,009	(132)	(87)
Regeneration, Planning & Assets	(5)	(32)	10	42	(14)
Tourism & Enterprise Services	3,135	2,156	2,161	5	42
Total Service Expenditure	**15,056**	**49,882**	**49,965**	**83**	**92**
Contingencies, etc	(450)	(174)	-	174	233
Capital Financing and Interest	1,868	156	156	-	(233)
Contributions to/(from) Reserves	(1,338)	16	16	-	-
Net Expenditure	**15,136**	**49,880**	**50,137**	**257**	**92**

Service Details are shown at Appendix 2

3.2 The position at the end of December is a variance of £83,000 on net expenditure:

Solarbourne income above target	(£76k)
Summons income above target	(£74k)
Catering increase in net income	(£73k)
Street Cleansing contract savings	(£55k)
Car Parking income above target	(£50k)
Airbourne	£74k
IT Staffing	£69k
Customer First net staff costs	£50k
Corporate Landlord repairs and maintenance overspends	£50k
MMI scheme of arrangement levy	£47k
Business RV finder software	£40k
PR Contract additional work	£38k
Bed and Breakfast Accommodation	£30k

3.3 The contingency fund which is available to fund inflationary increases and any future unforeseen one off areas of expenditure during the year currently stands at £116,000. This is however required to fund the re-profiling of the JTP savings target for the year as the financial benefits from the programme were delayed as previously reported to Cabinet.

3.4 The overall projected outturn show a variance of £92,000. This is within an acceptable tolerance level. However management continues to monitor this position to ensure that this final outturn position is maintained or improved.

3.5 Members approval is sought for the transfer from reserves and virements (budget transfers) over £10,000 as set out in Appendix 3. These transfers are in line with the approved financial strategy

4.0 Financial Performance – HRA

4.1 HRA performance of the quarter is as follows:

	Current Budget £'000	**Profiled Budget £'000**	**Actual to 30 Dec 2016 £'000**	**Variance to date £'000**	**Outturn £'000**
HRA					
Income	(15,587)	(11,769)	(11,814)	(45)	(75)
Expenditure	12,561	5,839	5,704	(135)	(60)
Capital Financing & Interest	1,809	-	-	-	-
Contribution to Reserves	924	-	-	-	-
Total HRA	**(293)**	**(5,930)**	**(6,110)**	**(180)**	**(135)**

4.2 HRA performance is currently above target by (£180,000). This is mainly due to the new properties let at affordable rents not included in the budget(£48k), a reduction required for the provision for bad debts (£76k) and the slow take up of the under occupation scheme (£48K). Other small variances are being monitored carefully.

4.3 The projected outturn is showing a surplus of (£135,000) due to the full year effect of the issues highlighted above.

5.0 Financial Performance – Capital Expenditure

5.1 The detailed capital programme is shown at Appendix 4. Actual expenditure is low compared to the overall programme. This is due mainly to expected spend in quarter 4 for major purchases and the commencement of construction phase of the Devonshire Park project

5.2 Where schemes are being delivered over more than one year the programme has been re-profiled. Members are asked to approve the re-profiled programme for 2016/17 and 2017/18.

6.0 Financial Performance – Collection Fund

6.1 The Collection Fund records tall the income from Council Tax and Non-Domestic Rates and its allocation to precepting authorities.

6.2 The projected Collection fund for the year is as follows:

	Council Tax £'000	**Business Rates £'000**
Balance B/fwd 1.4.16	(1,403)	1,609
(Deficit recovery)/Surplus distributed	1,359	(1,712)
Debit due for year	(59,026)	(34,383)
Payments to preceptors	57,669	34,948
Transitional Relief		(10)
Allowance for cost of collection		126
Allowance for appeals		552
Write offs and provision for bad debts	428	(276)
Estimated balance 31.3.17	**(973)**	**854**
Allocated to:		
CLG	-	427
East Sussex County Council	(710)	77
Eastbourne Borough Council	(130)	342
Sussex Police	(84)	-
East Sussex Fire & Rescue	(49)	9
	(973)	**854**

6.3 The allocation to preceptors reflects the operation of the Collection Fund for Council Tax and Business Rates which are distributed on different bases under regulations. The distributions for the estimated balance calculated at quarter 3 will be made in 2017/18. Any changes in quarter 4 will be made in 2018/19.

6.4 Council Tax is currently showing a £973,000 surplus, a variance of 1.65% of the gross debit, this is due to a combination of factors including better performance against the collection allowance within the Council Tax base and a reduction in the Council Tax Reduction scheme caseload.

6.5 The Business Rate deficit of £854,000 is as a result of the on-going risk from the number of outstanding business rate for backdated appeals. The total number of appeals outstanding as at 31.12.17 was 313 with a total rateable value of £23.8m. The deficit represents 2.48% of the total debit for the year.

6.6 Collection fund performance is as follows:

Cash Collection Rates	Council Tax	Business Rates
Q3 Actual	83.18%	78.85%
Q3 Target	83.39%	82.72%

7.0 Treasury Management

7.1 The Annual Treasury Management and Prudential Indicators were approved by Cabinet and Council in February.

7.2 **Economic Background**

Q3 UK GDP growth revisions put growth on a par with Q2 at 0.6% and surveys suggested that this pace was sustained into Q4. Those surveys also pointed to increasing inflationary pressures in the supply chain which will stretch real incomes. However, forward looking indicators allay some concerns that there will be a significant impact. Indeed, the new orders balance of the December composite PMI posted its highest reading since April 2011, and there have also been improvements in the employment and investment intentions readings. The housing market has seen a marked improvement in buyer enquiries. This stronger end to the year encouraged some analysts to upgrade 2017 growth expectations.

The upward revision to Q3 GDP growth to 0.6% q/q meant that the pace of growth was sustained following the shock Brexit result. Consumer spending remained the driver of that expansion. Net trade’s large negative contribution was down to importation/acquisition of valuables, which are neutral in impact on GDP. Business investment was lower than a year ago and indications are that this period of subdued capital spending will continue. The December PMIs were all suggestive that growth will continue to run at the current rate in Q4

7.3 **Interest Rate Forecast**

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. Bank Rate was not cut again in November, as originally expected, due to improved economic data and it now appears unlikely that there will be another cut. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate). Accordingly, a first increase to 0.50% is not forecast until quarter 2 2019

Based on these factors the latest forecast bank rate is expected to continue at 0.25% until at least Q1 2018.

7.4 **Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment strategy, was approved by Council on 3 February 2016. It sets out the Council's investment priorities as being :

- Security of Capital;
- Liquidity;
- Yield.

A full list of short term investments held as at 31 December 2016 is shown in the table below:

Counterparty	Amount £	Interest Rate %	Maturity
Santander	5,000,000	0.55	Call
Midlothian Council	3,000,000	0.25	12.1.17
Dunfries and Galloway Council	1,500,000	0.22	6.2.17
Tameside MC	2,000,000	0.28	24.2.17
Nationwide BS	2,000,000	0.28	9.3.17
	13,500,000		

In addition, a sum of £1m is invested with Lloyds Bank at a rate of 3.03% maturing on 23.1.19. This investment is held as part of the LAMS scheme and all interest earned will be transferred into a reserve set up to mitigate any financial risks arising from that scheme.

No approved limits within the Annual Investment Strategy were breached during the quarter ending 31 December 2016.

Investment rates available in the market have continued at historically low levels. Investment funds are available on a temporary basis and arise mainly from the timing of the precept payments, receipts of grants and the progress of the capital programme.

7.5 Investment performance for the quarter ending 30 September 2016 is as follows:

Benchmark	Benchmark Return	Council Performanc e	Interest Earning
7 day LIBID	0.23%	0.46%	£47,884

The Council outperformed the benchmark by 0.23%. The budgeted investment return for 2016/17 is £50,000. Performance for the year to date is above target, but the last quarter of the year will see a reduction in interest income as cash flow historically is lower towards the end of the financial year. The continuous use of internal balances is in line with the Council's strategy and reduces the amount of interest payable on loans

7.6 **Borrowing**

No new borrowing or debt re-structuring was undertaken during the quarter.

Cash flow predictions indicate that further borrowing will be required towards the end of the year, depending on the timing of capital expenditure. The exact timing and nature of this borrowing will be considered at that time.

7.7 **Compliance with Treasury and Prudential Limits**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the quarter to 31 December 2016 the Council has operated within all the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

8.0 **Write offs**

8.1 Financial Procedure Rule 4.26 provides delegated authority to the Chief Finance Officer for the write off of irrecoverable debts below £5,000. Beyond that limit, unless particular circumstances apply (like bankruptcy and liquidation) the approval of Cabinet is required.

8.2 Details of the write offs being recommended for write off by Cabinet are listed in the Exempt Appendix to the report with brief explanation of the circumstances.

8.3 In all cases a number of methods of collection were attempted before the debts were recommended for write off. The write off does not mean that debt is not still due to the council and in cases where circumstances have changed the debt will be written back on and recover pursued.

8.4 The write offs do not have an immediate financial effect on the current year's budget as the bad debt provision is greater than the write off total. However, the making of that provision did have a cost implication at the time the provision was made. The Council maintains provisions against the level of debts outstanding as follows:

	Provision as % of total debt	Funded by
NNDR	28%	50% Central Government, 40% EBC, 9% East Sussex CC,& 1% East Sussex Fire
Council Tax	36%	73% East Sussex CC, 13% EBC, 9% Sussex Police & 5% East Sussex Fire
Housing Rents	35%	100% EBC HRA
Housing Benefit Overpayments	61%	100% EBC General Fund
Sundry Debts	18%	100% EBC General Fund

9.0 Consultation

9.1 Not applicable

10.0 Implications

10.1 There are no significant implications of this report.

11.0 Conclusions

11.1 The Corporate Plan represents the aims of the authority to help deliver the partnership vision for Eastbourne over the next 4 years. Effective monitoring and management of the projects and indicators within the plan will help ensure sustainable progress and identify key issues as they arise.

11.2 The General Fund is currently showing a variance of £257,000 which is within 1.7% of the net budget. The HRA is showing a favourable variance for the quarter. Capital expenditure is low but this is to be expected as some of the major schemes are yet to commence.

11.3 The Collection forecast for Council Tax is indicating a surplus of £973,000 and a deficit for Business Rates of £854,000. This will be allocated to or collected from preceptors during 2017/18.

11.4 Treasury Management performance is on target and all activities were within the approved Treasury and Prudential Limits.

11.5 This reports seeks Cabinet approval for the write offs of irrecoverable debts in excess of £5,000 totalling £63,885.78 where all other methods of recovery have been unsuccessful and it is not deemed appropriate to pursue the debts further.

William Tompsett
Senior Corporate Development Officer

Background Papers:

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

Corporate Plan 2016/20
Covalent performance management system

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