

BODY: **SCRUTINY COMMITTEE**

DATE: **12th December 2011**

SUBJECT: **Corporate Performance - Quarter 2 2011/12**

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 milestones for 2011/12

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Recommendations: Members are asked to:

- i) Note the performance against national and local Performance Indicators from the 2010/15 Corporate Plan (2011 refresh)
- ii) Note the financial performance on the General Fund, Housing Revenue Account and Treasury Management position as at 30.9.11.
- iii) Note the Capital Programme as set out in Appendix 3 as changed to reflect all approvals to September 2011.

1.0 Introduction

- 1.1 The 2010/15 Corporate Plan was refreshed for 2011 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 on a quarterly basis.
- 1.2 The information in these performance reports is collected and managed using the Covalent performance management system and has been compiled and checked by the Strategic Performance Officer. 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. Two Member training sessions dedicated to accessing and using Covalent are already scheduled but 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 With the removal last year of National Indicators, 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.

2.0 Performance Overview

- 2.1 **Appendix 1** is a detailed report on the Quarter 2 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 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 for Quarter 1 and 2 are set out in the Actions report in Appendix 1 and details of the milestones for the whole year are available on Covalent or can be supplied on request.
- 2.3 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.
- 2.4 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.
- 2.5 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.
- 2.6 Priority theme summary comments have been included at the beginning of each section to provide some contextual background for the performance in that area.

3.0 Financial Performance – General Fund

- 3.1 General Fund Revenue performance for quarter two is set out at Appendix 2 and is summarised at table 1 below:

Table 1 General Fund Summary 30.9.11

Department	Full Year Budget	Profiled Budget	Actual to 30 Sept	Variance to date	Projected Outturn Variance
	£000	£000	£000	£000	£000
SUMMARY					
Corporate Services	5,597	3,300	3,178	(122)	(34)
Community Services	484	18,501	18,506	5	(81)
Development and Environment Services	7,228	3,443	3,458	15	49
Tourism & Leisure Services	3,171	2,369	2,530	161	169
Contingencies	101	0	0	0	0
Total Service expenditure	16,581	27,613	27,672	59	103
Capital Financing and Interest	757	1,412	1,412	0	0
Contributions to/(from) Reserves	(619)	(619)	(619)	0	0
Net Expenditure#	16,719	28,406	28,465	59	103

- 3.2 The position to the end of September shows a variance of £59,000 which is a movement of £247,000 compared to the position reported at the end of June. The main reason for this change was a profiling error included in the June quarter for summons income of £135,000, after excluding this sum the movement is reduced to £112,000.
- 3.3 The projected outturn shows a negative variance of £103,000. This is within 0.6% of the net budget and is within an acceptable tolerance level. However management continues to manage this position with the aim of reducing the final position.
- 3.3 The effects of the recession is still a major risk to the budget and lower income levels than expected are still being experienced, despite reductions built into the base budget. Details of all variances are included in Appendix 2.
- 3.4 The contingency allowance of £101,000 has now been fully allocated.
- 3.4 There are no virement requests for this quarter.

4.0 Financial Performance – HRA

- 4.1 HRA performance for the quarter is as follows:

Table 2 HRA Summary as at 30.3.11

	Current Budget £'000	Profiled Budget £'000	Actual to 30 Sept £'000	Variance to date £'000
HRA				
Income	(14,958)	(7,162)	(7,182)	(20)
Expenditure	14,705	3,674	3,697	23
Total HRA	(253)	(3,488)	(3,485)	3

The HRA is now on target following the budget re-profiling identified at quarter one.

5.0 Capital Programme

5.1 The updated capital programme is shown at Appendix 3, and includes all new schemes approved as at the end of September. Actual expenditure is low compared to the budget and in particular in the following areas:

Housing
Cremators replacement
Agile programme
Solarbourne

Apart from Solarbourne the other schemes are in progress, however they might require some re-profiling into the next financial year. Other schemes will also be re-profiled for the December quarter to reflect project outturns.

5.2 Following the government's announcement on the reduction of the feed-in tariff from solar panels, the Solarbourne scheme has been considerably reduced. The capital programme will be amended for quarter three to reflect this change once the actual outturn is known.

6.0 Treasury Management

6.1 Economic background

- The Euro zone debt crises continuing with Spain and Italy being the focus of renewed market concerns.
- Approval of a €440bn bail out fund bring temporary relief to financial markets
- Political difficulties in the US over its plans to address it's budget deficit, the size and control over US debt and the subsequent loss of it's triple A rating.
- Growth prospects in the US and Euro zone being lower then expected.
- UK growth lower expect at 0.1% for the first quarter of 2012/13.
- Issue of second round of quantitative easing of £75bn.
- Higher than expected UK inflation rates
- International investors continue to view UK government gilts as a safe haven away from the Euro zone sending PWLB borrowing rates to low levels.

6.2 Investments

A full list of investments held as at 30 September is shown in the table below. Officers can confirm that the approved limits within the Annual Investment Strategy were not breach during the quarter ended 30.9.11.

Table 4 Investment held as at 30.9.11

Counterparty	Amount £m	Interest Rate %	Maturity
Santander UK	3.00	0.80	Call
Lloyds TSB Bank	2.00	0.75	Call
Royal Bank of Scotland	3.00	0.85	Call
Nationwide Building Society	1.00	1.02	Fixed to 13/12/11
Lloyds TSB Bank	1.00	1.42	Fixed to 31/01/12
Lloyds TSB Bank	1.00	1.80	Fixed to 06/02/12
Co-op Bank PSR account	1.69	0.45	Overnight
	12.69		

The average funds available from cash flow timing of precept payments, receipt of grants and capital spending, during the quarter was £12.3m.

6.3 Investment performance for quarter ended 30.9.11

The authority outperformed the benchmark by 0.40% as illustrated at table 5 below. The budgeted investment return for 2011/12 is £100,000. Although performance for the year to date is on target, greater use of internal balances may reduce returns in 2011-12 resulting in a shortfall in interest receipts. This will be balanced by a corresponding reduction in interest paid on new borrowing

Interest rates available in the market have continued at historically low levels and Sector's interest rate forecasts suggests that bank rate will remain at current levels until quarter two 2013/14 and then rise by 0.25% quarterly until reaching 2.5% by March 2015 , other rates also expected to follow this trend.

Table 5 Investment performance against benchmark

	Benchmark Return	Council Performance	Interest Earning
7 day	0.47%	0.87%	£58,569

6.4 Borrowing

There has been no new external borrowing undertaken to date, but it is anticipated that further short term market borrowing will be undertaken later this financial year in accordance with cash flow requirements.

No debt rescheduling has been undertaken during this first six months of

2011/12 as opportunities for doing so have been limited by the current economic climate and consequent structure of interest rates.

6.5 HRA Subsidy Reform and PWLB Debt

The HRA subsidy reform arrangements will involve the Council receiving funds from the CLG on 28 March 2012. The expected receipt is £30.17m which will be applied by the CLG to repay PWLB debt by top slicing all outstanding loans in proportion to the receipt.

No further borrowing will be taken from the PWLB this financial year to ensure the maximum higher interest debt outstanding with PWLB will be repaid by CLG. After which a review of the long term debt position will be undertaken.

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's Treasury Management Strategy Statement and in compliance with the Council's 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 second quarter of 2011/12. 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 There are risks within the budget which are being carefully monitored however indication at the time indicates an overspend of £103,000. This is however considered to be within a manageable tolerance level of the net total budget.

10.3 Capital expenditure is low compared to the budget but this is as expected due to the fact that some of the major schemes have only just commenced and the reduction in the scale of the Solarbourne scheme.

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 (2011 refresh)

Covalent performance management system reports

Budget Monitoring working papers 2011/12

Treasury Management Strategy and Annual Investment Strategy mid-year review report 2011/12 from Sector.

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