BODY:	**SCRUTINY COMMITTEE**
DATE:	**10th December 2012**
SUBJECT:	**Corporate Performance - Quarter 2 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
Contact:	William Tompsett, Strategic Performance Manager 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) Note the performance against national and local Performance Indicators from the 2010/15 Corporate Plan (2012 refresh)

ii) Note the General Fund and HRA financial performance for the quarter ended September 2012, as set out in sections 3 & 4.

iii) Note the use of Reserves as set out in Appendix 3

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

v) Note 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 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 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 second 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 2 is shown in the table below:

Table 1 – General Fund Summary as at 30 September 2012

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 30 Sept 12 £'000	Variance to date £'000	Projected Outturn £'000
SUMMARY					
Corporate Services	5,440	3,712	3,701	(11)	41
Community Services	(153)	23,284	23,304	20	25
Development and Environment Services	7,393	3,569	3,506	(63)	(3)
Tourism & Leisure Services	2,867	1,861	2,143	282	293
Total Service expenditure	**15,547**	**32,426**	**32,654**	**228**	**356**
Other income and expenditure	(71)	103	(103)	(206)	(300)
Capital Financing and Interest	1,386	730	730	-	-
Contributions to/(from) Reserves	(1,156)	(309)	(309)	-	-
Net Expenditure	**15,706**	**32,950**	**32,972**	**22**	**56**

Service Details are shown at Appendix 2

3.2 The position to the end of September shows a variance of £22,000 which is a movement of £8,000 compared to the position reported at the end of the first quarter in June. Service expenditure has a variance of £228,000 mainly as a result of overspends in Theatres, Airbourne and the Redoubt. These are however virtually off set by:

1. surplus generated from the Solarbourne scheme.
2. savings due to vacancy management.

In addition the unallocated contingency is held as a hedge against the final outturn until the point at which it can be contained within overall service expenditure.

3.3 The projected outturn shows a negative variance of £56,000. This is within 0.35% 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.

3.4 The contingency allowance currently stands at £126,277 and has been set aside to offset service expenditure at this stage of the year. Therefore there is no funding available for any future unforeseen one off areas of expenditure at this stage unless the overall projected outturn becomes more favourable.

3.5 Following the closure of the he Council's former insurers Municipal Mutual Insurance Limited (MMI) in 1994 a Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. Following the judgement reached by the supreme court in the Employers' Liability Policy Trigger Litigation relating to mesothelioma claims, the Council has been informed by MMI that the scheme of arrangement has now been triggered and that sum of £469,582.50 is now required to be set aside to meet any future liability. This sum will have to be funded from the general fund reserve. The ultimate discharge of this liability is subject to any claim settlements.

3.6 Members are asked to note the transfer from reserve of £33,430 as detailed in **Appendix 3.**

4.0 Financial Performance – HRA

4.1 HRA performance for the quarter is as follows:

Table 2 – HRA Summary as at 30 September 2012

	Current Budget £'000	Profiled Budget £'000	Actual to 30 Sept £'000	Variance to date £'000	Projected Outturn £'000
HRA					
Income	(14,250)	(6,984)	(6,986)	(2)	(2)
Expenditure	14,311	3,778	3,841	63	(137)
Total HRA	**61**	**(3,206)**	**(3,145)**	**61**	**(139)**

The variance on the HRA is due to the Council Tax payable on void properties at Coventry Court and sheltered accommodation remodelling schemes. Action is being taken to claim the empty property allowance on these properties and this variance should reduce by the end of the financial year.

4.2 In addition it is expected that due actual lower interest rates on external borrowing then allowed for in the budget a saving in the region of £200,000 for the outturn should be achieved.

The HRA outturn is therefore predicated to be a positive variance of £139,000.

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 September. Actual expenditure is low compared to the budget as a number of schemes are yet to commence in particular in the following areas:

Housing Enabling (see report elsewhere on this agenda)
Town Hall Roof
Migration to Microsoft 2010 platforms
Redesign of Customer Contact Centre.

These and other schemes will be re-profiled for the December quarter to reflect project timings and outturn.

6.0 Treasury Management

6.1 Economic Background

Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013. It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably permeate into the UK's economic performance.

With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East/China.

In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (CPI @ 2.6% in July), UK GDP fell by 0.5% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the worst and slowest of any G7 country apart from Italy (G7 = US, Japan, Germany, France, Canada, Italy and UK). It is also the slowest recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.5% below its peak in 2008.

This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.

On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the ECB bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

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 30 September is shown in the table below. Officers can confirm that the approved limits within the Annual Investment Strategy were not breeched during the quarter ended 30.9.12

Table 3 Investments held as at 30 September 2012

Counterparty	Amount £m	Interest Rate %	Maturity
Royal Bank of Scotland	3,950,000	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
	7,950,000		

Investment rates available in the market have continued at historically low levels. 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 £3.77m.

6.4 Investment Performance

The authority outperformed the benchmark by 0.87%, 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 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 4 2013/14 and then rise by 0.25% quaterly 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 30 September 2012.

Benchmark	Benchmark Return	Council Performanc e	Interest Earning
7 day	42.00%	1.29%	£65,000

6.5 **Borrowing**

There has been no new external borrowing undertaken during quarter two (July – September 2012).

Cash Flow predications indicated that new external borrowing will be required later in the year. The exact timing and nature of this borrowing will be consider 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.

In the early summer HM Treasury announced that as from 1 November it would introduce a 0.20% discount on PWLB loans (the certainty rate) under the prudential borrowing regime for those authorities providing improved information and transparency on long borrowing and associated capital spending plans. This Council has applied for and received confirmation that having complied with Prudential Indicators this discounted rate will apply to future borrowing.

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.

Full details of performance against Treasury and Prudential Indicators have been reported to the Audit and Governance Committee on 5 December 2012, as part of the Treasury Management Mid-year review, required as part of the Treasury Management Strategy Statement.

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 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 within manageable tolerance levels of the net total budgets, however there are risks within the budget which require carefully 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. Re-profiling will be carried out to reflect the timing of the spending and will be reported as part of the December monitoring.

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
Budget Monitoring working papers 2012/13
Treasury Management Strategy and Annual Investment strategy mid-year review report 2012/13 from Sector.

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