

**BODY:** CABINET

**DATE:** 11<sup>th</sup> December 2013

**SUBJECT:** Corporate Performance - Quarter 2 2013/14

**REPORT OF:** Deputy Chief Executive

**Ward(s):** All

**Purpose:** To update Members on the Council's performance against Corporate Plan priority actions, performance indicators, targets and the strategic risk register for Quarter 2 2013/14.

To inform Cabinet of the Council's budget monitoring and projected financial outturn for Quarter 2 2013/14.

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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 (2013 refresh).
- ii) Agree the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2013, as set out in sections 3, 4 & 6.
- iii) Approve the virements and transfer to and from 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 7.

## **1.0 Introduction**

- 1.1 The 2010/15 Corporate Plan was refreshed for 2013 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 is reported to Cabinet and Scrutiny committees on a quarterly basis and to Scrutiny monthly.
- 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 2013 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 2013/14 activities and outturns of the performance indicators listed within the Corporate Plan. This report shows the latest available outturns for the 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 fully completed within the year whereas larger scale priorities will be delivered over a longer period. **The first section of Appendix 1 lists all the Corporate Plan priority actions whose in-year milestones have already been fully completed this year.** Full details of the specific milestones and commentary for these actions is available on request or directly via the covalent Performance Management System.
- 2.3 The second section of Appendix 1 lists the ongoing actions showing all milestones that were scheduled for completion within the first two quarters of the 2013/4 year along with commentary to explain the context behind them.
- 2.4 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.
- 2.5 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.
- 2.6 The current outturn for each PI is shown on the performance gauges in 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.

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

2.8 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.

2.9 Of the 33 Key Performance Indicators reported in the Corporate Plan this quarter, 5 are currently showing as "Red," 17 are showing as "Green," 3 are showing as "Amber" and 8 are "data only" or contextual PIs. The off target PIs are...

- ECSP\_004 Violent crime in a public place
- TL\_014 Towner visitors
- CD\_055 Number of completed adaptations
- CD\_056 Average number of days for assistance with adaptations
- CS\_011 Telephone call abandonment rate

2.10 We now have the capability within Covalent to analyse performance data via dashboard reporting. This allows us to look beyond green – amber – red performance reporting and drill down more into the data and what it is telling us. This showed that the following PIs were the best performing:

Best Performing (PIs)	Value	Target	Gauge
CD_155 Number of affordable homes delivered (gross)	34	0	
ECSP_016 Serious Acquisitive Crime (robbery, car crime...)	-26%	-3%	
DE_005 JSA Claimant Count	1,904	2,500	
TL_017a Redoubt visitors - paying visitors	9,024	5,150	
CD_181 Time taken to process Housing Benefit/Council ...	7.4 days	10.5 d...	
CD_050 Empty privately owned homes returned to occu...	90	60	
DE_154 Net additional homes provided	85	57	
DE_192 Percentage of household waste sent for reuse,...	36.25%	33.00%	

2.11 Devolved Budget spend is reported at the end of the appended performance report. The table lists the projects supported and the overall spend per ward. Management of Devolved Budget projects is co-ordinated on Covalent and more detail on specific projects and activities is available on request or direct from the Covalent system.

### 3.0 Financial Performance – General Fund

3.1 General Fund performance of the quarter is shown in the table below:

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 30 Sept 13 £'000	Variance to date £'000	Projected Outturn £'000
<b>SUMMARY</b>					
Corporate Services	11,698	6,917	6,954	37	(32)
Community Services	79	23,557	23,523	(34)	(57)
Tourism & Leisure Services	2,879	1,816	1,995	179	239
<b>Total Service Expenditure</b>	<b>14,656</b>	<b>32,290</b>	<b>32,472</b>	<b>182</b>	<b>150</b>
Contingency	468	234	130	(104)	(208)
Capital Financing and Interest	1,650	750	750	-	
Contributions to/(from) Reserves	799	(239)	(239)	-	
<b>Net Expenditure</b>	<b>17,573</b>	<b>33,035</b>	<b>33,113</b>	<b>78</b>	<b>(58)</b>

Service Details are shown at **Appendix 2**

3.2 The position to the end of September shows a variance of £78,000 on service expenditure which is a movement of £102,000 compared to the position reported at the end of the first quarter in June. Service expenditure has a variance of £182,000 mainly as a result of:

- Refuse Collection Contract savings (£80k)
- Housing Benefits Subsidy and overpayments recovery (£30k)
- Cremation income over target (£40k)
- Cremation gas savings from installation of new cremators (£53k)
- Grounds maintenance additional cost of contract dispute £105k
- Revenues and Benefits additional costs of £71k
- Council Tax summons income below target £37k
- Shortfall in Catering income of £100k
- Shortfall in income and additional costs at the Bandstand 28k

This service overspend is off set by the saving on the contingency fund.

3.3 The contingency allowance currently stands at £208,409 and has been used to offset service expenditure. Therefore there is no further funding available for any future unforeseen one off areas of expenditure during the year.

3.4 The projected outturn shows a variance of £58,000. This is within 0.34% of the net budget and is within an acceptable tolerance level. However management continues to manage this position to ensure that this final position is achieved.

3.4 Financial procedure rules require all virements requests over £10,000 for revenue expenditure to be approved by Cabinet. These are set out in Appendix 3. The General Fund item is required to formalise the budget transfer of a post between two services areas.

3.5 Member's approval is also sought for the transfer from reserves 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 for the quarter is as follows:

	<b>Current Budget</b>	<b>Profiled Budget</b>	<b>Actual to 30 June 13</b>	<b>Variance to date</b>	<b>Projected Outturn</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>HRA</b>					
Income	(14,964)	(7,386)	(7,396)	(10)	(60)
Expenditure	15,067	3,922	3,922	-	95
<b>Total HRA</b>	<b>103</b>	<b>(3,464)</b>	<b>(3,474)</b>	<b>(10)</b>	<b>35</b>

4.2 HRA performance is currently above target due to an increase in service charge income less several areas of minor over spends which are being carefully monitored.

4.3 The current spend on the under occupation scheme indicates a potential overspend for the year of £60,000 due to the increase in the number of property transfers taking place. It is proposed to offset this additional cost from the extra income received from service Changes. A formal virement request is set out at Appendix 3.

4.4 A prudent increase in the provision for bad debts was included in the 2013/14 budget to offset any effect of the new benefits regime. Whilst rent collection performance for the quarter has remained at prior year levels, the introduction of universal credits and the benefits cap may impact on this position later in the year. This is being carefully monitored and any reduction in the provision will be reflect at quarter three.

#### 5.0 Financial Performance – Capital Programme

5.1 The detailed capital programme is shown at Appendix 4. Actual expenditure is low compared to the budget, due to delays in the start dates of housing major projects, sheltered accommodation remodelling projects and several general fund projects. Expenditure is expected to increase as schemes progress however the spending patterns will be reviewed at quarter three and re-profiled into 2014/15 year where appropriate.

5.2 The capital programme has been amended from that approved by Cabinet in September to reflect new approved schemes.

#### 6.0 Financial Performance – Collection Fund

6.1 The Collection Fund records all the income from Council Tax and National Non-Domestic Rates and its distribution to the major precepting authorities. With the introduction of the new system for the local retention of business rates, the performance of the Collection Fund is now be included as part of the performance monitoring and the results shared with the major preceptors.

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

	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>
Balance B/fwd	(169)	-
Debit due for year	(52,326)	(33,532)
Payments to preceptors	52,212	33,630
Allowance for cost of collection		127
Provision for backdated appeals		140
Write offs and provision for bad debts	323	343
<b>Estimated balance 31.3.14</b>	<b>40</b>	<b>708</b>
Allocated to:		
CLG		354
East Sussex County Council	29	64
Eastbourne Borough Council	6	283
Sussex Police	3	
East Sussex Fire & Rescue	2	7
<b>Deficit</b>	<b>40</b>	<b>708</b>

6.2 The allocations to preceptors reflect the operation of the Collection Fund for Council Tax and retained Business Rates which are distributed on different bases under regulations. The distributions of the estimated balance at quarter 3 will be made in 2014/15. Any changes after that date will be made in 2015/16.

6.3 Council Tax is currently showing a £40,000 deficit, due to higher than budgeted take up of the Council Tax Reduction Scheme which has been offset by a reduction in the number of Single Person Discounts awarded.

6.4 Business Rates income is down on that expected due to the number of successful appeals having been settled in the year and the lower than anticipated growth in rateable values. The deficit represents 2% of the gross debit due.

6.5 Collection performance is as follows:

<b>Cash Collection Rates</b>	<b>Council Tax</b>	<b>Business Rates</b>
Q2 Actual	57.03%	60.81%
Q2 Target	57.70%	61.75%

## 7.0 Treasury Management

7.1 The detailed mid-year Review Report has been submitted to the Audit and Governance Committee on 4<sup>th</sup> December in compliance with the CIPFA's Code of Practice for Treasury Management. Below is a summary of the main points from the current economic background, interest rate forecasts,

investment and borrowing performance.

## 7.2 Economic Background

Gross domestic product in the UK grew at its fastest pace in three years, rising 0.8% in the third quarter and 1.5% on the year. Although staging a fighting recovery and accelerating quicker than the surrounding Eurozone economies, its growth remains 2.5% less than the peak before the financial crisis in 2008. Britain's public finances improved in September with the public sector net borrowing deficit narrowing to £11.1bn in 2013 from £12.1bn in September 2012, partially helped by higher tax revenue gains.

Sales volumes rose 0.6% on the month and 2.2% on the year with improvement linked to a continued recovery in the housing market and record low mortgage rates. Yet, with inflation holding steady at 2.7% in September and continuing to outstrip wage growth; which slowed sharply to 0.7% in the three months to August, it is uncertain whether this level of growth will continue to be sustainable. Britain's unemployment rate held steady at 7.7% in the three months to August, the economy experienced a sharp fall in the number of people claiming jobless benefits, plummeting by a much larger than expected 41,700 in September..

In October, the Bank of England once again voted unanimously to keep the Bank Rate unchanged at 0.5%. Minutes released by the Monetary Policy Committee revealed that the appreciation of the sterling, since August, would lower import costs, reducing Britain's inflationary pressures within the next 18-24 month period.

## 7.3 Interest Rate Forecast

Capita Asset Services kept its interest rate forecast unchanged this month, expecting a first rate increase in Q3 2016 (previously Q4 2016). UBS as well as Capital Economics forecasts also remain unrevised and do not expect the first increase in Bank Rate until Q1 2017.

<b>Bank Rate</b>	<b>Dec-13</b>	<b>Mar-14</b>	<b>Jun-14</b>	<b>Sep-14</b>	<b>Dec-14</b>
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%

## 7.4 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment strategy, was approved by the Council on 20 February 2013. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity;
- Yield.

A full list of investments held as at 30 Sept 2013 is shown in the table

below.

Counterparty	Amount £	Interest Rate %	Maturity
Royal Bank of Scotland	2,600,000	0.70	Call
Santander	250,000	0.40	Call
Royal Bank of Scotland	100,000	1.10	90 day Account
Bank of Scotland	2,000,000	0.95	3.2.14
	4,950,000		

Following the downgrading of Co-op bank to BB- in May, the advice from Sector was for the Council to minimise exposure, in light of this a maximum operational balance of £500,000 is being kept in the Reserve account at any one time. This has had consequences on the ability to invest elsewhere due to the limited number of counterparties available that met the criteria set out in the TMSS and the limit of £4m as a maximum amount to be held with any particular bank or building society. This limit was breached seven times over the quarter by an average of £778,181 for 22 days. Santander are now back on the recommended lending list and are therefore now available as an alternative investment to avoid this problem for the future.

No other approved limits within the Annual Investment Strategy were breached during the quarter end 30 Sept 2013.

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

## 7.5 Investment performance

Investment performance for the quarter ending 30 September 2013 is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day	0.36%	0.64%	£35,350

As Illustrated, the authority out performed the benchmark by 0.28%. The Council's budgeted investment return for 2013/14 is £50,000 and performance for the year is in line with this budget.

## 7.6 Borrowing

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

Cash flow predictions indicated that further 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 5 and 10 years.



## **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 30 Sept 2013 the Council, apart that mentioned above at section 7.4, has operated within all the other 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.

## **7.8 Bank Contract**

Notice has been received from the Co-operative Bank that they are withdrawing from all Local Government Business. This is part of their strategy to simplify and rebuild the bank by focusing on serving the needs of individuals and small and medium sized business customers.

The Council's contract with the Bank will cease on 31.3.2015. It is our intention to tender the new contract in partnership with the other East Sussex districts. Work on the tender documents will start in the new year with the intention of having a new contract in place by the end of 2014.

## **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 Quarter 2 2013/14. 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. Both the General Fund and HRA budgets are on target, capital expenditure is low but this is to be expected as some of the major schemes are yet to commence.

10.3 The Collection Fund forecast for Council Tax is showing a small deficit balance at the end of Quarter 2. The Business Rates deficit is predicted to be £708,000 which is approx 2% of the gross debit due.

10.4 Treasury Management performance is on target and apart from seven occasions when the investment maximum allowed to any one country party were breached all other activities were 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 (2013 refresh)*

*Covalent performance management system reports*

*Budget monitoring working papers as at 30.9.13*

*Capita Treasury Solutions Monthly Investment Analysis Review September 2013*

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