

**BODY:** CABINET

**DATE:** 5<sup>th</sup> February 2014

**SUBJECT:** Corporate Performance - Quarter 3 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 3 2013/14.

To inform Cabinet of the Council's provision financial outturn for Quarter 3 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 December 2013, as set out in sections 4,5 & 6.
- iii) Approve the virements and transfers 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 in quarter 3 of 2013/4 and any incomplete milestones from earlier in the 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 37 Key Performance Indicators reported in the Corporate Plan this quarter, 8 are currently showing as "Red," 17 are showing as "Green," 4 are showing as "Amber" and 8 are "data only" or contextual PIs. The off target PIs are...

- TL\_041 Number of visitors (day visitors and staying trips)
- ECSP\_004 Violent crime in a public place
- TL\_014 Towner visitors
- CD\_008 Decent Homes programme
- CD\_052 Number of homes where Category 1 hazards have been remedied
- 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
ECSP_016 Serious Acquisitive Crime (robbery, car crim...	-23.2%	-3%	
DE_005 JSA Claimant Count	1,807	2,500	
TL_017a Redoubt visitors - paying visitors	10,629	5,600	
CD_050 Empty privately owned homes returned to oc...	159	90	
CD_181 Time taken to process Housing Benefit/Coun...	7.4 days	10.5 da...	
TL_043 Total day visitor spend	£000,1...	£000,1...	
DE_154 Net additional homes provided	85	57	
CD_051 Number of difficult problem properties reme...	32	22	
DE_192 Percentage of household waste sent for reus...	35.77%	33.00%	
DE_004 Town centre vacant business space	9.89%	12%	

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 for the year to 31 December 2013 is shown in the table below:

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 31 Dec 13 £'000	Variance to date £'000	Projected Outturn £'000
<b>SUMMARY</b>					
Corporate Services	11,635	9,519	9,508	(11)	(15)
Community Services	151	35,216	35,130	(86)	(34)
Tourism & Leisure Services	2,892	2,412	2,650	238	261
<b>Total Service Expenditure</b>	<b>14,678</b>	<b>47,147</b>	<b>47,288</b>	<b>141</b>	<b>212</b>
Contingencies etc	428	319	138	(181)	(242)
Capital Financing and Interest	1,661	1,108	1,108	-	-
Contributions to/(from) Reserves	754	754	754	-	-
<b>Net Expenditure</b>	<b>17,521</b>	<b>49,328</b>	<b>49,288</b>	<b>(40)</b>	<b>(30)</b>

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

3.2 The position to the end of December is a positive variance of (£40,000) on net expenditure which is a movement of (£118,000) compared to the position at the end of the second quarter in September.

3.3 Service expenditure has a variance of £141,000 a positive movement from September of (£40,000). The main reasons for this improvement are:

	To Sept 13 £'000	To Dec 13 £'000	Movement £'000
Main Variances over £50k			
Refuse Collection Contract Savings	(80)	(115)	(35)
Cremation and cemetery income over target	(40)	(67)	(27)
Cremation utilities savings from installation of new cremators	(53)	(53)	
Grounds maintenance additional costs from contract dispute	105	105	
Revenues and Benefits additional administration costs	71	71	
Shortfall in Catering income	100	128	28

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

3.4 The projected outturn shows a favourable variance of (£30,000). This is within 0.17% of the net budget and is within an acceptable tolerance level. However management continues to manage this position to ensure that this is achieved.

3.5 The contingency allowance currently stands at £241,529 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.

3.6 Financial procedure rules require all virements requests over £10,000 for revenue expenditure to be approved by Cabinet. There is one request for this quarter as set out in **Appendix 3** and related to the approved phased reduction in the grant payable to the Allotments Society.

3.7 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 year to 31 December 2013 is as follows:

	<b>Current Budget £'000</b>	<b>Profiled Budget £'000</b>	<b>Actual to 31 Dec 13 £'000</b>	<b>Variance to date £'000</b>	<b>Projected Outturn £'000</b>
<b>HRA</b>					
Income	(14,994)	(11,053)	(10,987)	66	12
Expenditure	15,097	6,032	5,722	(310)	(430)
<b>Total HRA</b>	<b>103</b>	<b>(5,021)</b>	<b>(5,265)</b>	<b>(244)</b>	<b>(418)</b>

4.2 The HRA surplus variance is due to a reduction in income from rents and services changes due to the delay in the expected completion of the sheltered accommodation remodelling schemes, off set by savings in the provision for Bad Debts.

4.3 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. Rent collection performance has continued at prior year levels, and therefore the expected increase in rent arrears has not materialised as expected. The bad debt provision has been decreased to reflect this situation.

4.4 The projected outturn is showing a surplus of (£418,000) mainly due to the change in the bad debt provision and lower than anticipated interest rates on new and replacement debt taken during the year.

#### 5.0 Financial Performance – Capital Programme

5.1 The detailed capital programme is shown at **Appendix 4**. Actual expenditure at 52% of the budget is lower than expected as a number of schemes have been delayed in starting or have not yet started in particular in the following areas but expenditure is expected in the next quarter:

- Housing Major Works schemes
- Support Housing in Eastbourne Programme
- Coastal Defence Works
- Play Equipment
- IT software upgrades
- Bandstand works.

5.2 The 2013/14 programme has now been re-profiled to reflect start dates and planned works.

## 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 Funding is now included as part of the performance monitoring and results shared with 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	(52,110)	(33,580)
Payments to preceptors	52,212	33,699
Allowance for cost of collection		127
Provision for backdated appeals		140
Write offs and provision for bad debts	168	329
<b>Estimated balance 31.3.14</b>	<b>101</b>	<b>715</b>
Allocated to:		
CLG		
East Sussex County Council	73	358
Eastbourne Borough Council	14	286
Sussex Police	9	64
East Sussex Fire & Rescue	5	7
	<b>101</b>	<b>715</b>

6.3 This represents a variance over the quarter two monitoring of £61,000 and £7,000 for Council Tax and Business Rates respectively.

6.4 The Council Tax deficit is due to higher than budgeted take up of the Council Tax Reduction Scheme less a reduction in the number of Single Persons Discounts awarded. The deficit represents 0.19% of the gross debit due.

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

6.6 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 Council is required to estimate the Collection Fund Balance as at 15 January each year and inform major preceptors for distribution in 2014/15. This has now been done for Council Tax based on the quarter three monitoring and major preceptors informed. There has however been a delay in receiving the necessary documentation from DCLG in regard the Business Rates calculation and the deadline for returning the information to preceptors is now 31 January.

6.7 Collection performance is as follows:

<b>Cash Collection Rates</b>	<b>Council Tax</b>	<b>Business Rates</b>
Q3 Actual	84.25%	87.58%
Q3 Target	85.40%	88.30%

## **7.0 Treasury Management**

7.1 The Annual Treasury Management and Prudential Indicators 2014/15 is being considered by Cabinet elsewhere on this agenda. Below is a summary of the main points from the current economic background and interest rate forecasts.

## **7.2 Economic Background**

The World Bank announced that the global economy is at a “turning point” and this rosy outlook was reflected in a string of positive data releases for the UK and the US but not for the Eurozone. Encouraging inflation and retail sales figures from both the UK and US have been received, but the Eurozone’s inflation outlook is somewhat more troubling.

For the first time in four years, UK inflation figures hit the Bank of England’s (BoE) target level. December’s Consumer Price Index (CPI) grew 2.0% according to the Office for National Statistics (ONS), a result that eases pressure on both the BoE and the Government. The fall in inflation reinforces the Bank’s strategy of maintaining interest rates at their record low of 0.5% whilst the economy continues to pick up speed.

UK retail sales, are showing the fastest growth in 9 years. The 2.6% percent increase in sales in December contributed to a 5.3% annual rise which is the best growth figure seen since October 2004. This news was somewhat unexpected as economists had forecast growth to be similar to that seen in November at around 0.4%.

Latest data release showed a hefty increase in the number of people employed within the UK workforce, whilst the ILO unemployment figure (calculated quarterly) fell from 7.6% to 7.4%.

## **7.3 Interest Rate Forecast**

Capita have decided to maintain their central Bank Rate view, for the moment at least, that an apparently strong 2014 economic recovery built upon consumer spending will taper off somewhat in the medium term and that the clamour for interest rates to rise prior to 2015 may well be replaced by concerns that the economy is still too weak to be subject to any significant rise in interest rates.

Interest rates are therefore expected to remain unchanged, but then increase in Quarter 2 2016 to 0.75% (previously Q3 2016) and then again in Quarter 3 2016 to 1%.

## **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 Capita;
- Liquidity;
- Yield

A full list of investment held as at 31 December 2013 is shown in the table below:

Counterparty	Amount £	Interest Rate %	Maturity
Royal Bank of Scotland	3,900,000	0.70	Call
Santander	1,075,000	0.40	Call
Bank of Scotland	2,000,000	0.40	Call
Royal Bank of Scotland	100,000	0.80	90 day Account
Bank of Scotland	2,000,000	0.95	3.2.14
	9,075,000		

Following the downgrading of the Co-op Bank to BB- in May, the advice from Capita 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 once over the quarter by £1m for 4 nights (15-18 November).

Investment rates available in the market have continued at historically low levels. Funds are available on a 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 31 December 2013 is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day	0.36%	0.68%	£45,000

As illustrated, the authority outperformed the benchmark by 0.32. The Council's budgeted investment return for 2013/14 is £50,000 and performance for the year is likely to exceed this.

## 7.6 Borrowing



New borrowing during the quarter has been undertaken as follows:

Start Date	End Date	Lender	Amount	Interest Rate
19.12.13	19.6.18	Neath Port Talbot Council	£4,000,000	2.20%

Cash flow predictions indicated that further borrowing will be required during quarter four. 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 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 31 December 2013 the Council, apart from 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.

## 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 3 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 The variances within both the General Fund and HRA budget are well within tolerance levels, however risks within the budget will continue to be carefully monitored.

10.3 Capital expenditure is low compared to the budget but this is expected as some major schemes have yet to commence.

10.4 The Collection Fund forecast for Council Tax and Business Rates are showing deficits of £101,000 and £715,000 at the end of quarter 3. These balances represent 0.19% and 2% of the gross debits due and will be allocated to the major precepting authorities during 2014/15.

10.5 Treasury Management performance is on target and apart from one occasion when the investment maximum allowed to any one counterparty was

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 31.12.13*  
*Capita Treasury Solution weekly newsletter 17.1.14*

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