

BODY: CABINET

DATE: 10th December 2014

SUBJECT: Corporate Performance - Quarter 2 2014/15

REPORT OF: Chief Finance Officer and Head of Corporate Development

Ward(s): All

Purpose: To update Members on the Council's performance against Corporate Plan priority actions, performance indicators and targets for Quarter 2 2014/15.

To inform Cabinet of the Council's provision financial outturn for Quarter 2 2014/15.

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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 (2014 refresh).
- ii) Agree the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2014, as set out in sections 3, 4 & 6.
- iii) Agree that any nationally agreed pay award be applied across all staff in the organisation as set out in paragraph 3.4.
- iv) Approve the virements and transfer to and from reserves as set out in Appendix 3
- v) Approve the amended capital programme as set out in Appendix 4.
- vi) Agree the Treasury Management performance as set out in section 7.

1.0 Introduction

1.1 The 2010/15 Corporate Plan was refreshed for 2014 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. 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 2014 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.
- 1.4 Due to operational improvements made to our activity reporting procedures, we have made a change to one of the reported performance indicators. CS_012 "Calls Handled at First Point of Contact" has now been replaced with CS_012a "Telephone Calls handled at first point of contact." This new version of the indicator focuses solely on phone scripts.

2.0 Performance Overview

- 2.1 **Appendix 1** is a detailed report on the 2014/15 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 half of the 2014/5 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 29 Key Performance Indicators reported in the Corporate Plan this quarter, 7 are currently showing as Red, 14 are showing as Green, 2 are showing as Amber and 6 are data only or contextual PIs. The off target PIs are...
- DE_011 - Number of reported fly-tipping incidents
 - CD_008 - Decent Homes programme
 - CD_055 – Number of completed adaptations (Disabled Facilities Grants)
 - CD_156- Number of households living in temporary accommodation
 - ECSP_002 - Shoplifting rate compared to 2013/14
 - ECSP_004 - Violent crime in a public place rate compared to 2013/14
 - ECSP_016 – Serious Acquisitive Crime (robbery, car crime and burglary dwelling) rate compared to 2013/14
- 2.10 We 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. The following PIs are showing as the relatively best performing according to the latest confirmed data available:

Best Performing (PIs)	Value	Target	Gauge
TL_005 Marketing campaign value for money	£0.60	£0.88	
CS_011 Telephone call abandonment rate	3.15%	6%	
CD_181 Time taken to process Housing Benefit/Coun...	4.4 days	10.0 da...	
CD_051 Number of difficult problem properties reme...	26	15	
TL_017a Redoubt visitors - paying visitors	11,961	7,200	
TL_008 Conference delegates	14,800	13,000	
CD_050 Empty privately owned homes returned to oc...	87	60	
CS_003 Sickness absence - average days lost per emp...	2.44 da...	2.9 days	
DE_192 Percentage of household waste sent for reus...	37.79%	35.00%	
CD_056 Median average number of days for assistan...	89 days	100 days	
DE_194 Missed collections	2,401	2,650	
DE_007 EBC Carbon Footprint - Vehicles	28 ton...	30 ton...	

**The data in this table is based on the latest reported out-turns including annually reported indicators so may include PIs where data is from the 2013/14 out-turn.*

3.0 Financial Performance – General Fund

3.1 General Fund performance for the year to September is shown in the table below:

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 30 Sept 14 £'000	Variance to date £'000	Initial Projected Outturn £'000
SUMMARY					
Corporate Services	11,967	6,302	6,310	8	(5)
Community Services	278	23,884	23,930	46	47
Tourism & Leisure Services	2,857	1,768	1,827	59	80
Total Service Expenditure	15,102	31,954	32,067	113	122
Contingencies etc	161	80	44	(36)	(73)
Capital Financing and Interest	1,699	726	726	-	-
Contributions to/(from) Reserves	291	(247)	(247)	-	-
Net Expenditure	17,253	32,513	32,590	77	49

Service Details are shown at **Appendix 2**

3.2 The position to the end of September shows a variance of £77,000 on net expenditure which is a movement of £60,000 compared to the position reported at the end of the first quarter in June. Service expenditure has a variance of £113,000 mainly as a result of:

- One-off Backdated rental income (£35k)
- Development Control Legal and Consultants Fees £40k
- Downs Water Supply new Contract £33k
- Dotto Train £65k

An element of this service overspend is off set by the saving on the contingency fund.

- 3.3 It was reported at the quarter one monitoring report that there were a number of risks around the Revenues and Benefits area due to the implementation of a new system. Whilst the project was delivered broadly on time and on budget, the nature of the benefits regime requires post implementation checking to be put in place to reduce errors. This checking is still ongoing and will continue to year end. Not until the year end is run on the new system and the audit complete will this risk be quantifiable.
- 3.4 A new two year pay award has been agreed by the National Joint Council for Local Government Services (NJC) and employee organisations based on a 2.2% increase from 1 January 2015 plus one off lump sum payments. There are a number of employees outside the NJC pay scales, as a result of being TUPE'd into the organisation or are above SCP 49, it is therefore proposed that any agreed pay award be applied to all staff across the workforce employed under NJC terms and conditions.
- The total value of this pay award is within existing budgets.
- 3.5 The contingency allowance currently stands at £161,050 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 The projected outturn shows a variance of £49,000. This is within 0.28% of the net budget and is within an acceptable tolerance level. However management continues to manage this position to ensure that this final outturn position is maintained or improved.
- 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.
- 3.8 Financial procedure rules require all virement requests over £10,000 for revenue expenditure to be approved by Cabinet. These are set out in Appendix 3.

4.0 Financial Performance – HRA

- 4.1 HRA performance for the quarter is as follows:

	Current Budget	Profiled Budget	Actual to 30 Sept 14	Variance to date	Projected Outturn
	£'000	£'000	£'000	£'000	£'000
HRA					
Income	(15,356)	(7,776)	(7,750)	26	89
Expenditure	12,202	3,883	3,794	(89)	(154)
Capital Financing & Interest	2,346	-	-	-	-
Contribution to Reserves	500	-	-	-	-
Total HRA	(308)	(3,893)	(3,956)	(63)	(65)

- 4.2 HRA performance is currently above target due to a number of factors

including underspending on council tax for void properties, new insurance contract and reduction in provision for bad debts required.

Rental income is down as a result of a reduced number of properties from Right to Buys and a delay in opening Winchester Court, which went live on the rents system on 27 October.

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 the 2015/16 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

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.

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

	Council Tax £'000	Business Rates £'000
Balance B/fwd 1.4.14	79	3,048
Deficit recovery	(100)	(2,065)
Debit due for year	(53,497)	(33,052)
Payments to preceptors	52,355	33,155
Transitional Relief	-	18
Allowance for cost of collection	-	127
Allowance for appeals	-	(331)
Write offs and provision for bad debts	991	414
Estimated balance 31.3.15	(172)	1,314
Allocated to:		
CLG	-	657
East Sussex County Council	(125)	118
Eastbourne Borough Council	(24)	526
Sussex Police	(15)	-
East Sussex Fire & Rescue	(9)	13
	(172)	1,314

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 regulation. The distribution of the estimated balance at quarter 3 will be made in 2015/16. Any changes after that date will be made in 2016/17.

6.3 Council Tax is currently showing a £172,950 surplus, due to higher than budgeted number of chargeable properties and a reduction in the number of Single Person Discounts awarded.

6.4 The Business Rates deficit of £1,314,414 is as a result of a bigger than anticipated provision made in 2013/14 for outstanding appeals, giving rise to a higher than budgeted for balance carried forward as at 1.4.2014. Currently there are 93 properties with appeals outstanding with a total rateable value £12m, a reduction of 13 properties with a rateable value of £6m since 1 April 2014. The valuation office is expecting to settle all these claims within the next 12 months however the uncertainty of the potential value of successful appeals remains a major risk to the Collection Fund at this time. The deficit represents 3.98% of the total debit for the year.

6.5 Collection performance is as follows:

Cash Collection Rates	Council Tax	Business Rates
Q2 Actual	56.32%	54.33%
Q2 Target	55.78%	54.85%

7.0 Treasury Management

7.1 The detailed mid-year Review Report has been submitted to the Audit and Governance Committee on 3 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

After strong UK GDP quarterly growth over the last few quarters it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. Overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016.

UK employment and wage data for the three months to September showed a positive outlook for the economy. For the first time since 2009, wage growth outperformed consumer –level inflation and looks likely to continue. There has

been the sharp fall in inflation (CPI), reaching 1.2% in September, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%.

Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years

7.3 **Interest Rate Forecast**

Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q2 2015 and then it is expected that increases after that to be at a slow pace to lower levels than prevailed before 2008

7.4 **Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2014/15, which includes the Annual Investment strategy, was approved by the Council on 15 February 2014. 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 2014 is shown in the table below.

Counterparty	Amount	Interest Rate	Maturity
Santander	£2,700,000	0.74%	Call
RBS	£100,000	0.35%	90 days notice
TOTAL	£2,800,000	0.73%	

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 end 30 September 2014.

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 2014 is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day	0.35%	0.64%	£16,000

As Illustrated, the authority outperformed the benchmark by 0.29%. The Council's budgeted investment return for 2014/15 is £50,000, current performance is below this target due to the continuous use of internal balances during the first 6 months thus keeping interest paid lower whilst borrowing rates are higher than investments.

7.6 **Borrowing**

A long term loan of £2m was taken from the Public Works Loan Board on 5 September 2014 for 45.5 years at 3.85%.

Cash flow predictions indicated that further borrowing will be required later in the year. 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 8 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 September 2014 the Council, has operated within all 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**

Following the withdrawal of the Co-op bank from local authority business, a procurement exercise was carried out in partnership with the East Sussex Procurement Hub. The contract was awarded to Lloyds Bank with an aim of a go live date of 1 December 2014 for this Council. Work is currently in progress and is on track to meet this deadline.

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 Quarter 2 2014/15. 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 indicating a surplus of £172,950 and a deficit for Business Rates of £1,314,414. This will be allocated to or collected from preceptors during 2015/16.
- 10.4 Treasury Management performance is on target and all activities were within the approved Treasury and Prudential Limits

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Background Papers:

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

Corporate Plan 2010/15 (2014 refresh)
Covalent performance management system reports
Budget monitoring working papers as at 30.9.14
Capita Treasury Solutions Monthly Investment Analysis Review September 2014

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