

BODY: CABINET

DATE: 9th December 2015

SUBJECT: Corporate Performance - Quarter 2 2015/16

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 2015/16.

To inform Cabinet of the Council's provisional financial outturn for Quarter 2 2015/16.

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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) Approve the transfer from reserves as set out in paragraph 3.5.
- iv) Approve the capital programme as set out in Appendix 3.
- v) Agree the Treasury Management performance as set out in section 7.

1.0 Introduction

- 1.1 The 2010/15 Corporate Plan was refreshed in 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. A dedicated Member portal has been designed to enable and encourage Members to access performance information at any time and two dedicated training sessions have been delivered. All Members are invited to contact the Corporate Development Team at any time to arrange individual training or 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 in Quarter 3 2014/15, we 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.
- 1.5 Following changes to crime reporting procedures, it was decided to change the crime related PIs from targeted to data only as the previous targets are no longer relevant to the data being reported. These PIs will be reviewed and revised for the next iteration of the Corporate Plan.

2.0 Performance Overview

- 2.1 **Appendix 1** is a detailed report on the activities and outturns of the performance indicators listed within the current 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 this period and any outstanding milestones 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 27 Key Performance Indicators reported in the Corporate Plan this quarter, **5 are currently showing as Red, 9 are showing as Green, 3 are showing as Amber and 10 are data only or contextual PIs.** The off target PIs are...
- DE_011 – Number of reported fly-tipping incidents reported
 - CD_008 – Decent Homes Programme
 - CD_051 – Difficult properties remedied/brought back into use
 - TL_026 – Total number of theatre users
 - CS_003 – Sickness absence
- 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:

...	Code & Title	Gauge	Value	Target
✓	TL_008 Conference delegates		14,775	12,000
✓	CD_155 Number of affordable homes delivered (gr...		70	30
✓	CS_011 Telephone call abandonment rate		3.26%	5%
✓	CD_056 Median average number of days for assist...		73 days	100 days
✓	DE_192 Percentage of household waste sent for re...		37.90%	35.00%

**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 2014/15 out-turn.*

3.0 Financial Performance – General Fund

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

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 30 Sep 15 £'000	Variance to date £'000	Projected Outturn £'000
SUMMARY					
Corporate Services	5,765	4,092	4,095	3	8
Community Services	5,902	26,860	26,733	(127)	(78)
Regeneration, Planning Policy and Assets	117	7	24	17	33
Tourism & Enterprise	2,949	1,972	1,963	(9)	6
Total Service Expenditure	14,733	32,931	32,815	(116)	(31)
Contingencies etc	(350)	67	-	(67)	(134)
Capital Financing and Interest	1,892	759	759	-	-
Contributions to/(from) Reserves	(1030)	(1030)	(1030)	-	-
Net Expenditure	15,245	32,727	32,544	(183)	(165)

Service Details are shown at **Appendix 2**. The work on realigning the budgets for Future Model 2 is now complete and the department split is based on the current operating structure.

3.2 The position at the end of September shows a favourable variance of £183,000 on net expenditure which is a movement of £187,000 compared to the position reported at the end of the first quarter in June. Service expenditure has a favourable variance of £116,000 mainly as a result of:

Salary savings pending recruitment to new FM structure	£69k
Additional Crematorium Abatement income	£45k

3.3 The contingency fund currently stands at £134,000 which is available to fund inflationary increases and any future unforeseen one off areas of expenditure during the year.

3.4 The projected outturn shows a favourable variance of £165,000. This is within 1.1% 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.

3.5 Members approval is sought for the transfer from reserves as set out below:

Item No.	Amount	Reserve Code	Reserve	Reason
1	£75,000	z10125	Strategic Change Reserve	IESE payment for 2015-16
	<u>£75,000</u>			

This transfer is in line with the approved financial strategy.

4.0 Financial Performance - HRA

4.1 HRA performance for the quarter is as follows:

	Current Budget	Profiled Budget	Actual to 30 Sept 15	Variance to date	Projected Outturn
	£'000	£'000	£'000	£'000	£'000
HRA					
Income	(15,747)	(7,917)	(7,954)	(37)	(37)
Expenditure	12,774	3,969	3,899	(70)	(61)
Capital Financing & Interest	1,893	-	-	-	
Contribution to Reserves	784	-	-	-	
Total HRA	(296)	(3,948)	(4,055)	(107)	(98)

4.2 HRA performance is currently above target by £107,000, this is mainly due to increase in rents from the number of void properties being at a lower level than budgeted for plus a quicker turnaround (£41k), a reduction required for the provision for bad debts (£31k) and the slow take up of the under occupation scheme (£36K). Other small variances are carefully being monitored.

4.3 The favourable variances above are reflected in the forecast outturn of £98,000.

5.0 Financial Performance – Capital Programme

5.1 The detailed capital programme is shown at Appendix 3. Actual expenditure is low compared to the budget, due to delays in the start dates of various major projects. Expenditure is expected to increase as schemes progress however spending patterns will be reviewed at quarter three and re-profiled into the 2016/17 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 Non-Domestic Rates and its distribution to the major precepting authorities.

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

	Council Tax	Business Rates
	£'000	£'000
Balance B/fwd 1.4.15	(447)	1,789
Deficit recovery	180	(1,295)
Debit due for year	(54,747)	(34,264)
Payments to preceptors	53,953	34,399
Transitional Relief		(24)
Allowance for cost of collection		127

Allowance for appeals		838
Write offs and provision for bad debts	399	142
Estimated balance 31.3.16	(662)	1,712
Allocated to:		
CLG	-	856
East Sussex County Council	(480)	154
Eastbourne Borough Council	(91)	685
Sussex Police	(57)	-
East Sussex Fire & Rescue	(34)	17
	(662)	1,712

6.3 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 calculated at quarter 3 will be made in 2016/17. Any changes after that date will be made in 2017/18.

6.4 Council Tax is currently showing a £662,000 surplus a variance of 1.21%, this is due to a combination of factors including better performance against the collection allowance within the Council tax base and a reduction in the Council Tax Reduction scheme caseload.

6.5 The Business Rate deficit of £1,712,000 is as a result of a bigger than anticipated provision made in 14/15 for outstanding appeals, giving rise to a higher than budgeted for balance carried forward as at 1.4.15, together with the extra number of appeals received by the valuation office which were not included in the 14/15 figures. The total number of appeals outstanding as at 30.9.15 was 248 with a total rateable value of £21.5m. The deficit represents 5% of the total debit for the year.

6.6 Collection performance is as follows:

Cash Collection Rates	Council Tax	Business Rates
Q2 Actual	56.20%	54.29%
Q2 Target	57.50%	54.33%

7.0 Treasury Management

7.1 The detailed mid-year review report has been submitted to the Audit and Governance Committee on 2 December in compliance with 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

While the economic outlook for the UK and US improved through much of 2014, the first quarter of 2015 was something of a disappointment for the two economies. Q2 figures proved this to be a blip, but more recently, the

sustainability of the economic recoveries has been called into question. Add in unsettled global financial markets and it could see both central banks hold back from policy changes until 2016

The Bank of England August Inflation Report included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. Since then, worldwide economic statistics have been distinctly weak so it would not be a surprise if the next Inflation Report in November were to cut those forecasts.

The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon

7.3 **Interest Rate Forecast**

The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them

Capita Asset Services, the council's treasury advisors, undertook a review of its interest rate forecasts on 11 August after the August Bank of England Inflation Report. This latest forecast includes no change in the timing of the first increase in Bank Rate as being in quarter 2 of 2016.

7.4 **Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment strategy, was approved by Council on 4 February 2015. It sets out the Council's investment priorities as being :

- Security of Capital;
- Liquidity;
- Yield.

A full list of short term investments held as at 30 September 2015 is shown in the table below:

Counterparty	Amount £'000	Interest Rate %	Maturity
Santander	4,000	0.80	Call
Nationwide Building Society	1,000	0.66	6.11.15
Lloyds Bank	459	0.40	Current Account
	5,459		

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.

Ni approved limits within the Annual Investment Strategy were breached during the quarter ending 30 September 2014.

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

7.4 **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%	58.00%	£32,750

The authority outperformed the benchmark by 0.23%. The budgeted investment return for 2015/16 is £50,000. Performance for the year to date is above target, but the second half of the year will see a reduction in interest income as temporary investments are utilised in place of borrowing. The continuous use of internal balances is in line with the Council's strategy and reduces the amount of interest paid on loans

7.4 **Borrowing**

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

Cash flow predictions indicated that further borrowing will be required towards the end of the year, depending on the timing of capital expenditure. The exact timing and nature of this borrowing will be considered at that time.

7.5 **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 2015 the Council 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 Quarter 2 2015/16. 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 the HRA are showing favourable variances for the quarter and the outturn forecast. Capital expenditure is low but this is to be expected as some of the major schemes are yet to commence.
- 10.3 The Collection forecast for Council Tax is indicating a surplus of £662,000 and a deficit for Business Rates of £1,712,000. This will be allocated to or collected from preceptors during 2016/17.
- 10.4 Treasury Management performance is on target and all activities were within the approved Treasury and Prudential Limits.

William Tompsett
Senior Corporate Development Officer

Pauline Adams
Financial Services Manager

Background Papers:

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

Corporate Plan 2010/15 (2014 refresh)

Covalent performance management system

Budget monitoring working papers 2016/17 September 2015

Collection Fund and Business Rates Collection Fund monitoring working papers 2015/16.

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