

BODY: CABINET

DATE: 23RD MARCH 2016

SUBJECT: Corporate Performance - Quarter 3 2015/16

REPORT OF: Deputy Chief Executive

Ward(s): All

Purpose: To update Members on the Council's performance against Corporate Plan priority actions, performance indicators and targets for Quarter 3 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.
- ii) Agree the General Fund, HRA and Collection Fund financial performance for the quarter ended December 2015, as set out in sections 3,4 & 6.
- iii) Approve the transfer from/to reserves as set out in appendix 3.
- iv) Approve the capital programme as set out in Appendix 4.
- v) Agree the Treasury Management performance as set out in section 7.
- vi) Approve the write offs as set out in the exempt appendix.

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 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 23 Key Performance Indicators reported in the Corporate Plan this quarter, **3 are currently showing as Red, 10 are showing as Green, 4 are showing as Amber and 6 are data only or contextual PIs.** The off target PIs are...

- CD_008 – Decent Homes Programme
- CD_051 – Difficult properties remedied/brought back into use
- CD_056 - Number of days for assistance with adaptations (Disabled Facilities Grants)

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
✓	CS_011 Telephone call abandonment rate		2.24%	5%
✓	TL_008 Conference delegates		14,775	12,000
✓	CD_155 Number of affordable homes delivered (gr...		70	30
✓	DE_194 Missed collections		2,043	3,350
✓	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 previous annual out-turn.*

3.0 Financial Performance – General Fund

3.01 General Fund performance of the year to 31 December 2015 is shown in the table below:

Department	Full Year	Profiled Budget	Actual to 31st	Variance to	Projected
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	Budget		Dec 2015	date	Outturn
	£'000	£'000	£'000	£'000	£'000
SUMMARY					
Corporate Services	5,603	5,103	5,087	(16)	(21)
Community Services	6,027	40,243	40,086	(157)	(178)
Regeneration, Planning Policy and Assets	90	(28)	(18)	10	47
Tourism & Enterprise	3,052	2,158	2,064	(94)	(120)
Total Service Expenditure	14,772	47,476	47,219	(257)	(272)
Contingencies etc	(269)	(201)	-	201	269
Capital Financing and Interest	1,892	1,192	1,192	-	-
Contributions to/(from) Reserves	(1150)	(199)	(199)	-	-
Net Expenditure	15,245	48,268	48,212	(56)	(3)

Service details are shown at Appendix 2.

3.2 The position at the end of December is a positive variance of (£56,000) on net expenditure which is a movement of £127,000 compared to the position reported at the end of the second quarter in September. Service expenditure shows a variance of (£257,000) mainly as a result of:

- Catering income (£64k)
- Cremation/Cemeteries Abatement and other income (£64k)
- Various underspends relating to Council Tax Collection (£48k)
- Street Cleansing contract underspend (£46)
- Theatres income above target (£35k)
- Change in provision of bad debts on loan deposit scheme (£28)
- Events improved performance against targets (£27k)
- Reduction against budget of Housing Benefit Admin Grant £40k
- Shortfall in rental income from various properties £45k

3.3 The contingency fund currently stands at £165,050 which is being set aside to offset against the profile of the savings target elsewhere in the budget.

3.4 The overall projected outturn shows a favourable variance of £3,000. This is close to the budget total and is being monitored closely to ensure this position is maintained.

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:

	Current Budget	Profiled Budget	Actual to 31st Dec	Variance to date	Projected Outturn
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			2015		
	£'000	£'000	£'000	£'000	£'000
HRA					
Income	(15,747)	(11,838)	(11,842)	(4)	(12)
Expenditure	12,774	5,943	5,829	(114)	(92)
Capital Financing & Interest	1,893	-	-	-	
Contribution to Reserves	784	-	-	-	
Total HRA	(296)	(5,895)	(6,013)	(118)	(104)

4.2 HRA performance is currently above target by (£118,000). This is mainly due to an increase in rental income as a result of the number of void properties being at a lower level than budget from plus a quicker turnaround (£50k), a reduction required for the provision for bad debts (46k) and a slow take up of the under occupation scheme (£46K). These favourable variances are offset by an overstatement in the budget for service charges of £40k.

4.3 The projected outturn is showing a surplus of (£104,000) due to the full year effect of the issues highlighted in the above paragraph.

5.0 Financial Performance – Capital Expenditure

5.1 The detailed capital programme is shown at Appendix 4. Actual expenditure is low compared to the programme. This is due to schemes that will be delivered over more than one year. Expenditure is expected to increase as schemes progress and have been re-profiled into the 2016/17 year where appropriate.

6.0 Financial Performance – Collection Fund

6.1 The Collection Fund records all the income from Council Tax and Non-Domestic Rates and its allocation to precepting authorities.

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

	Council Tax £'000	Business Rates £'000
Balance B/fwd 1.4.15	(447)	1,789
Deficit recovery	180	(1,295)
Debit due for year	(54,763)	(34,154)
Payments to preceptors	53,953	34,399
Transitional Relief		(24)
Allowance for cost of collection		127
Allowance for appeals		756
Write offs and provision for bad debts	(282)	113
Estimated balance 31.3.16	(1,359)	1,711
Allocated to:		
CLG	-	856
East Sussex County Council	(987)	154

Eastbourne Borough Council	(184)	684
Sussex Police	(118)	-
East Sussex Fire & Rescue	(70)	17
	(1,359)	1,711

- 6.3 The allocation to preceptors reflects the operation of the Collection Fund for Council Tax and retained Business Rates which are distributed on different bases under regulations. The distributions for 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 £1,359,000 surplus, a variance of 2.48% against the gross debit due. 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 costs.
- 6.5 The Business Rate deficit of £1,711,000 is as a result of the ongoing risk from the number of backdated appeals outstanding. The total number of appeals outstanding as at 31.12.15 was 245 with a total rateable value of £22m. The deficit represents 5% of the total debit for the year.
- 6.6 Collection fund performance is as follows:

Cash Collection Rates	Council Tax	Business Rates
Q3 Actual	83.39%	79.62%
Q3 Target	83.88%	80.17%

7.0 Treasury Management

- 7.1 The Annual Treasury Management and Prudential Indicators 2016/17 were considered by Cabinet and Council in February.

7.2 Economic Background

January proved a horrendous start to 2016 for the financial markets as share prices declined amidst concerns about a potential "hard landing" in China. The UK economy, however, appears to have gathered some momentum, with the PMIs indicating at least 0.5% quarter on quarter growth, while consumer confidence picked up despite all of the turmoil. Furthermore, falls in the oil price and a weaker sterling should help the UK economy; although an early EU referendum (June 2016) has added to uncertainty.

Q4 GDP is likely to have accelerated a touch from Q3, at around 0.5% q/q, but the economy does not appear to have great impetus, and remains below trend growth at 1.9% annualised. 2.2% over 2015 as a whole is a sharp deceleration from 2.9% in 2014. Growth is being driven almost solely by the services sector, with industrial production and construction output both declining on the quarter. Growing inflationary pressures are not evident in the economy, thus inflation should remain below the 2% target, possibly for a couple more years.

7.3 Interest Rate Forecast

With inflation negligible and the recovery going through something of a wobble, while surrounded by an uncertain global backdrop, there seems little chance of a rate change in the near term. Markets currently price in no change this year, with some predictions now expecting no move until 2018.

The Bank of England Governor Carney's Queen Mary College speech, made in January, which definitively ruled out an increase in Bank Rate until the following three criteria had been met:

1. Quarter-on-quarter GDP growth is above 0.6% i.e. using up spare capacity. This condition was met in Q2 2015, but Q3 and Q4 came up short.
2. Core inflation (stripping out most of the effect of decreases in oil prices), registers a concerted increase towards the MPC's 2% target. This measure was on a steadily decreasing trend since mid-2014 until November 2015 at 1.2%. December 2015 saw a slight increase to 1.4%.
3. Unit wage costs are on a significant increasing trend. This would imply that spare capacity for increases in employment and productivity gains are being exhausted, and that further economic growth will fuel inflationary pressures.

Based on these factors the latest forecast is as follows:

Bank Rate	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.75%
Capital Economics	0.50%	0.50%	0.50%	0.75%	0.75%

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 investment held as at 31 December 2015 is shown in the table below:

Counterparty	Amount £'000	Interest Rate %	Maturity
Santander	5,000	0.80	Call
Lloyds Bank	2,384	0.40	Current Account

	7,384		
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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 to 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 ending 31 December 2015.

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 precept payments, receipts of grant and the progress of the capital programme.

7.5 **Investment performance**

Investment performance for the quarter ending 31 December 2015 is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day	0.36%	0.59%	£40,549

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; however this may slow down in the last quarter of the year as cash receipts diminish, capital expenditure increases and temporary investments are utilised in place of long term borrowing. The continued use of internal balances is in line with the Council's strategy and reduces the amount of interest paid on loans.

7.6 **Borrowing**

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

Cash flow predictions indicate 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.

7.7 **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 2015 the Council has operated within all the 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 Write Offs

- 8.1 Financial Procedure Rule 4.26 provides delegated authority to the Chief Finance Officer for the write off of irrecoverable debts below £5,000. Beyond that limit, unless particular circumstances apply (like bankruptcy, liquidation etc) the approval of Cabinet is required.
- 8.2 Details of the write offs being recommended for write off by Cabinet are listed in the Exempt Appendix to the report with brief explanations of the circumstances.
- 8.3 In all cases a number of methods of collection were attempted before the debts were recommended for write off.
- 8.4 The write off does not mean that debt is not still due to the council and in cases where circumstances have changed the debt will be written back on and recovery pursued.
- 8.5 The write offs do not have an immediate financial effect on the current year's budget as the bad debt provision is greater than the write off total. However, the making of that provision did have a cost implication at the time the provision was made. The Council maintains provisions against the level of debts outstanding as follows:

	Provision as % of total debt	Funded by
NNDR	30.98%	50% Central Government, 40% EBC, 9% East Sussex CC & 1% East Sussex Fire.
Council Tax	70.00%	EBC

9.0 Consultation

- 9.1 Not applicable

10.0 Implications

- 10.1 There are no significant implications of this report.

11.0 Conclusions

- 11.1 This report provides an overview of performance against the authority's priority actions and indicators as at Quarter 3 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.
- 11.2 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.

- 11.3 The Collection forecast for Council Tax is indicating a surplus of £1,359,000 and a deficit for Business Rates of £1,711,000. This will be allocated to or collected from preceptors during 2016/17.
- 11.4 Treasury Management performance is on target and all activities were within the approved Treasury and Prudential Limits.
- 11.5 This report seeks Cabinet approval for the write off of irrecoverable debts in excess of £5,000 totalling £84,421.98 where all other methods of recovery have been unsuccessful and it is not deemed appropriate to pursue the debts further.

William Tompsett
Senior Corporate Development Officer

Background Papers:

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

Corporate Plan 2010/15 (2014 refresh)
Covalent performance management system
Quarter 3 2015/16 budget monitoring working papers

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