

BODY: **CABINET**

DATE: **13th December 2016**

SUBJECT: **Corporate Performance - Quarter 2 2016/17**

REPORT OF: **Chief Executive and Chief Finance Officer**

Ward(s): All

Purpose: To update Members on the Council's performance against Corporate Plan priority actions, performance indicators and targets for Quarter 2 2016/17.

To inform Cabinet of the Council's provisional financial outturn for Quarter 2 2016/17.

Contact: William Tompsett, Senior Corporate Development Officer
Tel 01323 415418 or internally on ext 5418

Pauline Adams, Financial Services Manager
Tel 01323 415979 or internally on ext 5979.

Recommendations: Members are asked to:

- i) Agree the performance against national and local Performance Indicators and Actions from the 2016/20 Corporate Plan.
- ii) Agree the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2016, as set out in sections 3, 4 & 6.
- iii) Approve the transfer from earmarked reserve 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 Corporate Plan for 2016-20 was adopted by Council in May 2016 and sets out the priority visions for Eastbourne Borough Council to deliver over the 4 year period. These are broken down into the four priority themes each with five aims:

Prosperous Economy

- A great destination for tourism, arts, heritage and culture
- Investing in housing and economic development
- Providing opportunities for businesses to grow and invest
- Supporting employment and skills
- Supporting investment in infrastructure

Quality Environment

- A clean and attractive town
- A range of transport opportunities
- Excellent parks and open spaces
- High quality built environment
- Less waste and a low carbon town

Thriving Communities

- Improved health and wellbeing
- Keeping crime and anti-social behaviour levels low
- Meeting housing needs
- Putting the customer first
- Resilient and engaged communities

Sustainable Performance

- Delivering a balanced budget
- Delivering in partnership
- Making best use of technology
- Making the best of our assets
- Managing people and performance


1.2 In order to monitor and manage the delivery of the priority aims stated within the Corporate Plan, a performance scorecard has been created on Covalent to combine Corporate Projects/actions and performance indicators.

1.3 The latest performance information for the Corporate Plan is available to Members via the live Covalent system. For further details on how to access Covalent please contact the Corporate Development team.

2.0 Performance Overview

2.1 Appendix 1 provides a full overview of the current Corporate Plan performance information broken down by priority themes and aims. Each theme is broken down into its constituent aims with the relevant PIs and actions latest outturns reported against them.

2.2 Performance Indicators

Performance indicators within the appendix can be identified by the Covalent PI icon . Each PI's performance is classed by the following categories in the "status" column:



- On target



- Slightly off target



- Off target



- Data Only/No target


The performance gauge shows the year-to-date performance against targets (where applicable) with the latest Quarter's outturn shown next to it in column 5. Commentary against the PI's performance is supplied by the relevant officers/managers.

- 2.3 Of the Corporate Plan indicators reported this quarter, 6 are off target (red), 3 are "near miss" (amber) and 8 are on target (green).

The PIs currently showing as off target are:

- CD_156 Number of households living in temporary accommodation
- CS_010 Calls to 410000 answered within 30 seconds
- CS_011 Telephone call abandonment rate
- DE_154 Net additional homes provided
- DE_157a Processing of planning applications: Major applications
- TL_017a Redoubt visitors – paying visitors

2.4 Actions

Actions within the appendix are identified by the Covalent icon . These are updates from the Corporate Projects register linked to the delivery of the priority aims and listed within the Corporate Plan. The project description, desired outcome, percentage progress and timescales are listed alongside commentary supplied by the projects team. More detail on each of these projects is available on request.

2.5 Devolved Budgets

This section of the report lists the current Devolved Budget spend by ward and the projects that have been supported through this scheme in the first two quarters of this year. Each ward has a total of £10,000 available to spend each year on schemes requested by the local community. Live information on devolved budget spend and projects supported can be found on Covalent.

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	Profiled Budget	Actual to 30 Sept 16	Variance to date	Projected Outturn
	£'000	£'000	£'000	£'000	£'000
SUMMARY					
Corporate Services	5,735	3,946	4,066	120	138
Service Delivery	6,231	28,293	28,176	(117)	(113)
Regeneration, Planning & Assets	(9)	30	25	(5)	(15)
Tourism & Enterprise Services	3,103	1,916	1,940	24	63
Total Service Expenditure	15,060	34,185	34,207	22	73
Contingencies, etc	(450)	(100)	-	100	223
Capital Financing and Interest	1,868	104	104	-	-
Contributions to/(from) Reserves	(1,338)	-	-	-	-
Net Expenditure	15,140	34,189	34,311	122	296

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

- 3.2 The position at the end of September shows a variance of £122,000 on net expenditure which is a movement of £173,000 compared to the position reported at the end of the first quarter in June. Service expenditure has a variance of £22,000 mainly as a result of:

MMI scheme of arrangement levy	£47k
Bed and Breakfast Accommodation	£40k
Airbourne	£66k
Customer First savings	(£74k)
Catering increase in net income	(£50k)

- 3.3 The contingency fund currently stands at £125,800 which is available to fund inflationary increases and any future unforeseen one off areas of expenditure during the year. This may however be required to fund any under-achievement in the JTP savings target for the year if financial benefits from the programme are delayed.
- 3.4 The projected outturn shows a variance of £296,000. This is within 2% 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	Reason
1	£8,000	General Fund Earmarked Reserve	Use of Reserve re HPSC court resurfacing in required in 16/17
	<u>£8,000</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 £'000	Profiled Budget £'000	Actual to 30 Sept 16 £'000	Variance to date £'000	Outturn £'000
HRA					
Income	(15,587)	(7,936)	(7,965)	(29)	(75)
Expenditure	12,561	3,957	3,871	(86)	(60)
Capital Financing & Interest	1,809	-	-	-	-
Contribution to Reserves	924	-	-	-	-
Total HRA	(293)	(3,979)	(4,094)	(115)	(135)

- 4.2 HRA performance is currently above target by £115,000; this is mainly due to the new properties let at affordable rents not included in the

budget (£37k), a reduction required for the provision for bad debts (£54k) and the slow take up of the under occupation scheme (£33K). Other small variances are being monitored carefully.

- 4.3 The favourable variances above are reflected in the forecast outturn of £135,000.

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 2017/18 year where appropriate.
- 5.2 The capital programme has been amended from that approved by Cabinet in September to reflect new approved schemes which are shown in bold, re-profiling of Acquisition of Land & Buildings, removal of Princes Park which is now included in the Coastal Communities Schemes which have been updated.

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 £'000	Business Rates £'000
Balance B/fwd 1.4.16	(1,403)	1,609
(Deficit recovery)/Surplus distributed	1,359	(1,712)
Debit due for year	(58,930)	(34,699)
Payments to preceptors	57,669	34,948
Transitional Relief		(10)
Allowance for cost of collection		126
Allowance for appeals		71
Write offs and provision for bad debts	328	100
Estimated balance 31.3.17	(977)	433
Allocated to:		
CLG	-	217
East Sussex County Council	(713)	39
Eastbourne Borough Council	(130)	173
Sussex Police	(85)	-
East Sussex Fire & Rescue	(49)	4
	(977)	433

- 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 2017/18. Any changes after that date will be made in 2018/19.

- 6.4 Council Tax is currently showing a £977,000 surplus, a variance of 1.25%, 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 £433,000 is as a result of the number of outstanding business rate for outstanding appeals. The total number of appeals outstanding as at 30.9.16 was 291 with a total rateable value of £23.5m. The deficit represents 1.66% of the total debit for the year.
- 6.6 Collection performance is as follows:

Cash Collection Rates	Council Tax	Business Rates
Q2 Actual	56.05%	54.02%
Q2 Target	56.20%	54.29%

7.0 Treasury Management

- 7.1 The detailed mid-year review report has been submitted to the Audit and Governance Committee on 30 November 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

The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 stoking core inflationary price pressures within the UK economy.

7.3 Interest Rate Forecast

The Council's Treasury Management Advisors, Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. Their forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later. Mark Carney, the Governor of the Bank of England, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth

in average disposable income is still weak and could well turn negative when inflation rises during the next two years to exceed average pay increases.

7.4 **Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment strategy, was approved by Council on 3 February 2016. 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 2016 is shown in the table below:

Counterparty	Amount £	Interest Rate %	Maturity
Santander	5,000,000	0.55	Call
Nationwide B/Soc	2,000,000	0.71	09/12/2016
Nationwide B/Soc	1,000,000	0.57	30/12/2016
Thameside MDC	2,000,000	0.25	24/11/2016
	10,000,000		

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 ending 30 September 2016.

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 2016 is as follows:

Benchmark	Benchmark Return	Council Performanc e	Interest Earning
7 day LIBID	0.28%	0.53%	£32,300

The authority outperformed the benchmark by 0.25%. The budgeted investment return for 2016/17 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**

The following long term loan was taken from the PWLB during quarter 2:

Date	Amount	Int Rate	Yrs
15-Aug-16	2,000,000	1.92%	43.5

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 2016 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 **Consultation**

8.1 Not applicable

9.0 **Implications**

9.1 There are no significant implications of this report.

10.0 **Conclusions**

10.1 The Corporate Plan represents the aims of the authority to help deliver the partnership vision for Eastbourne over the next 4 years. Effective monitoring and management of the projects and indicators within the plan will help ensure sustainable progress and identify key issues as they arise.

10.2 The General Fund is currently showing a variance of £122,000 which is within 0.81% of the net budget. The HRA is showing a favourable variance for the quarter. 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 £977,000 and a deficit for Business Rates of £433,000. This will be allocated to or collected from preceptors during 2017/18.

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 2016/20

Covalent performance management system

Budget monitoring working papers 2016/17 September 2016

Collection Fund and Business Rates Collection Fund monitoring working papers 2016/17.

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