

BODY: **Scrutiny**

DATE: **2nd September 2013**

SUBJECT: **Corporate Performance - Quarter 1 2013/14**

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

Ward(s): All

Purpose: To update Members on the Council's performance against Corporate Plan Priority actions, indicators and financial targets for 2013/14

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Recommendations: Members are asked to:

- i) Note the performance against national and local Performance Indicators from the 2010/15 Corporate Plan (2013 refresh)
- ii) Note the General Fund and HRA financial performance for the quarter ended June 2013, as set out in sections 3 & 4
- iii) Note the award of 1% pay award across the organisation as set out in paragraph 3.
- iv) Note the amended capital programme as set out in Appendix 3.
- v) Note the Treasury Management performance as set out in section 7.
- vi) Note the membership of IESE Transformation Ltd and delegate to the Chief Executive in consultation with the Monitoring Officer and s151 Officer, membership of any future subsidiary companies within the IESE Ltd group structure.

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 will be reported to Cabinet and Scrutiny committees on a quarterly basis.

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 new "dashboard" view of the Corporate Plan actions, milestones and related information has been developed to improve the ease of access to data for Members and Officers. 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 Quarter 1 activities and outturns of the performance indicators listed within the Corporate Plan. This report shows the latest available outturns for the National and Local Performance Indicators featured in the 2010/15 Corporate Plan broken down into themed areas.
- 2.2 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.
- 2.3 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 completed within the year whereas larger scale priorities will be delivered over a longer period. The specific milestones for Quarter 1 are set out in the Actions report in Appendix 1 and details of the milestones for the whole year are available on Covalent and can be supplied on request.
- 2.4 All of the planned milestones for Quarter 1 of 2013/14 have been completed within the reporting period.
- 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 There are 35 Performance indicators featured in the Quarter 1 report. Their current performance breaks down as follows:
- 8 Red/Off target
 - 2 Amber/slightly off target

- 16 Green/On Target
- 1 Unknown/awaiting data from a third party

There are also a number of "data only" indicators that are monitored to provide context to key services or are being measured in order to provide baseline performance to benchmark new services.

2.7 The actual outturn for each PI is shown on the performance gauges and 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.

2.8 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 Devolved Budget spend is reported at the end of the appended performance report. The table lists the projects supported and shows the total spend per ward so far this year.

3.0 Financial Performance – General Fund

3.1 General Fund performance of the quarter is shown in the table below:

| Department | Full Year Budget | Profiled Budget | Actual to 30 June 13 | Variance to date |
|----------------------------------|-------------------------|------------------------|-----------------------------|-------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| SUMMARY | | | | |
| Corporate Services | 11,484 | 4,526 | 4,504 | (22) |
| Community Services | (143) | 12,194 | 12,147 | (47) |
| Tourism & Leisure Services | 2,825 | 1,233 | 1,278 | 45 |
| Total Service Expenditure | 14,166 | 17,953 | 17,929 | (24) |
| Contingencies etc | 638 | - | - | - |
| Capital Financing and Interest | 1,650 | 100 | 100 | - |
| Contributions to/(from) Reserves | 935 | (75) | (75) | - |
| Net Expenditure | 17,389 | 17,978 | 17,954 | (24) |

Service Details are shown at **Appendix 2**

3.2 The position at the end of June shows a small underspend of £24,000. This relates to several areas of minor under and over spends which are being carefully monitored. These include:

- Additional planning fee income of (£21k)
- Cremation income and expenditure savings of (£75k)
- Revenues and Benefits additional costs of £33k
- Shortfall in Catering income of £31K.

- 3.3 The contingency fund currently stands at £638,000 which is available to fund the pay award, other inflationary increase and any future unforeseen one off areas of expenditure during the year.
- 3.4 Notification has now been received from the National Joint Council for Local Government Services (NJC) that agreement has now been reached on rates of pay applicable from 1 April 2013. The agreed pay increase of 1% has been applied to all staff across the workforce on national pay scales. This will be applied to the August payroll and c£120,000 will be vired from the contingency fund to service budgets.
- 3.5 No pay claim has been made to the NJC for Chief Executives/Chief Officers and a letter dated 26 April 2013 from the employers side states that they are in no position to make any offer for any claim made in respect of the 2013/14 year.

Cabinet can recommend to Council to make a local award to mirror the 1% award applied across the rest of the organisation.

Such a pay increase could be supported by the following factors:

- The Council's policy on remuneration for Senior Roles is based on ensuring that its overall remuneration packages align broadly with market norms for relevant local government and public sector, taking into account:
- Pay levels in the local area, including neighbouring public sector employers,
- The relative cost of living in the local area, including housing costs:
- The responsibilities and accountabilities of specific posts.
- CPI for March 2013 was 2.8%
- For the three months ending September 2012, the median pay settlement for the private sector was 2.5%
- Locally East Sussex County Council has agreed to a 1% increase for its Chief Executive, Chief Officers and Deputy Chief Officers.
- The last pay award was in 2009/10.

4.0 Financial Performance – HRA

4.1 HRA performance for the quarter is as follows:

| | Current Budget | Profiled Budget | Actual to 30 June 13 | Variance to date |
|------------------|-----------------------|------------------------|-----------------------------|-------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| HRA | | | | |
| Income | (14,964) | (3,761) | (3,779) | (18) |
| Expenditure | 15,067 | 1,985 | 1,876 | (109) |
| Total HRA | 103 | (1,776) | (1,903) | (127) |

4.2 HRA performance is currently above target due to the variance in the

provision for bad debts. A prudent increase in the provision for bad debts was included in the budget to offset any effect of the new benefits regime. Whilst rent collection performance for quarter one has remained at prior year levels, the introduction of universal credits and the benefits cap may impact on this position later in the year.

- 4.3 The current spend on the under occupation scheme indicates a potential overspend for the year due to the increase in the number of property transfers taking place. This budget is being carefully monitored.

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. There are no significant variances and expenditure is in line with traditions patterns of spend as at quarter one. Expenditure is expected to increase as schemes progress throughout the year

- 5.2 The capital programme has been amended from that approved by Council in February to reflect the final outturn re-profiling of schemes between years.

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 Fund will now be included as part of the performance monitoring and the results shared with the major preceptors.

- 6.2 The performance monitoring is being developed so that more information will be available for future reports; however indications for the first quarter figures show that the collection fund is on target.

7.0 Treasury Management

- 7.1 A detailed reported on Treasury Management activities for 2012/13 is included elsewhere on the agenda. This report includes the current economic background and interest rate forecasts. Interest rates are expected to remain low for the remainder of 2013/14.

7.2 Economic Background

All eyes were on Mark Carney, whose inauguration as the new governor of the Bank of England saw equity markets at the time ending on a high, however, a fairly mixed couple of weeks of economic news followed. The GDP figure met analysts' expectations for the second quarter. The growth was 1.4% Year on year, up from 0.3% in the first quarter. Despite this encouraging figure and the strength of other news in the last month, many analysts are still apprehensive about saying that the economy is out of the woods; for the last two years the second half data has weakened and ended in a disappointing fashion compared with the first half. During the first week of Carney's reign the Monetary Policy Committee (MPC) held rates at 0.5%, encouraging continued speculation that there may belittle need for further

quantitative easing (QE) measures to stimulate growth in the economy.

The Consumer Price Index (CPI) was lower than analysts' expectations of 3.0% at 2.9%. This is seen as another strong signal for the economy, as it means consumers have more purchasing power than anticipated, helping to ease some of the pressure on individuals as real pay continues to lag behind price increases. The figures also suggest that if the economic picture does weaken and additional QE measures became necessary, there is sufficient space for the MPC to use them. The momentum seen in June continued with UK PMI Manufacturing and Consumer Credit figures beating expectations. Similarly the PMI Services numbers and the Halifax House Prices were higher than anticipated. The PMI figure reached 56.9 (54.4 expected) whilst the Halifax figure hit 0.6% M/M, against expectations of 0.4%.

Despite the strong run of news over the last 2 months, markets remain skittish with bond yields responding quickly to the slightest negative comment. The new Governor's forward guidance policy will help to offer some smoothing to market news flow reactions, and could ultimately assist the tentative growth being seen across most sectors.

7.3 Interest Rate Forecast

The Council's treasury adviser, Sector, provides the following forecast:

| | NOW | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Sep-14 | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|----------------|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| BANK RATE | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 1.00 |
| 3 month LIBID | 0.39 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.50 | 0.60 | 0.80 | 1.00 |
| 6 month LIBID | 0.47 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.60 | 0.70 | 0.90 | 1.10 | 1.30 |
| 12 month LIBID | 0.74 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.90 | 1.00 | 1.20 | 1.40 | 1.60 | 1.80 | 2.00 |
| 5 yr PWLB | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.30 | 2.40 | 2.50 | 2.60 | 2.80 | 2.90 | 3.00 | 3.20 | 3.30 | 3.40 |
| 10 yr PWLB | 3.40 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.40 | 3.50 | 3.60 | 3.80 | 3.90 | 4.10 | 4.20 | 4.30 | 4.40 | 4.50 |
| 25 yr PWLB | 4.30 | 4.20 | 4.20 | 4.30 | 4.30 | 4.40 | 4.50 | 4.60 | 4.70 | 4.80 | 4.90 | 5.00 | 5.00 | 5.10 | 5.10 | 5.20 |
| 50 yr PWLB | 4.30 | 4.30 | 4.30 | 4.40 | 4.40 | 4.50 | 4.60 | 4.70 | 4.80 | 4.90 | 5.00 | 5.10 | 5.10 | 5.20 | 5.20 | 5.30 |

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 Capital;
- Liquidity;
- Yield.

A full list of investments held as at 30 June 2013 is shown in the table below.

| Counterparty | Amount £m | Interest Rate % | Maturity |
|-----------------------------|--------------|--------------------|----------------|
| Lloyds Bank | 1,000,000 | 0.40 | Call |
| Royal Bank of Scotland | 3,800,000 | 0.70 | Call |
| Royal Bank of Scotland | 100,000 | 1.10 | 90 day Account |
| Nationwide Building Society | 3,000,000 | 0.38 | 2.7.12 |
| Lloyds Bank | 2,000,000 | 0.95 | 3.2.14 |
| | 9,900,000 | | |

Following the downgrading of Co-op bank to BB- in May, the advice from Sector was for the Council to minimise exposure, in light of this a maximum operational balance of £500,000 maximum balance 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 twice over the quarter by £1.8m for a period of 3 days and by £1.3m for a period of 2 days. Other investment options are being investigated to avoid this problem for the future.

No other approved limits within the Annual Investment Strategy were breached during the quarter end 30 June 2013.

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 June 2013 is as follows:

| Benchmark | Benchmark Return | Council Performance | Interest Earning |
|-----------|------------------|---------------------|------------------|
| 7 day | 0.36% | 0.67% | £16,000 |

As Illustrated, the authority out performed the benchmark by 0.31%. The Council's budgeted investment return for 2013/14 is £50,000 and performance for the year is in line with this budget.

7.6 Borrowing

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

Cash flow predictions indicated that further borrowing will be required later in the year. The exact timing and nature of this borrowing will be consider 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 Company Investment

The Council has been one of the founder members of Improvement and Efficiency South East (IESE) with a liability limited to £1. At the same time that the Council agreed to become a founder member it was reported that subsidiary companies would be set up in order to facilitate better governance of activities. No specific authority was requested for the Council to become members of such subsidiaries. At present there is a subsidiary "IESE Transformation Ltd" which the

Council is requested to formally become a member.

There is no change in liability and Cabinet is therefore asked to agree to membership of IESE Transformation Ltd and delegate to the Chief Executive in consultation with the Monitoring Officer and s151 Officer, membership of any future subsidiary companies within the group structure.

7.8 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 June 2013 the Council, apart 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 the first quarter of 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 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 Treasury Management performance is on target and apart from two occasions when the investment maximum allowed to any one country party were breached all other activities were within the approved Treasury and Prudential Limits.

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Financial Services Manager

Background Papers:

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

Corporate Plan 2010/15 (2012 refresh)

Covalent performance management system reports

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