FINANCIAL AND PERFORMANCE MANAGEMENT REPORT TO END OF QUARTER THREE (DECEMBER) 2011

Submitted by: **Head of Finance and Head of Business Improvement & Partnerships**

Portfolio: **Customer Service and Transformation; Resources and Efficiency**

Wards Affected: **All**

Purpose

To provide Transformation and Resources Overview & Scrutiny Committee with the Financial and Performance Review for the 2011/12 Third Quarter.

Recommendation

That Members note the contents of the report and recommend that the Council continues to monitor and scrutinise performance alongside finances.

Reasons

These monitoring reports provide information about the performance of individual council services, alongside financial information.

1. Background, Issues and Options

1.1 This report provides Members with a detailed update on how the Council has performed during the Third Quarter of 2011/12 by presenting performance data set in a financial context.

1.2 The Council approved a General Fund Revenue Budget of £15,258,700 on 23 February 2011. The actual position compared to this budget is continuously monitored by managers in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget. Regular reports are made available to members by the Portfolio Holder for Resources and Efficiency informing them of the current position, highlighting any significant factors giving rise to variances.

1.3 A Capital Programme totalling £21,638,800, covering the two years 2010/11 to 2011/12, was approved at the same Council meeting. Of this total, £10,374,500 was estimated to be spent in 2011/12.

1.4 This report also provides detailed analysis of performance in the third quarter, focusing on key performance indicators.

1.5 A summary of the overall picture is presented in section 5 of this report. This is a promising start, with the majority of targets currently met.

2. Revenue Budget Position

2.1 The overall position at 31 December shows an adverse variance of £90,000. At this point in the financial year, we would have expected to have spent approximately £5.911 million: we have actually spent £6.011 million. The variance is predominately due to sources of income such as land charges, planning fees, market stall rents, commercial property rents and car park fees, continuing to yield less compared to what we would, in the past, have expected to receive up to this point in the year. Because we anticipated economic problems would continue in 2011/12 an allowance of £200,000 was included in the budget to help in covering these shortfalls. In addition, there has been a change in the regulations relating to business rates on empty properties in that the threshold above which rates become payable has been lowered, resulting in the Council incurring additional costs where it has empty properties, particularly within the commercial portfolio in between re-letting them to tenants. On the positive side, there have been savings on supplies and services across various services, additional income from cremation fees because the crematorium in Stoke was closed for a period and there are employee savings arising from factors such as the time-lag in filling vacant posts. The table below summarises the position, highlighting the significant variances:

Item	Variance
	£'000s
Income Shortfalls	
Land Charges Search Fees	-179
Commercial Portfolio Rents	-236
Markets Stall Fees	-54
Planning Application Fees	-111
Parking Services	-141
Positive Variances	
Cremation Fees Income	9
Litter Fines Income	20
Customer Services Income	11
Legal Fees Income	5
Pest Control Income	8
Members Allowances/Members Ward Fund	27
Print Room Paper and Equipment Hire	15
Emergency Planning Contributions	15
Legal Fees	13
Corporate Training	30
Conducting Elections	28
Computer Hardware and Software	57
Employees (allowance for pay award, vacant posts etc)	214
Income Provision (75% of £200,000 set aside)	150
Miscellaneous	29
Total	**-90**

3. <u>Capital Programme Position</u>

3.1 Approval for the acquisition of the former Sainsbury's site (Ryecroft area, 10-16 Liverpool Road, Newcastle) together with other changes in respect of carried forwards means that the revised capital budget for 2011/12 is £16,282,400. Of this £12,230,800 was expected to be spent by 31 December. Actual expenditure at this date was £11,594,000, a variance of £636,800. The variance is largely comprised of four projects, as set out below:

Project	Variance	Comments
	£'000s	
Jubilee 2	-162	Part of the contingency sum may not be required
Replacement Play Equipment	-177	£119k to be spent in 2012/13
EcoHomes	-100	Housing Association project, should be spent in 2012/13
Future Housing Projects – Beasley Place	-150	Payments to be made to developer on completion of project in 2012/13

4. **Investment Counterparties**

4.1 Investment counterparties with whom money is invested, as at 31 January 2012 are as follows (with the parent company shown in brackets, where applicable):

Halifax Bank of Scotland *(Lloyds Banking Group)*
Heritable Bank *(Landsbanki)*
Royal Bank of Scotland *(Royal Bank of Scotland Group)*
Nationwide Building Society

4.2 With regard to the Council's frozen investment in Heritable Bank, a further payment of £83,407 has been received from the bank's administrator since the Quarter 2 report, making the total amount repaid some £1,702,907, which is around 68% of the total that was frozen. The Administrators current prediction remains that at least 90% of the £2,500,000 invested will be repaid.

5. **Performance**

5.1 The Corporate Performance ('dashboard') report is attached as Appendix A.

5.2 The information is presented in sections for each portfolio holder.

5.3 There are measures detailing progress against our objectives and the number of quarterly indicators is 24. This is in line with a longer term aim – to identify and focus on key measures that we consider to be of a cross cutting nature. These measures have been designed to relate to areas of work that have an impact on a number of the council's responsibilities.

5.4 The appendix comments on individual indicators where they raise an issue or where either a target has been met, or the direction of travel is not positive.

5.5 The proportion of indicators on target, based on data at the time of compiling this report, was 66.7%.

5.6 Positive performance can be seen in a range of services although it must be borne in mind that that the results later in the year can be different and that some services have seasonal factors.

5.7 There are a very small number of areas listed in this report which are not on target, though none causes concern at present. In all cases, the management of the service is aware of the issues and are taking steps to deal with the situation. Further updates will be provided for Members in future reports.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

6.1 All of these indicators link to corporate priorities. They are ordered by portfolio as in the Corporate Plan.

7. **Legal and Statutory Implications**

7.1 The Council has a duty to set targets for performance of a range of functions and needs to monitor these closely.

8. **Equality Impact Implications**

There are no differential equality issues.

9. **Financial and Resource Implications**

9.1 Any positive variance for the full year on the General Fund Revenue Account will enable that amount to be transferred to reserves and will be available in future years for use as the Council considers appropriate. Conversely, if there is an adverse variance, the amount required to cover this will have to be met from reserves.

10. **Major Risks**

10.1 The current economic situation represents the greatest risk to the revenue budget, particularly with regard to the impact it may have upon income receivable in relation to services where customers may chose whether or not to use Council facilities, such as car parking and other areas directly affected by the economic downturn, such as land charges and planning applications. The situation will be monitored through the normal budget monitoring procedures.

10.2 The capital programme will require regular monitoring to identify any projects which are falling behind their planned completion dates. This will be carried out by the Capital Programme Review Group, which meets on a monthly basis together with quarterly reports to Cabinet.

10.3 The above represents a high level view of risk. There are detailed risk registers available if members wish to see them.

11. **List of Appendices**

Corporate Performance (‘dashboard’) report is attached as Appendix A

12. **Background Papers**

Working papers held by officers responsible for calculating indicators.