FINANCIAL AND PERFORMANCE MANAGEMENT REPORT TO END OF QUARTER ONE (JUNE) 2011

Submitted by: **Head of Finance and Corporate Policy and Performance Manager**

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

Wards Affected: **All**

Purpose of the Report

To provide Members with the Financial and Performance Review for the 2011/12 First 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 First 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 The council's continuing drive for improvement and performance enhancement inevitably puts pressure on the council's finances. As a result, the Council has a commitment to find efficiencies on an ongoing basis in order to meet its budgetary responsibilities. In addition the government stated that they wished to see no increase in Council Tax for 2011/12. To encourage local authorities to adopt this strategy, a new non-specific grant was announced, payable to those authorities which did not increase their council tax for 2011/12. It will be paid at a rate equivalent to a 2.5 per cent increase in the authority's 2010/11 basic amount of council tax multiplied by its council tax base. For Newcastle, has resulted in a grant of around £170,000 being paid.

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

1.6 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 30 June shows an adverse variance of £48,000. At this point in the financial year, we would have expected to have spent approximately £1.905 million: we have actually spent £1.953 million. This is predominately due to sources of income such as land charges, planning fees, market stall rents and car park fees, continuing to yield less compared to what we would, in the past, have expected to receive up to 30 June. Because we anticipated economic problems would continue in 2011/12 an allowance of £200,000 was included in the budget to cover shortfalls.

3. **2010/11 Outturn**

3.1 The provisional outturn for 2010/11 subject to Audit is an adverse variance of £87,000. This is mainly due to the current economic situation resulting in a considerable loss of income. This outturn figure was minimised as a result of the Council taking the prudent decision to include £200,000 in the 2010/11 budget for potential loss of income together with an under spend on salaries due to a number of vacant posts.

3.2 Full details of last year's accounts were reported to the Audit and Risk Committee at their meeting on 28 July.

4. **Capital Programme Position**

4.1 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.

4.2 The Capital Programme contains a number of large value schemes, such as the former Sainsbury's site, the Health and Wellbeing Centre and Silverdale Community Centre facilities, where expenditure is not expected to be incurred to any extent until later in the year. Accordingly, only £1,565,200 was expected to be spent by 30 June. Actual expenditure at this date was £1,608,900, a variance of £43,700.

4.3 A number of capital projects have now been completed. Details of these are shown in the table below. In some cases, which are indicated, there may be a small amount still to be paid to finalise the contract, largely the paying over to the contractor of any monies retained to ensure satisfactory completion of the work.

Project	**Estimated Cost**	**Actual Cost**
	£'000s	£'000s
Audley Burial Facilities	256	238
Funding: Capital Receipts **Retention payment outstanding**	*256*	*238*
Knutton Footpath Link	37	37
Funding: Grant	*37*	*37*
Information at Work (Northgate)	64	64
Funding: Reserves	*64*	*64*

Homeworking Pilot *Funding: Reserves*	20 *20*	21 *21*

5. **Investment Counterparties**

5.1 Investment counterparties with whom money is invested, as at 19 August 2011 are as follows (with the parent company shown in brackets, where applicable):

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

5.2 With regard to the Council's frozen investment in Heritable Bank, a further payment of £101,809 has recently been received from the Bank's Administrator. This brings the total amount repaid to some £1,514,500, which is around 60% of the total that was frozen. It is anticipated that 9 dividend will be paid in October. The Administrators have advised that they have recently reviewed the base case return to creditors and now predict that at least 90% of the £2,500,000 invested will be repaid.

6. **Performance**

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

6.2 The number of indicators is reduced to 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.

6.3 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.

6.4 This report will also be submitted to the Transformation and Resources Scrutiny Committee.

6.5 The proportion of indicators on target based on data at the time of compiling this report was 50%.

6.6 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.

6.7 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.

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

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

8. **Legal and Statutory Implications**

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

9. **Equality Impact Implications**

9.1 There are no differential equality issues.

10. **Financial and Resource Implications**

10.1 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.

11. **Major Risks**

11.1 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.

11.2 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.

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

12. **List of Appendices**

Appendix A - Dashboard Indicators.

13. **Background Papers**

Working papers held by officers responsible for calculating indicators.