

BABERGH DISTRICT COUNCIL

FROM: Director of Corporate Services
and Director of Finance

REPORT NUMBER: **K75**

TO: **OVERVIEW AND SCRUTINY
(STEWARDSHIP) COMMITTEE**

DATE OF MEETING: 10 August 2010

**FINANCE, RISK AND PERFORMANCE MANAGEMENT – QUARTERLY MONITORING
REPORT**

1. PURPOSE OF REPORT

1.1 This report provides the committee with a comprehensive and strategic assessment of achievements of the council for the first quarter of 2010/11 across a range of areas including finance, risk and a number of elements of performance.

2. RECOMMENDATIONS

2.1 That Members note the key points relating to variations against the 2010/11 National Indicators (NIs), former Best Value Performance Indicators (BVPIs) and Local Performance Indicators (LPIs).

2.2 That Members note the key areas of variance against the 2009/10 original budget and the projected outturn position.

2.3 That Members note the key points on Treasury Management activities.

2.4 That a report be submitted to the next round of O&S Committees if any variance issues are identified for further analysis.

3. FINANCIAL IMPLICATIONS

3.1 Early indications are that the planned General Fund savings of £1.6m for the year will be achieved and that savings over and above this on staffing and other costs are likely. These will be closely monitored and updated during the year and key outcomes will be fed into the Strategic and Financial Planning process.

3.2 On General Fund capital expenditure, it is estimated that reduced spending of around £0.5m for the year could arise. Again, a more comprehensive review in Q2 is to be undertaken

3.3 On the HRA, there are no concerns on overall expenditure and income. However, based on the 2009/10 outturn when a £212k saving arose, a review of spend profiles on key income and expenditure items is being undertaken in Q2.

3.4 In terms of HRA capital spend, it is forecast that the 97% target for the year will be achieved.

4. **RISK MANAGEMENT**

4.1 This report links to Corporate Business Risk No.7 – Finance, Performance and Risk Management. Key risks are seen as:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
NI, BVPI and LPI performance does not improve compared to previous years and other LAs nationally.	Low	Marginal	Regular monitoring to identify key variations and poor performance.
Inaccurate data.	Low	Marginal	An action plan is in place to ensure there are appropriate arrangements to secure data quality. In addition progress reports on this are considered by this Committee periodically.

5. **EQUALITY AND DIVERSITY IMPACT**

5.1 There are no equality and diversity implications arising from this Finance, Risk and Performance monitoring report.

6. **KEY INFORMATION**

Overall Context

6.1 In order to reduce double-handling and improve the effectiveness of scrutiny:

- The Overview and Scrutiny (Stewardship) Committee receives a quarterly report setting out the key financial , risk and performance information, areas where performance has deteriorated based on the analysis of a range of performance, risk and financial information and details of what is being done to improve performance in these areas
- Appropriate issues are then referred to the appropriate Overview and Scrutiny Committee where performance has deteriorated, with an update setting out what action has been taken to improve performance, whether performance is improving and if it can be improved further and how.

Format of the report

6.2 The Finance, Performance Risk Reports for 2010/11 are being changed to provide a more streamlined and integrated monitoring report looking at key aspects of the council's corporate and strategic financial performance and the outcomes that are being achieved. As in the past, these are still based on a range of complementary performance, risk and finance information in a single report.

- 6.3 This revised approach will reduce the number of separate quarterly/half yearly monitoring reports received by the committee and providing greater focus and synergy in the analysis and reporting of key strategic information. We will however continue to produce a separate report detailing year end analysis of achievement of outcomes in the One Year Delivery Plan.
- 6.4 The new format provides a summary report which draws out key issues and achievements for the quarter with further supporting information in the more detailed appendices. These are :
- Performance – The performance report presents performance for 12 key service standards in the Customer Charter and a review of achievements on actions in the One Year Delivery plan. These cover each of the Councils corporate priorities, performance indicator information
 - Finance – This provides some high level information on revenue and capital expenditure and key income streams, with further detail on General Fund and HRA (Council Housing) as appropriate
 - Risk - Recognising the alignment with performance future key service and operational risks will be reported and included within the quarterly Finance and Performance reports to this Committee.
- 6.5 In relation to risk management, the Committee received a report In June 2010 (Paper K40) outlining the year end position on the management of the key service and operational risks facing the Council and the actions taken or needed to mitigate these. We have therefore not provided a separate appendix for this new style report in relation to service based risk management for the first quarter 2010/11. There will however be a risk appendix provided from Quarter 2 onwards.

Overall summary for Quarter 1

- 6.6 As this is the first quarter 2010/11, it is difficult to draw many detailed strategic conclusions regarding the overall monitoring of Finance, Risk and Performance.
- 6.7 The detailed analysis of performance monitoring is contained in appendix A; this includes a review of the strategic PIs performance monitoring, trend monitoring for the smaller Performance indicator basket, analysis of strategic service standards and assessment of achievement of key delivery plan actions.
- 6.8 In terms of finance, key information is provided in Appendix B and a report on Treasury Management is provided.
- 6.9 Listed below is a summary of the key strategic information, based on the information contained in the appendices, linked to each of the corporate priorities:
- 6.10 Quality homes local people can afford
- Signs that the certain elements of the housing market may be starting to recover (as evidenced by NI154, NI155 and increase in planning applications received (NI157)), but performance is still below that of 2008. However this is to an extent countered by the evidence of the effect of the removal of Home Improvement Packs and reduction in Land Charges income.

- Good progress continues to be made on upgrading Council homes to meet the Decent Homes Standard
- Abolition of the RSS likely to affect some of the Delivery Plan actions. Uncertainty has caused a delay in the LDF Core Strategy being delivered to the original deadline
- Planning performance below target. However they have had an increase in planning applications recently. Proposed additional staffing resources will help to halt the decline in performance since last year.
- Percentage of planning appeals upheld remain high, but this is not due to the quality of the recommendations made by planning officers
- Planning fee income showing some improvement but reduction likely in land charges income of £70k estimated due to a new Government ruling on not being able to charge for environmental information (should be offset to some extent by higher income though from higher number of searches that are being experienced
- Housing and Planning Delivery Grant abolished by the Government. No major impact on Babergh's Finances (approx. £60k lost this year in revenue and capital spending ability but these are not core elements of the Council's Budget).

6.11 A Greener and Cleaner Babergh

- No obvious issues or significant performance variances in quarter one
- Increased trade waste income of £20k and lower gate fees of £45k envisaged.

6.12 A safer and healthier Babergh

- No obvious performance issues for quarter one. Good progress being made on the Emergency Planning and Business Continuity initiatives
- Free swimming programme – Funding discontinued by the Government (see 'vibrant and strong communities').

6.13 A strong and sustainable Babergh

- No obvious issues. A Credit Union Development worker has been appointed - the post has been funded by West Suffolk LSP.

6.14 Vibrant and strong communities

- Good progress being made on meeting the housing needs of older people in Capel St Mary and Cockfield
- Free Swim Programme being halted - Costs will be within Budget and there may/should be a saving overall
- Benefits - Excellent performance being maintained for dealing promptly with benefit claims and changes to information. In relation to benefit take-up sessions, attempts have proved unsuccessful so alternative approach being considered to work with the voluntary sector to maximise take-up

- Income from long stay car parking charges will be an estimated £10k less than allowed for in the Budget due to the discounts offered for 'season' tickets.

6.15 How we will deliver

- Staff sickness levels currently very low, new sickness policy and processes have now been implemented
- We are well on track to deliver the total level of planned General Fund savings for the year of £1.6m and specifically, staff savings continue to be made with indications that total savings for the year could quite significantly exceed expectations
- Govt. efficiency targets – these were exceeded at the end of 2009/10 and an estimate of further savings in 2010/11 will be submitted to the Government at the end of Q2
- Projects and schemes in the capital programme are being effectively managed and delivered although a few General Fund projects are slightly delayed, Uncertainty continues on capital receipts.

6.16 On treasury management, investments are being managed in accordance with the approved strategy. No investments are being made with foreign banks in countries that are 'at risk'. External borrowing likely to be undertaken later this year to replace temporary internal use of surplus funds.

6.17 On Council Housing, it is anticipated that overall HRA revenue expenditure and income for the year will be within Budget and the capital expenditure should be on target. A more comprehensive review is being undertaken in quarter 2 to re-profile certain budgets following the 2009/10 outturn results (where a £212k saving arose).

7. **APPENDICES**

A – Performance Analysis – Quarter 1 Performance.

B – Key Budget Areas.

C - Treasury Management.

8. **BACKGROUND PAPERS REFERRED TO:**

None

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PERFORMANCE ANALYSIS – QUARTER 1 PERFORMANCE

1. Introduction

Babergh DC has made a commitment to meet the targets and service standards contained in the Council's:

- set of strategic performance indicators (national indicators, former BVPIs and local indicators);
- Customer Charter; and
- 2010/11 Delivery Plan.

During 2009/10 separate monitoring reports were produced for the O&S (S) Committee for each of the above. This year, to eliminate duplication of effort, monitoring information has been brought in to one quarterly report with a section for each of the Council's priorities.

The Council manages and monitors a total of 72 **strategic performance indicators**. The O&S (S) Committee agreed that a basket of 12 key performance indicators should be reported each quarter and that the remaining indicators be reported on an exception basis.

The Customer Charter includes 122 **service standards**. Of these, 12 have been selected as key service standards. These are being monitored by divisions and will be included in this report if there are any concerns about service delivery.

The Council's **2010/11 Delivery Plan** includes 100 key actions (ignoring targets that are PIs or service standards). These are being monitored by divisions and any key achievements or issues for concern will be included in this report. A more detailed Delivery Plan report will be produced for O&S (S) Committee at the end of 2010/11, which will give full details of the progress made on every action in the plan.

Throughout this report the Council's progress has been assessed using the following classification:

Green	On or above target.
Amber	Slightly below target, but no concerns about performance
Red	Significantly below target / concerns about performance

2. Quality homes local people can afford

a) Summary of progress

The Council monitors and manages 18 strategic performance indicators, 7 key service standards and 30 key actions to deliver this priority. A summary of progress made during the period 1 April – 31 June 2010 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	12	1	1	2	2	Includes 4 KPIs No data NI187a & b
Strategic Service Standards	3	0	4	0	0	
Key delivery plan actions	26	0	4	0	0	

b) Delivery Plan Progress

Achievements

- 4 rural exception sites and 4 Babergh sites have been identified for development (DP Action H11)
- 4 out of the 12 affordable housing schemes on Babergh DC land are being developed to Code for Sustainable Homes Level 4. This is better than the annual target of 2 (DP Action H14)
- A total of 116 kitchens and 27 bathrooms have been renewed in Babergh's Council houses as part of the work to bring them up to the Decent Homes Standard (DP Action H25)
- 2 insulation measures and 13 heating measures have been installed by Warm Front in private sector properties (DP Action H27)

Concerns

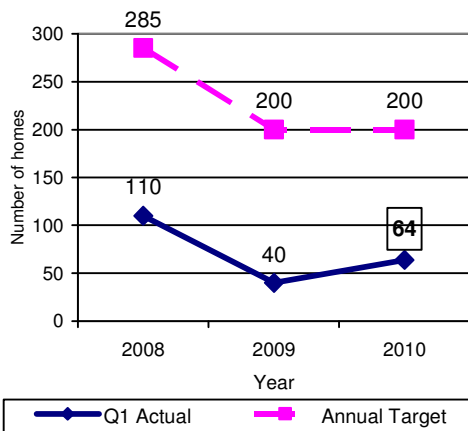
- There has been a delay to submitting the LDF Core Strategy. This work will now be completed by 2012 and not 2011 (DP Actions H5, H15 and H18).

Changes

- The Regional Spatial Strategy has been abolished by the new Government. This included a number of targets for Babergh including maintaining a 5-year minimum housing land supply of 1400 dwellings (DP Action H1) and delivering 15 Gypsy and Traveller pitches (DP Action H4 / C24). There are no concerns about the supply of housing land in Babergh.

c) KPI basket – 3 year trends

Number of additional homes provided (net) (NI154)

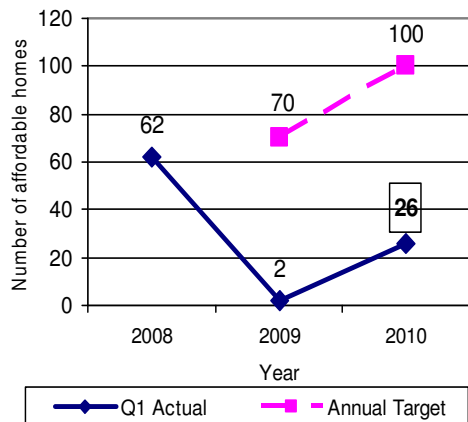


Status: Green

Trends: 64 homes were completed between 1 April and 31 May 2010. On target to reach 200 by the end of the year. Performance has improved since Q1 last year, but is still worse than in 2008. Concerns continue about the current levels of building activity compared to recent years.

Lead officer: Rich Cooke

Number of affordable homes delivered (gross) (NI155)

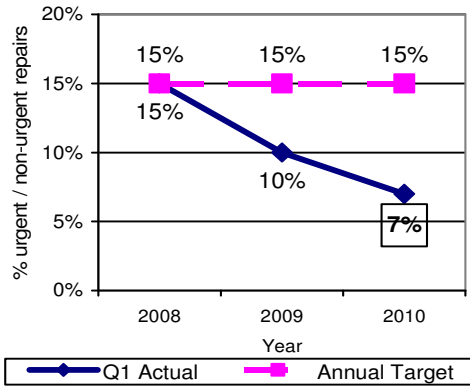


Status: Green

Trends: 26 affordable homes were completed between 1 April and 30 June 2010. On target to reach 100 by the end of the year. Performance has improved since Q1 last year

Lead officer: Ian Tippett

Proportion of urgent to non-urgent repairs - local authority housing (LPI44)



Status: Green

N.B. Lower numbers represent good performance

Trends: Current performance is 7%. This is better than the target. There has been a continuous improvement over the last two years.

Lead officer: Ryan Jones

Number of potential dwellings to be built 2010 – 2031 (LPI 125)

a) Potential number of dwellings arising from approved planning applications = **962**

b) Potential number of dwellings arising from remaining Local Plan allocations = **1182**

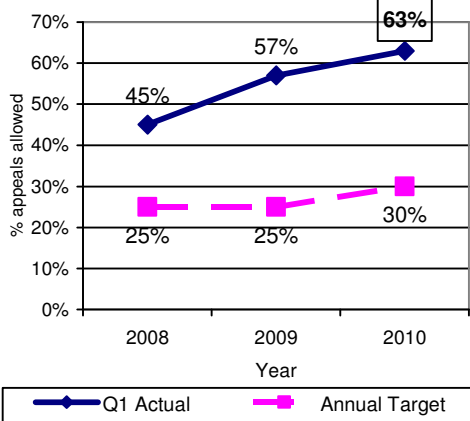
Status: Contextual information

Trends: This indicator is being reported for the first time this quarter. The total number of potential dwellings = 2144. The figures quoted are as at 31 March 2010. These are updated annually.

Lead officer: Rich Cooke

d) Exceptions - Performance Indicators

Planning appeals allowed against the authority's decision to refuse a planning application (BV204)



Status: Red

N.B. Lower numbers represent good performance

Trends: Current performance is 63% which is worse than the target. Performance has declined over the past 2 years.

The number of appeals are given below:

2010/11 = 5 allowed out of 8 (with 1 split decision)
 2009/10 = 8 allowed out of 14 (with 1 split decision)
 2008/09 = 5 allowed out of 11

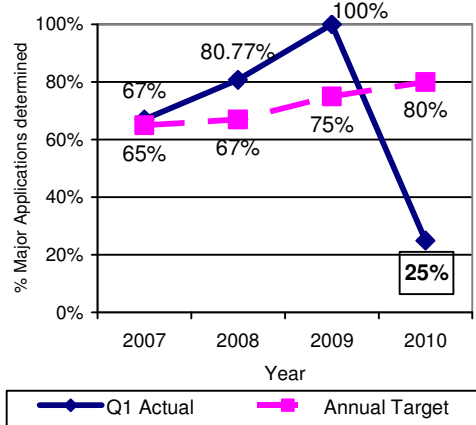
Planning appeals are against committee decisions. 4 of the 5 appeals allowed during Q1 2010/11 were determined against officer recommendations. This indicates that recommendations are usually sound and that they are supported by the Inspector.

Development Committee receives a detailed report on planning performance each quarter.

Lead officer: Nick Ward

e) Exceptions - Service Standards

% Major applications determined within 13 weeks (NI157a)



Status: Red

Trends: 25% of major applications were determined within 13 weeks during the period 1 April– 30 June 2010. Performance appears worse than last year, although numbers are small. Previous years show a trend of increasing performance. The number of applications are given below:
 2010/11 = 1 out of 4 applications
 2009/10 = 4 out of 4 applications
 2008/09 = 21 out of 26 applications

Actions to be taken to improve performance

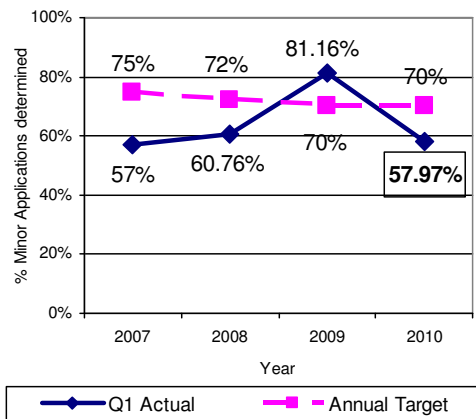
A decline in planning performance was evident during the final quarter of 09/10 when staffing allocated to processing applications had reduced by 2.4fte in response to a shortfall in income of over £125,000. Approval has now been given to reinstate a planning officer and technical support post. Efforts will continue to improve performance, but not at the expense of a good service and sound decision making.

The total number of applications (major, minor and other) has risen by 15% since last year, which is a sign that the housing market may be starting to recover. (Q1 2009/10 = 279 applications, Q1 2010/11 = 325 applications)

Development Committee receives a detailed report on planning performance each quarter.

Lead officer: Nick Ward

% Minor applications determined within 8 weeks (NI157b)



Status: Red

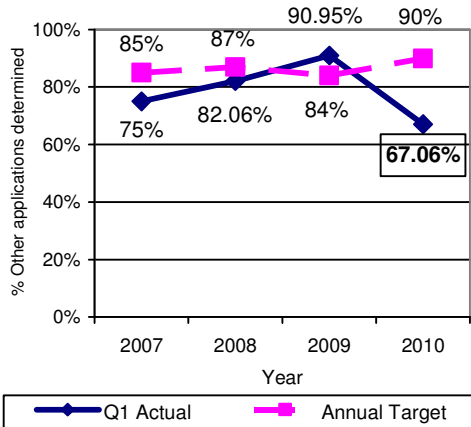
Trends: 57.97% of minor applications were determined within 8 weeks during the period 1 April to 30 June 2010. Performance is worse than last year. Previous years show a trend of increasing performance. The number of applications are given below:
 2010/11 = 40 out of 69 applications
 2009/10 = 57 out of 70 applications
 2008/09 = 48 out of 79 applications

Actions to be taken to improve performance:

See comments for NI157a

Lead officer: Nick Ward

% Other applications determined within 8 weeks (NI157c)



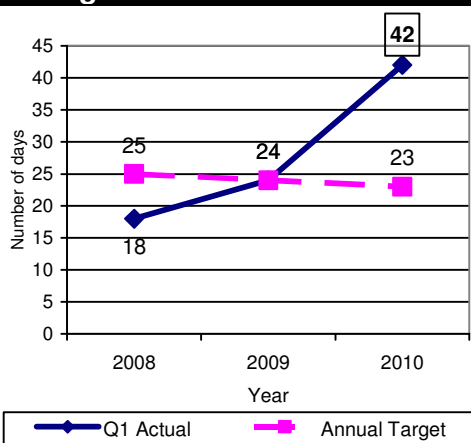
Status: Red

Trends: 67.06% of other applications were determined within 8 weeks during the period 1 April to 30 June 2010. Performance is worse than last year. However there has been an increase in this type of application since last year. Previous years show a trend of increasing performance: 2010/11 = 169 out of 252 applications, 2009/10 = 191 out of 210 applications, 2008/09 = 247 out of 301 applications

Actions to be taken to improve performance:
See comments for NI157a

Lead officer: Nick Ward

Average time to relet local authority housing (BV212)



Status: Red

NB. Lower figures represent good performance

Trends: The average time taken to relet Babergh's council housing is 42 days (as at 31 June 2010), which is significantly worse than the target of 23 days. Performance has declined over the past two years.

Actions to be taken to improve performance:
On-going staff vacancies in the Voids Team are seriously compromising this area of work. Staff restructuring proposals are now being considered as part of a radical review of the voids processes. A report about this issue will be considered by Management Team on 16 August and then Strategy Committee in due course.

Lead officer: David Clarke

3. A greener and cleaner Babergh

a) Summary of progress

The Council monitors and manages 18 strategic performance indicators, 1 strategic service standard and 13 key actions to deliver this priority. A summary of progress made during the period 1 April – 31 June 2010 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	7	2	0	9	0	Includes 1 KPI (NI193) No data for BV86, NI195, BV218b, NI185, NI186, NI194
Key delivery plan actions	13	0	0	0	0	

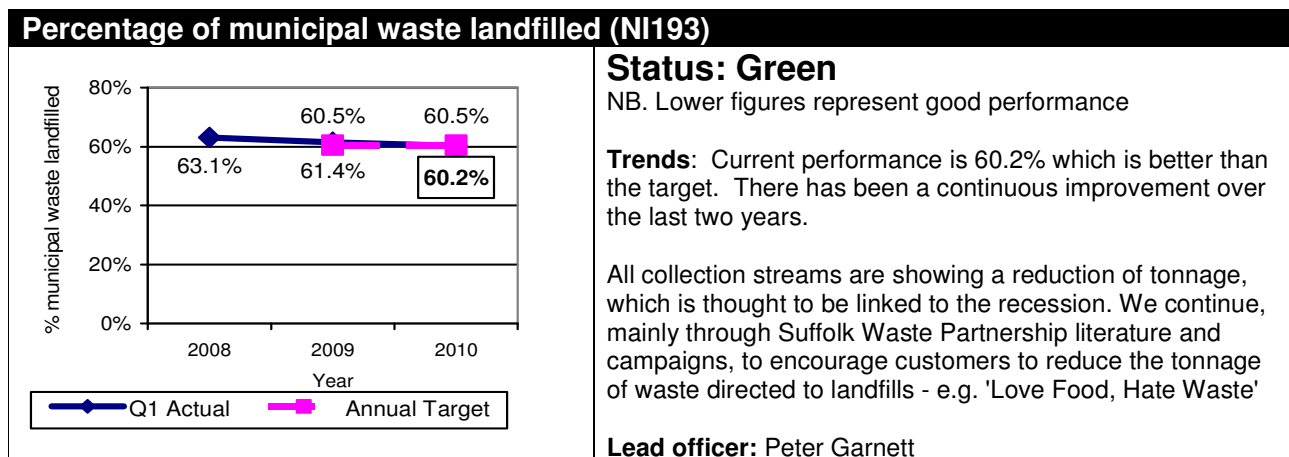
b) Delivery Plan Progress

Achievements

- Surveys have been completed at 6 sites identified in the Council's Contaminated Land Strategy. The annual target of 25 surveys is expected to be met (DP Action G1)

- The caseload for planning enforcement is being maintained below the target threshold of 220 (there are currently 211 cases being dealt with) (DP Action G3)
- The latest SERCO customer satisfaction survey showed an 85% satisfaction level for street cleanliness (DP Action G21)
- The draft Air Quality Action Plan for Cross Street, Sudbury is currently out for consultation with key partners and on course for publication and public consultation in summer 2010 (DP Action G22)

c) KPI Basket – 3 year trends



There are no exceptions to report this quarter for the Greener and Cleaner theme.

4. A safer and healthier Babergh

a) Summary of progress

The Council monitors and manages 3 strategic performance indicators and 20 key actions to deliver this priority. A summary of progress made during the period 1 April – 31 June 2010 is given below.

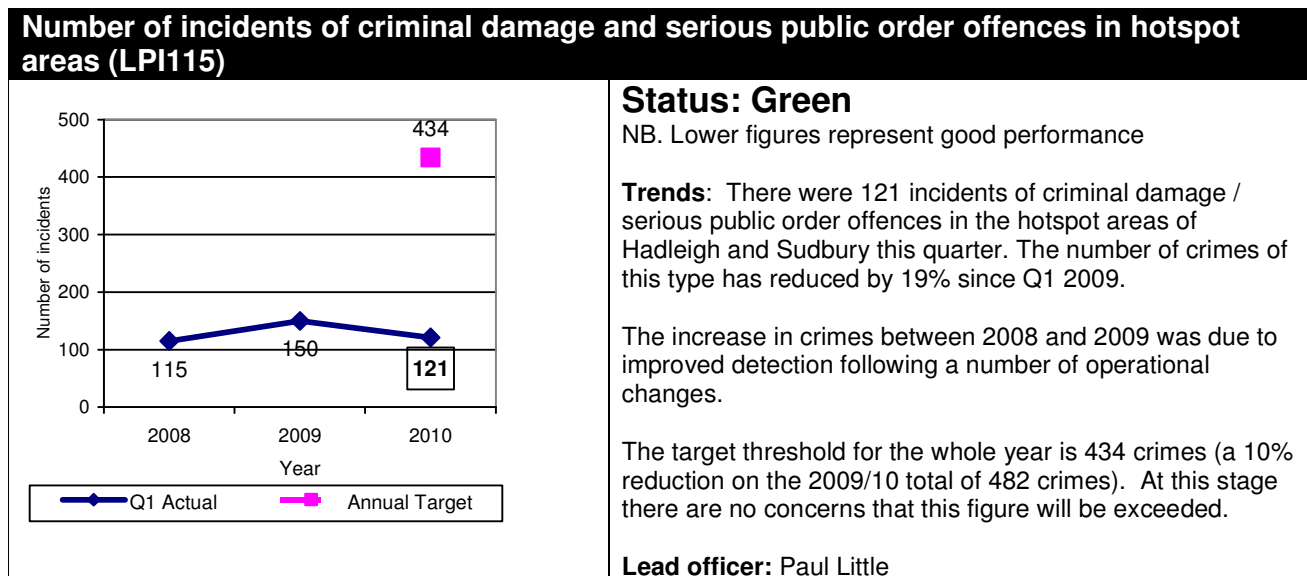
	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	3	0	0	0	0	Includes 1 KPI (NI115)
Strategic Service Standards	0	0	0	0	0	
Key delivery plan actions	18	2	0	0	0	

b) Delivery Plan Progress

Achievements

- Responsible drinking campaigns were undertaken at the time of the World Cup and there were no significant disorder incidents in the district (DP Action S2)
- The 'Better Community Preparedness' initiative has been launched. Six Babergh parishes are receiving support to develop community based emergency plans (DP Action S21)
- Babergh's Business Continuity recovery plans have been updated. We are now planning to test the systems that are in place for IT (DP Action S20)
- The Council's emergency planning and business continuity arrangements have been assessed by JEPU against Cabinet Office guidance and have been found to be "extremely good". This information will be used to develop an action plan for Babergh. (DP Action S19)

c) KPI Basket



There are no exceptions to report this quarter for the Safer and Healthier theme.

5. A strong and sustainable Babergh economy

a) Summary of progress

The Council monitors and manages 4 strategic performance indicators and 15 key actions to deliver this priority. A summary of progress made during the period 1 April – 31 June 2010 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	0	0	0	1	3	Includes 2 KPIs (NI117, LPI126). No data NI117
Key delivery plan actions	15	0	0	0	0	

b) Delivery Plan Progress

Achievements

- A Credit Union Development worker has been appointed. This post has been funded by West Suffolk LSP (DP Action E7)
- The 2010 Youth Conference will be based around the 'Business in a Box' programme and will be delivered by a local entrepreneur with support from Make Your Mark (DP Action E12)

c) KPI Basket – 3 year trends

16 – 18 year olds not in education, employment or training (NI117)									
<table border="1"> <caption>Data for % 16 - 18 year old NEET in Suffolk</caption> <thead> <tr> <th>Year</th> <th>Annual figure</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>8.4%</td> </tr> <tr> <td>2007</td> <td>7.2%</td> </tr> <tr> <td>2008</td> <td>7.9%</td> </tr> </tbody> </table>	Year	Annual figure	2006	8.4%	2007	7.2%	2008	7.9%	<p>Status: Contextual information NB. Lower figures represent good performance</p> <p>Comments. The figures shown are for Suffolk as a whole. This figure is reported annually and we are awaiting the publication of the 2009 figure.</p> <p>Lead officer: Ian Tippett</p>
Year	Annual figure								
2006	8.4%								
2007	7.2%								
2008	7.9%								
Number of empty business properties in Babergh (LPI 126)									
<p>369 business properties in Babergh were empty as at 30 June 2010</p>	<p>Status: Contextual information NB. Lower figures represent good performance</p> <p>Comments The total includes both empty properties for let and empty properties awaiting development.</p> <p>The equivalent figure at 31 March 2009 was 345.</p> <p>Contact: Andrew Wilcock</p>								

There are no exceptions to report this quarter for the strong and sustainable Babergh theme.

6. Vibrant places and strong communities

a) Summary of progress

The Council monitors and manages 21 strategic performance indicators, 2 strategic service standards and 22 key actions to deliver this priority. A summary of progress made during the period 1 April – 31 June 2010 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic Pls	18	1	0	2	0	Includes 1 KPI (NI181) No data for LPI 80 and LPI68
Strategic Service Standards	1	1	0	0	0	
Key delivery plan actions	19	0	3	0	0	

b) Delivery Plan Progress

Achievements

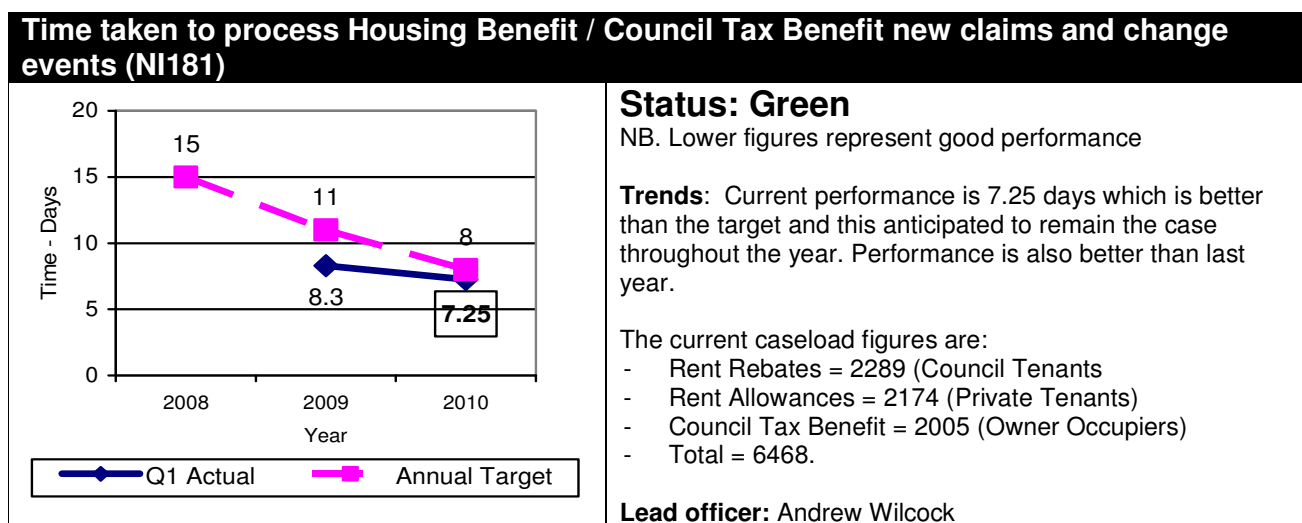
- 12,207 concessionary bus passes have been issued to people who live in rural parishes (DP Action C2)
- 426 travel vouchers have been provided to the elderly living in remote locations and to disabled persons (DP Action C3)
- Construction has started on the Capel St Mary sheltered housing scheme. The estimated completion date is February 2011. (DP Action C19)

- A survey to assess the housing needs of older people in Cockfield has been carried out. Discussions are now taking place with the Parish Council to develop a suitable housing scheme (DP Action C17)
- The contract with Renewables East to install air source heat pumps in 20 council homes has commenced (DP Action C12 / H26).
- 28 Babergh Information Point binders are now held in non council office locations (DP Action C11).

Concerns

- The new government has withdrawn DCMS funding for the Free Swim Programme from the end of July. Babergh will continue to fund the initiative until the end of August to ensure that the scheme stays in place during the peak period of the school holidays. (DP Action C4)
- It is unlikely that the planned 8 Benefit take up sessions will take place this year, because public attendance was very low at the events held during 2009/10. However the team will work with the relevant voluntary organisations to ensure that benefit take-up is maximised. This decision will allow the Revenues and Benefits Team to focus on their main priorities of forming a new shared service and managing the existing caseload. (DP Action C7)

c) KPI Basket – 3 year trends



There are no exceptions to report this quarter for the vibrant and strong communities theme.

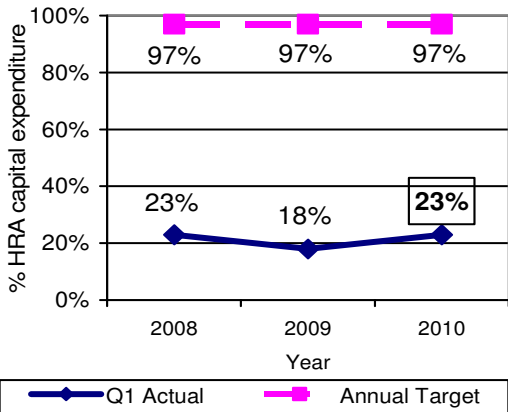
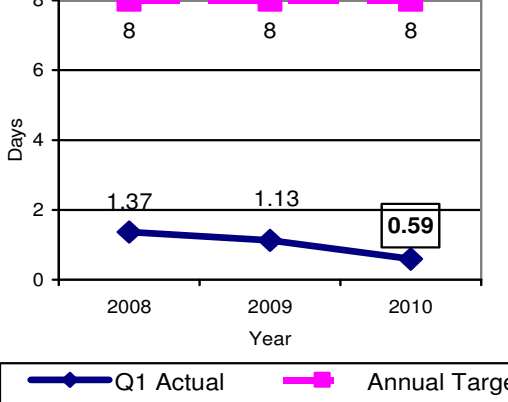
7. How we will deliver

a) Summary of progress

The Council monitors and manages 8 strategic performance indicators and 2 strategic service standards to deliver this priority. A summary of progress made during the period 1 April – 31 June 2010 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	4	1	0	2	1	Includes 3 KPIs (LPI12a, BV12, NI179) No data for NI179 and LPI30
Strategic Service Standards	2	0	0	0	0	

b) KPI Basket – 3 year trends

% capital expenditure achieved on the Housing Revenue Account (LPI12a)													
 <p>% HRA capital expenditure</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Q1 Actual</th> <th>Annual Target</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>23%</td> <td>97%</td> </tr> <tr> <td>2009</td> <td>18%</td> <td>97%</td> </tr> <tr> <td>2010</td> <td>23%</td> <td>97%</td> </tr> </tbody> </table>	Year	Q1 Actual	Annual Target	2008	23%	97%	2009	18%	97%	2010	23%	97%	<p>Status: Green</p> <p>Trends: 23% of capital expenditure was achieved on the HRA as at 31 June 2010. On target to reach 97% by the end of the year. Performance has improved since last year</p> <p>Lead officer: Ryan Jones</p>
Year	Q1 Actual	Annual Target											
2008	23%	97%											
2009	18%	97%											
2010	23%	97%											
The average number of days sick per member of staff (BV12)													
 <p>Days</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Q1 Actual</th> <th>Annual Target</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>1.37</td> <td>8</td> </tr> <tr> <td>2009</td> <td>1.13</td> <td>8</td> </tr> <tr> <td>2010</td> <td>0.59</td> <td>8</td> </tr> </tbody> </table>	Year	Q1 Actual	Annual Target	2008	1.37	8	2009	1.13	8	2010	0.59	8	<p>Status: Green</p> <p>NB. Lower numbers represent good performance</p> <p>Trends: The average number of days sick per member of staff was 0.59 days during Q1 2010. Currently on target to keep the average annual staff sickness duration below 8 days. Performance has shown continuous improvement over the last two years.</p> <p>Achievements</p> <ul style="list-style-type: none"> • A new sickness policy introduced in June 2010 to ensure that all sickness is actively monitored and supportively managed. Under the new policy, return to work interviews will be conducted for every sickness absence. Also, a 'points score' (based on the Bradford Factor) will be generated for each member of staff. This formula helps to identify frequent short-term absences, which can be disruptive to business. • All Managers and Team Leaders have been briefed on the new procedures <p>Lead officer: Jeanette Bray</p>
Year	Q1 Actual	Annual Target											
2008	1.37	8											
2009	1.13	8											
2010	0.59	8											
Total net value of ongoing cash-releasing value for money gains made since 1 April 2008 (NI 179)													
<p>£1.244m of ongoing cash-releasing value for money gains have impacted since the start of the 2008/09 financial year (as at 30 June 2010)</p>	<p>Status: Green</p> <p>Achievements: On track to meet the target for 2010/11 by the end of the financial year.</p> <p>Lead officer: Homira Javadi</p>												

There are no exceptions to report this quarter for the how we will deliver theme.

Key Budget Areas

General Fund	HoS	Lead Manager	2009-10 Outturn	2010-11 Budget (excl. cfwds)	Actual Q1 2009-10	Actual Q1 2010-11	Projected Outturn 10/11	Variance	HoS Comment
Key income Streams			£'000	£'000	£'000	£'000	£'000	£'000	Q1
Investment Income	BH	HJ	-70	-55	-46	-9	-34	21	Estimate could be on the low side, however, it is very unlikely that the budget amount will be achieved.
Land Charges income	AH	CR	-186	-157	-46	-47	-87	70	Due to potential refund of fees for environmental information
Council Tax summons costs income	BS	AW	-105	-92	-27	-30	-92	0	
Industrial / Starter Units rent income	CF	NH	-55	-52	-15	-15	-52	0	
Belle Vue	RJ	RJ	-18	-24	-4	-2	-8	16	W Suffolk College have moved out. Budget to be revised accordingly
Planning Fees	MF	NW	-426	-352	-63	-71	-380	-28	
Building Control Fees	MF	GS	-376	-412	-95	-91	-412	0	
SCC contribution (Twin Bin scheme - Green waste - Recycling Strategy)	MF	PG	-628	-689	-117	0	-689	0	
Trade Waste Fees	MF	PG	-411	-450	-409	-467	-470	-20	Higher number of subscribers
Green Waste Fees	MF	PG	-310	-290	-18	-9	-290	0	
Licensing Income	MF	JR	-144	-168	-25	-31	-168	0	
Other Income	RJ	RJ	-46	-218	-12	-11	-208	10	Car parking charges not yet fully implemented (due October). £10k reduction due to agreement to provide discounts for 'season tickets'
Total Income			-2,775	-2,959	-877	-783	-2,890	69	

Key Budget Areas

General Fund	HoS	Lead Manager	2009-10 Outturn	2010-11 Budget (excl. cfwds)	Actual Q1 2009-10	Actual Q1 2010-11	Projected Outturn 10/11	Variance	HoS Comment
Key Expenditure Areas									
Salaries Including agency costs			9,227	8,858	2,217	2,056	8,600	-150	Compares to £125k target
ICT (Business Unit) Supplies & Services costs	AH	RL	379	376	274	293	376	0	Spend on target
Corporate Training	AH	JB	58	35	19	-1	35	0	All expected to be spent in 2010/11
Recruitment Costs	AH	JB	11	45	4	1	20	-19	Difficult to predict, however, the budget looks very high compared to the current expenditure
Specialist Legal Expenses	AH	KS	27	40	-3	1	40	0	Expected to be close to budget, however, it is difficult to predict exactly what will be paid in this year.
Training Costs within other Business Units/Services (Excluding Corp Training)	All	All	89	114	37	21	80	-26	Current spending and the outstanding commitments of £4k would indicate that this will not all be spent. £26k is the 75% GF proportion.
Borrowing costs	BH	HJ	41	65	-7	-7	65	0	Outturn dependent on advice from treasury advisors on optimum time to borrow
Concessionary Fares - payment to SCC	BS	DW	724	762	188	202	762	0	
Discretionary Rate Relief	BS	AW	95	65	94	53	58	-7	
Community Safety / CDRP - expenditure	CF	PL	142	140	39	31	135	-5	Income on 3918 (CDRP) has been reduced by £5k for 10/11, therefore, total expenditure will need to be reduced accordingly.
Central Grants Pot (Revenue)	CF	NH	441	347	53	19	347	0	
Kingfisher Leisure Pool Repairs & Maintenance	RJ	PL	21	23	5	2	23	0	Expected to be spent, but there is no certainty, as this budget is used as and when it is needed.
Hadleigh Pool Repairs & Maintenance	RJ	RJ/PL	14	15	4	3	15	0	Expected to be spent, but there is no certainty, as this budget is used as and when it is needed.
Waste Contract	RJ	PG	1,844	1,739	363	362	1,739	0	
Open spaces & Street cleansing contracts	RJ	RJ	1,194	1,191	297	185	1,191	0	
Waste Gate Fees	RJ	PG	514	595	53	45	550	-45	
Energy Costs	RJ	RJ	337	359	41	35	359	0	Energy costs being closely monitored, currently no concerns
Free Swimming	CF	PL	145	121	30	30	60	-6	Free Swimming is finishing at the end of August 2010. The £6k saving is on the total net budget for the year, after Govt. grant.
Total Expenditure				14,890	5,925	5,387	14,578	-257	

Key Budget Areas

General Fund	HoS	Lead Manager	2009-10 Outturn	2010-11 Budget (excl. cfwds)	Actual Q1 2009-10	Actual Q1 2010-11	Projected Outturn 10/11	Variance	HoS Comment
Net saving								-188	Net saving - this reduces to a net £63k after allowing for the savings target on salaries (vacancy management etc.). There is also a £75k additional savings target so overall, the position is more or less in line with the Budget.

Quarter 1 Finance report, 2010/11 – HRA and CAPITAL**HRA**

The overall position on key areas is summarised below:

	2010-11 Budget £000	Actual Q1 2010-11 £000	Comments
Income - rents and charges (less voids)	-12,890	-2,964	2 free weeks in Q1.
Tenancy changes (void properties)	358	71	Currently on target
Repair Request from tenants	876	140	Responsive difficult to assess but no current concerns regarding final outturn
Painting and Pre-paint repairs	337	61	Currently on target
Sheltered Scheme Salaries	226	61	Q1 = 27% spend, on budget for year end

Capital

The overall position on the General Fund programme is summarised below:

Area	Original Budget (incl. c/f's) £000	Actual Q1 £000	Comments
Contract and Asset Mgt.	1,520	38	A number of schemes that have no expenditure yet
ICT	400	25	Ditto
Community Development	746	264	Work on Hadleigh Pool and community grant payments
Natural and Built Env't.	419	4	Little expenditure to date
Private Sector Housing	572	114	Disabled and other grants
Total	3,657	445	= 12%, which is not unusual in the first quarter but review in Q2

In relation to the HRA capital programme, key details are provided below:

- Total £3.6m planned spend for the year with nearly £0.8m has been spent in Q1 = 21%
- This includes £0.4m on central heating and new kitchens/bathrooms
- Also, nearly £0.1m on disabled adaptations and the same on insulation improvements

Quarterly Treasury Management Report Q1 2010/11**1. Summary**

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first quarter of 2010/11. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

2. The economy and events in Q1

- The UK continued to emerge from recession but the level of activity remained well below pre-crisis levels. The recovery is as yet fragile; GDP registered just 0.3% growth in the first calendar quarter of 2010. The final revision for 2010 Q1 GDP has been delayed by the ONS due to worries about data accuracy.
- Consumer price inflation remained well above the Bank of England's 2% target level, with a peak of 3.7% being reached in April. Year-on-year CPI for May 2010 was 3.4% and RPI was 5.1%. Temporary effects are thought to lie behind the elevated rate and inflation is expected to fall over the year due to downward pressure from spare capacity. The measure of inflation excluding indirect taxes (CPIY) came down to 1.6% year-on-year. Arguably this is a much more relevant measure of inflationary pressure for forward thinking policy makers, as changes in the VAT rate aren't sending signals about the pressure on the use of resources in the economy.
- The Bank of England's Monetary Policy Committee maintained the Bank Rate at 0.5% and Quantitative Easing at £200bn.
- The successful formation of a coalition government dispelled uncertainty surrounding a hung parliament result in May's General Election. The new government's Emergency Budget laid out tough action to address the UK's budget deficit, aiming to eliminate the structural deficit by 2014/15. This is to be achieved through austerity measures – £32bn of spending cuts and £8bn of net tax increases. Gilts have benefitted from this decisive plan as well as expected reductions in supply for each year of the forecast. The expected level of spending cuts and tax rises looks to be enough to extinguish the recent concern about inflation expectations. Therefore, rates 'lower for much longer' remained a relevant message.
- The US Federal Reserve kept rates on hold at 0.25% and the European Central Bank maintained rates at 1%. The major ongoing worries in Europe extended from sovereign weakness in the 'PIIGS' nations (Portugal, Italy, Ireland, Greece and Spain), the exposure of the continent's banking sector to the sovereign and corporate debt of these nations and the risk of contagion extending to other countries.

Quarterly Treasury Management Report Q1 2010/11**3. Debt Management Q1**

	Balance on 01/04/2010 £000s	Debt Maturing £000s	Debt Repaid £000s	New Borrowing £000s	Balance on 30/06/2010 £000s	Increase/ Decrease in Borrowing for Q1 - £000s
Short Term Borrowing	1,000	0	(1,000)	750	750	(250)
Long Term Borrowing	1,100	0	0	0	1,100	0
TOTAL BORROWING	2,100	0	(1,000)	750	1,850	(250)

- Short term borrowing at the end of June was repaid in full on 1st July.
- Further details on the Capital Financing Requirement is shown in Annexe 1.

4. Investment Activity Q1

The Guidance on Local Government Investments in England gives priority to security and liquidity. The Council's aim is to achieve a yield commensurate with these principles.

Investments

	Balance on 01/04/2010 £000s	Investments Made £000s	Investments Repaid £000s	Balance on 30/06/2010 £000s	Increase/ Decrease in Investments for Q1 - £000s
Short Term Investments	2,837	23,860	21,670	5,027	2,190
Long Term Investments	0	0	0	0	0
TOTAL INVESTMENTS	2,837	23,860	21,670	5,027	2,190

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2010/11. This restricted new investments to the following:

- the Debt Management Office
- Other Local Authorities
- AAA-rated Stable Net Asset Value Money Market Funds
- Deposits with UK Banks and Building Societies systemically important to the UK Banking System and which have minimum long-term ratings of 'A' (UK Banks) or 'A-' (UK Building Societies) or equivalent from Fitch, Moody's and S&P
- Deposits with select non-UK Banks (Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US). These countries, and the Banks within them, have been selected after analysis and careful monitoring of:
 - Credit Ratings (minimum long-term counterparty rating of A+)
 - Credit Default Swaps
 - GDP; Net Debt as a Percentage of GDP
 - Sovereign Support Mechanisms /potential support from a well-resourced parent institution

- **Counterparty Update**

Following the challenging economic conditions facing Spain, the fiscal challenges ahead for the country, concerns over the effect of rising debt funding costs, and the downgrade of Spain's sovereign rating to AA by Standard and Poor's, the Council has suspended deposits with Spanish banks in Q1 2010 (BBVA, Caja de Ahorros y Pensiones de Barcelone and Banco Santander).

Treasury Advisers advise that deposits with Santander UK Plc (a wholly owned subsidiary of Banco Santander) should be restricted to one month as a consequence of the factors outlined above. The Council has decided not to invest any funds with Santander UK Plc for the foreseeable future.

- **Increase in Investments**

The Increase in investments of just over £2m reflects the annual cash flow cycle whereby Council Tax and other income received exceeds outgoings.

Actual investments as at 30th June were as follows:

Deposits	£000	Interest Rate
Co-Op PSR account	827	0.25
UK Banks		
Barclays Bank	1,000	0.95
Ulster Bank	1,300	0.95
Lloyds Bank	1,900	1.00
Total	5,027	

5. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2010/11, which were set in February 2010 as part of the Council's Policy and Budget Framework document (which can be accessed through the following link <http://www.babergh.gov.uk>). Details can be found in Annexe 2.

6. Outlook for Q2

At the time of writing this quarterly activity report in June 2010, the outlook for interest rates was as follows:

	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12	Jun 12	Sep 12	Dec 12	Mar 13
Upside risk		0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Bank rate central case	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	2.75	3.00
Downside risk				-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

The recovery in growth is likely to be slow and uneven. The Bank of England will stick to its lower-for-longer stance on policy rates.

Gilts will remain volatile, more so in the election's aftermath.

The path of base rates reflects the fragile state of the recovering economy and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.

The potential for downgrades to sovereign ratings has receded, but the negative outlook (S&P) will remain for now.

7. Other Information

- **CLG Investment Guidance** – Revised guidance came into effect on 1st April 2010. The guidance reiterated the need to focus on security and liquidity, rather than yield. It also recommended that strategies include details of assessing credit risk, reasons for borrowing in advance of need and the use of treasury advisers. The Council has incorporated the changes into its Treasury Strategy, Practices and Procedures.
- **Reform of Council Housing Finance** – The consultation deadline was 6th July 2010. The consultation proposes a removal of the subsidy system by offering a one-off reallocation of debt. It is envisaged that there could be voluntary uptake from 2011/12 and compulsory uptake by 2012/13. Officers have considered the treasury management implications and these will be considered further in the event of the proposals proceeding. Specifically, this will involve around £75m of new external borrowing.

Appendices

Annexe 1

Capital Financing Requirement

Estimates of the Council's cumulative maximum external borrowing requirement for 2010/11 to 2012/13 are shown in the table below:

	31/3/2010 Actual £000s	31/3/2011 Estimate £000s	31/3/2012 Estimate £000s	31/3/2013 Estimate £000s
Capital Financing Requirement	7,162	8,256	9,393	9,889
Less: Existing Profile of Borrowing	(1,100)	(2,500)	(2,500)	(2,500)
Less: Other Long Term Liabilities	(391)	(219)	(109)	0
Cumulative Maximum External Borrowing Requirement	5,671	5,537	6,784	7,389

The Council is currently following a strategy of using surplus funds to finance capital expenditure. Going forward there will be a need for further long term borrowing as these reduce.

Estimates of the Council's level of Balances and Reserves for 2010/11 to 2012/13 are as follows:

	31/3/2010 Actual £000s	31/3/2011 Estimate £000s	31/3/2012 Estimate £000s	31/3/2013 Estimate £000s
Balances and Reserves	4,466	4,878	4,280	3,864

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Council's Affordable Borrowing Limit was set at £9.9m for 2010/11.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2010/11 was set at £5.2m.
- The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the period to 30/06/10; borrowing at its peak was £2.1m.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2010/11 £m
Upper Limit for Fixed Rate Exposure	8
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	0
Compliance with Limits:	Yes

(c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/06/10	% Fixed Rate Borrowing as at 30/06/10	Compliance with Set Limits?
under 12 months	30	0	750	40	No
12 months and within 24 months	30	0	0	0	Yes
24 months and within 5 years	30	0	0	0	Yes
5 years and within 10 years	50	0	0	0	Yes
10 years and above	100	0	1,100	100	Yes

(d) **Total principal sums invested for periods longer than 364 days**

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2010/11 was set at £3m.
- The Council's policy response since the onset of the credit crunch in 2007 was to keep investment maturities to a maximum of 12 months. No investments were made for a period greater than 364 days during this period.