



Purpose: For Decision

Committee report

Committee	CABINET
Date	TUESDAY, 21 AUGUST 2012
Title	QUARTERLY PERFORMANCE AND FINANCE REPORT Q1
Report of/to	LEADER AND CABINET MEMBER FOR RESOURCES

EXECUTIVE SUMMARY

1. This report sets out the council's performance, risk and financial position in relation to the eight priorities of the revised Corporate Plan 2011-2013. It provides an overview of activity within the period 1 April 2012 to 30 June 2012 and the opportunity to make recommendations that will ensure the continued delivery of those priorities.
2. The report also provides a summary of the overall budget position of the council for both capital and revenue accounts, acknowledging that the revenue and capital budget position at the end of quarter one is still being finalised as part of the closedown process. The report also provides the Cabinet with a final outturn position for 2011-12, subject to audit.

BACKGROUND

3. The format for quarterly performance and financial reporting aligns to the eight priorities of the revised Corporate Plan 2011-2013 and provides an integrated view of performance, risk and finance.
4. The report consists of eight separate corporate priority reports as detailed in Appendix A and a supporting data report that provides the statistical information to support the content of the corporate priority reports. The data report is detailed as a background paper for quarter one. As part of the budget strategy presented to Cabinet on 14 February 2012, and approved by Full Council on 29 February 2012, a detailed schedule of savings was set out to achieve the required net savings of £7.2m in 2012/13 in addition to savings of £18.7m made in 2011-12. An analysis of the capital budget position at the end of quarter one is provided in Appendix B.

STRATEGIC CONTEXT

5. The ongoing management of performance, risk including project risk, and finance support all of the Sustainable Community Strategy themes and eight council priorities as outlined in the Isle of Wight Council's Corporate Plan 2011-2013. Those issues

must be managed effectively in order to secure the delivery of the council's aims and objectives.

CONSULTATION

6. The council's performance management framework sets out the processes involved to manage business functions effectively. This framework enables discussion at all levels across the authority on a routine basis and also the escalation of issues to senior management as part of either the monthly service board or project board process.

FINANCIAL / BUDGET IMPLICATIONS

7. Failure to appropriately manage risk, finance and performance in an integrated way is likely to impact on the council's financial position in terms of either increased cost, exposure to undue risk or missed opportunity.
8. There are no direct financial implications of this report, however recommendations made based on the information provided may result in activity that has an impact on capital and/or revenue budgets or resource demand.

CARBON EMISSIONS

9. Collective performance of the eight corporate priorities will positively impact on the council's carbon emissions and may be referenced within the relevant corporate priority report, as appropriate.

LEGAL IMPLICATIONS

10. The council has a statutory requirement under the terms of the Local Government Act 1999 to achieve 'Best Value' in its delivery of its services. The authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The quarterly performance report forms part of such arrangements, thereby ensuring compliance with legal and statutory requirements.

EQUALITY AND DIVERSITY

11. The Equality Act 2010 sets out general and specific equality duties for public sector organisations. The aim of these duties is to integrate consideration of the advancement of equality into the day-to-day business of the council. The council must, in the exercise of its functions, including decision making have due regard to:
 - Eliminating unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
 - Advancing equality of opportunity between people who share a protected characteristic and people who do not;
 - Fostering good relations between people who share a protected characteristic and people who do not.

The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Equality analysis is achieved by the undertaking of equality impact

assessments by each service area which ensure that we address any potential impact before decisions are made.

PROPERTY IMPLICATIONS

12. Whilst there are no direct property implications resulting from this report, the corporate priority of ‘Delivery of budget savings through changed service provision ‘ does reflect the intention to rationalise the significant number of council buildings and to locate more staff within the remaining buildings that we intend to keep. This will generate savings from both running costs and also create capital receipts from surplus assets that the council owns. Decisions relating to the sale, change of use or contractual arrangements of council assets may be referenced in the relevant corporate priority report, as appropriate.

SUMMARY POSITION OF QUARTER 1 PERFORMANCE

13. The table below indicates the status of each corporate priority as at 30 June 2012 as agreed by Cabinet Members.

Corporate Plan priority	Q2 - 11/12 status	Q3- 11/12 status	Q4-11/12 status	Q1-12/13 status
Delivery of budget savings through changed service provision	Amber	Green	Green	Green
Raising educational standards	Amber	Amber	Amber	Amber
Keeping children safe	Amber	Amber	Green	Green
Supporting older and vulnerable residents	Green	Amber	Amber	Amber
Housing and homelessness	Green	Green	Green	Green
Regeneration and the economy	Green	Green	Green	Green
Highways PFI scheme	Green	Green	Green	Green
Waste strategy	Amber	Amber	Green	Green

Colour Key	Status
Green	Majority of performance is on or above target, projects are meeting planned delivery dates, risk is managed appropriately and financial position stable against profiled spend
Amber	Some performance is off target but within accepted tolerance levels, project milestones are still attainable, risk levels demonstrate some concern with appropriate planned activity, financial overspends being forecast
Red	Significant underperformance or project slippage, high scoring risks without active mitigation in place and/or significant overspend impacting delivery of corporate priority

14. In summary, six of the corporate priorities are rated ‘green’ with the performance, risk and financial position on target or at an acceptable level. The remaining two priority areas are rated ‘amber’ indicating that some action or detailed monitoring is required and will be reported back to Cabinet at a later date.
15. A detailed analysis of the performance, risk and financial position of each corporate priority is provided in Appendix A.

16. For the corporate priority of **raising educational standards**, the Island's GCSE results will continue to be a long-term focus for improvement; the new trust schools and academies are now reporting to the Children and Young people Scrutiny panel twice per year as part of the agreement between the local authority and secondary providers. This should provide an opportunity to challenge performance levels and ensure the Island picture starts to show improvement.

In 2012 84% of children achieved level 4 or above in Reading and 79% achieved level 4 or above in Maths for Key Stage 2 which represents significant progress on the figures of 79% and 69% the previous year. Although these figures are still subject to validation they are an early sign of the success of the Schools Reorganisation Programme which has seen a two tier system implemented in which pupils no longer change schools midway through their Key Stage 2 learning.

A separate report on persistent absence and permanent exclusions, which are both considered to be influential in achievement, is provided elsewhere on this meeting's agenda. It is recommended that further analysis of these issues is required when the second quarter's performance is reported. This will include analysis by year group and the incidence of absence of looked after children (LAC) and those with a statement of educational need.

17. The council's **support for older and vulnerable residents** continues to be rated as amber. There has been a focus of activity to restructure the workforce to deliver the introduction of 'Think Local Act Personal' which changes the social care landscape. This has meant that performance levels have dropped in some areas during this period of significant change. The embedding of new structure and ongoing recruitment will enable planned improvements to support older and vulnerable residents in the future.
18. With regard to reporting of the corporate plan priorities, a review of the performance indicators used for the Cabinet reports has been undertaken and each Scrutiny panel provided feedback on the measures identified for 2012/13.

BUDGET REVIEW

19. The budget review as at 30 June 2012 takes into account a number of issues that need to be considered together to inform the council's overall financial position for 2012/13. In particular they will include the outturn position for 2011/12 and progress with delivery of the budget during 2012/13.

SUMMARY POSITION OF 2011/12 OUTTURN

20. Details of the revenue outturn position for 2011/12 and the draft Statement of Accounts were reported to the Audit Committee on 28 June 2012. This indicated that in overall terms there had been a net saving for the year of £2.290m. This compares to the projected budget monitoring position reported during 2011/12 of a net saving of at least £1.800m. Full Council agreed to utilise those savings to support the delivery of corporate priorities, in particular relating to Regeneration and the Economy and the development of options for the re-procurement of the waste contract. Therefore as part of the closedown process £1.800m has been set aside in an earmarked reserve to fund the priorities approved by the council during 2012/13, leaving £0.490m to be

added to the General Fund Balance at the year end, giving a total balance of £8.550m. The Revenue Outturn Summary Statement for 2011/12 is set out at Appendix B.

21. Strong budget management and financial control measures have been exercised throughout the year as part of the council's agreed strategy for dealing with the significant savings target it faces, from a combination of reduced government grants, increased costs and increased service needs. Action was successfully taken across the council to manage spend within available budgets, particularly through regular reports to the member-led Budget Review Board, management controls on staffing costs through the Authorisation Panel, and controls on contract costs through the Procurement Board. A net saving of £2.290m represents a positive outcome for the council.
22. Appendix C shows the outturn position in terms of capital expenditure for 2011-12. The council began the year with an ambitious programme of capital investment projects which was subject to significant reprofiling during the year. This reprofiling of the capital programme was intended to allow for more accurate monitoring of progress in delivering approved capital projects once contracts commenced.
23. The large capital budget associated with Schools' Reorganisation and the One School Pathfinder project was reprofiled as part of this process as projects took shape during 2011/12. Despite these changes we achieved in year capital expenditure of £49.849m, equivalent to 89% delivery of the amended programme. This represents both a significant increase in the amount of money invested in capital projects compared to any previous year, and also a significant improvement on the proportion of the programme delivered compared with previous years.
24. The year-end position for Reserves and Balances is outlined at Appendix D. There are a number of factors that have led to the change in the year end position from that assumed in the budget. A significant part reflects the amounts in respect of carryovers agreed into earmarked revenue reserves for grants and contributions (£3.75m) where the money will be spent in 2012/13 relating to grants received during 2011/12. The earmarked reserves also include £1.8m approved by the council to support delivery of corporate priorities, in particular Regeneration and the Economy and preparation costs for the re-procurement of the waste project. The General Fund Balance has also increased to £8.550m as set out in paragraph 23.

SUMMARY POSITION OF QUARTER 1 FINANCE

25. After allowing for the full year effect of savings implemented in 2011/12 the savings target to be delivered in 2012/13 is £3.835m with a full year effect in 2013/14 of £5.635m. The additional £1.800m to be delivered in 2013/14 is required to offset the loss of the Council Tax Freeze Grant in 2012/13 which was only paid for one year and needs to be replaced in the base funding for 2013/14. This excludes any further savings that may be needed in 2013/14 and future years arising from additional budget pressures and changes in the grant settlement from government.
26. Although there were a number of one-off savings involved in delivering the net budget saving of £2.290m in 2011/12, there were also a number of savings that will be ongoing as follows:

- External audit fees and bank charges - £130k
- Concessionary fares savings - £300k
- Capital financing costs through debt repayment - £650k
- Other minor budget headings - £170k

27. In overall terms it is currently projected that some £1.250m of savings identified in 2011/12 will recur in 2012/13 and future years. The first quarter's monitor for 2012/13 is showing that the overall budget savings target will be met, and that despite some minor budget pressures in service budgets it is currently projected that in overall terms there will be a net saving of up to £2.000m. The service analysis for quarter one is outlined at Appendix E.
28. It should be noted that it is still early in the financial year to be making accurate projections of the financial position at the year end. In particular there are a range of issues and budget pressures that could arise during the year, for example social care costs, pay awards, potential falls in income generation, home to school transport costs etc. However, the pattern of spend in quarter one and the robust savings plans that have been put in place, together with continued strong budget management and financial control measures, allow a degree of confidence that any budget pressures arising will be offset by savings in other areas.
29. The management of long term debt to support capital expenditure and treasury management arrangements remain focussed on avoiding taking new long term loans until necessary, repaying capital debt early where it leads to ongoing revenue budget savings, and managing the council's cash balances at all times to reduce interest costs incurred.
30. The total re-profiled capital budget for 2012/13 is currently £62.874m, including projects slipped from 2011/12. Although some areas of spend are behind profile, others are progressing well and the overall programme is only 2.25% behind profile at the end of quarter one. This follows the successful delivery of the capital programme in 2011/12 which was the highest level of achievement in recent years. The quarter one position for the capital budget is set out in Appendix F.

RISK MANAGEMENT

31. The risks against the corporate priorities have been identified at either a strategic, project or service level with planned actions in place to manage the risks to an acceptable level. The planned actions cannot eliminate risk in its entirety however they will increase the probability of success whilst reducing both the probability of failure and the uncertainty of achieving the corporate priorities.
32. Effective risk management is a key business management function that operates across the authority with regular review of risk registers undertaken by directors, project and service leads.
33. The Audit Committee has reviewed the process for managing strategic risks. One of its resulting recommendations was for Cabinet to have sight of all strategic risks as part of the quarterly performance reporting mechanism. These are now included in the background data report and are mainly concerned with council's internal operations and ability to deliver the overall corporate priorities. They included risks in

respect of staffing skills and capacity, governance, commissioning of services to meet the Island's needs and our preparedness to responding to a major emergency.

EVALUATION

34. The quarterly monitoring report provides an overview of performance and financial position against the council's key priorities and the opportunity to make recommendations that will ensure the delivery of those commitments is achieved.

35. RECOMMENDATIONS

- A. That the quarter two report includes information on exclusions and persistent absence by year group, whether the pupil is a looked after child or has a statement of special educational needs. The report also to identify those schools that have not met the new 85% threshold for persistent absence.

APPENDICES ATTACHED

39. [Appendix A](#) – Corporate plan priority reports for:

- Delivery of budget savings through changed service provision (A1)
- Raising educational standards (A2)
- Keeping children safe (A3)
- Supporting older and vulnerable residents (A4)
- Housing and homelessness (A5)
- Regeneration and the economy (A6)
- Highways PFI scheme (A7)
- Waste strategy (A8)

[Appendix B](#) – 2011/12 Revenue Outturn Summary

[Appendix C](#) – 2011/12 Capital Outturn Summary

[Appendix D](#) – 2011/12 Outturn Reserves and Balances Summary

[Appendix E](#) – Quarter One Revenue Budget position

[Appendix F](#) – Quarter One Capital Budget position

BACKGROUND PAPERS

[Quarter 1 2012/13 Data Report](#)

[Corporate Plan 2011-13](#)

[Medium Term Financial Strategy 2009-2012](#)

Contact Point: Bob Streets, Business Effectiveness Manager

☎ 01983 823557 e-mail bob.streets@iow.gov.uk

DAVID BURBAGE
Strategic Director of Resources

COUNCILLOR DAVID PUGH
*Leader of the Council
& Cabinet Member for Resources*