

BABERGH DISTRICT COUNCIL

From: Director of Finance and Strategic Director (Corporate)	Report Number: L167
To: Overview and Scrutiny (Stewardship) Committee	Date of meeting: 20 March 2012

FINANCE, RISK AND PERFORMANCE MANAGEMENT – QUARTER 3 MONITORING REPORT

1. Purpose of Report

- 1.1 This report provides the Overview and Scrutiny (Stewardship) Committee with an exception-based strategic assessment of the Council's achievements as at the third quarter of 2011/12 across a range of areas including finance, risk management and various aspects of performance linked to the Delivery Plan.

2. Recommendations

- 2.1 That the key points relating to performance exceptions against targets / milestones for the 2011/12 Delivery Plan actions, strategic performance indicators and service standards be noted.
- 2.2 That a report be submitted to the next round of the appropriate Overview and Scrutiny Committee if any significant performance variance issues are identified for further review and analysis.
- 2.3 That the position on managing the Council's significant business risks and the latest position on BMI risks as referred to in paragraphs 8.14 to 8.16 and summarised in Appendices B and C respectively, are noted.
- 2.4 That the position on the Council's progress against budget and the Treasury matters in Appendices D, E and F be noted.

Subject to any matters referred under recommendation 2.2, the Committee is able to resolve these matters.

3. Financial Implications

- 3.1 The third quarter's financial monitoring is based on a revised forecast of the potential financial outturn for the year, which has been undertaken as part of the overall 2012/13 budget work. This provides a good indication of the possible financial outturn for the year, although there may be further variations before the year end.
- 3.2 In terms of the overall General Fund position for the year, the quarter 3 position shows a favourable variation against the original budget (including approved carry forwards from the previous year). More details on these are set out in Appendix D.
- 3.3 Salary savings for Q3 indicate that savings could be exceeded due to rigorous monitoring of staffing costs and vacancy management. The year end position will be affected by the timing of voluntary redundancies, natural wastage and vacancy management.

- 3.4 On Council Housing, the revised budget for the Housing Revenue Account (HRA) reflects a number of variations on various areas of expenditure and income and further details can be found in Appendix D.
- 3.5 The revised budget for the Council Housing capital programme shows an increase of nearly 12% to reflect the additional requirements of the recent stock condition survey. There is an indication that the year end position will result in an underspend of around £300k and key aspects of the General Fund capital programme and borrowing are detailed in Appendix E.

4. Risk Management

- 4.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 6 – Performance and Cost Management.
- 4.2 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
2011/12 Delivery Plan actions/outcomes and performance targets are not achieved	Significant	High	Continued rigorous challenge and action in dealing with identified variances.
If robust risk management is not in place, this could affect the achievement of the Council's strategic aims and priorities, key projects, the delivery of services and its reputation.	Low	Critical	Risk Management Strategy in place. Further actions continue to be taken as part of the Integration and Management Action Plans. Risks are continually managed and re-assessed.
Consideration not given to changes to the latest risks and opportunities facing the Council.	Low	Critical	Risk refreshes are regularly undertaken and reported to Members.
Budgets and costs are not actively or systematically managed and reduced, and in the worst case, they increase.	Significant	High	Close and pro-active monitoring of budgets and key risk areas by Heads of Service and finance staff.

5. Consultations

- 5.1 As this is a monitoring report only, no consultations are required with Unison or other outside bodies.

6. Equality Analysis

- 6.1 There are no equality implications arising from this monitoring report but where any negative impacts are identified through the equality analysis procedure, these will be considered as part of the risk management arrangements and reported on as necessary.

7. Shared Service / Partnership Implications

- 7.1 Strategic Priorities - Babergh (BDC) and Mid Suffolk District Council (MSDC) have developed a set of aligned Strategic Priorities for 2012/13 and are now in process of developing objectives, supporting outcomes and outputs in the form of measurable actions, performance measures and associated risks. A review of the existing strategic priorities confirmed that a high degree of similarity between the themes and priorities for the two councils already exists.
- 7.2 Once an agreed aligned delivery plan and performance management arrangements (corporate balanced scorecard) are in place for 2012/13, a more substantial project will be undertaken to develop a single Strategic Plan for 2013/14 onwards. Further information on this work will be provided in the year-end report.
- 7.3 Risk lead officers from both Babergh and Mid Suffolk have been progressing plans for the integration and refinement of the three risk registers that currently exist (BDC/MSDC/BMI). Good progress is being made and we are working closely with our colleagues in performance to ensure that future arrangements are aligned to ensure the most effective possible outcomes. The Risk Strategies will also be integrated. Both Councils are continuing to report in their existing formats until the end of the current financial year with the intention of adopting an aligned integrated approach from April 2012.

8. Key Information

Format of this report

- 8.1 In order to provide a focussed approach to monitoring, to reduce double-handling and improve the effectiveness of the overview and scrutiny function:
- The Overview and Scrutiny (Stewardship) Committee has agreed to receive quarterly exception-based reports setting out the key financial, risk and delivery plan areas where performance is significantly below the agreed target or delivery of the action has been significantly delayed or won't be completed at all during 2011/12. Only commitments classified as 'Red' are designated as performance exceptions for the quarter. This is based on a comprehensive analysis of all relevant data and information submitted by the lead officers.
 - The quarterly report provides details of mitigating actions being undertaken to improve performance in these areas as well as providing a summary of the Council's overall performance during the quarter.
 - Any significant issues arising, for example where performance has deteriorated and the mitigating actions are not having the desired effect, can be referred by this committee to the appropriate Overview and Scrutiny Committee for further consideration.

Summary of performance at Quarter 3 2011/12

- 8.2 Detailed analysis of the performance exceptions for each of the Strategic Plan themes is set out in Appendix A. This analysis is based on a comprehensive review of achievement against the 2011/12 Delivery Plan actions, strategic performance indicators and service standards as at 31 December 2011. A summary analysis of performance across all of the Council's Strategic Plan priority themes follows.
- 8.3 The overall picture of performance and achievement at the end of Quarter 3 represents significant progress towards delivering the commitments made in the annual Delivery Plan and is particularly encouraging given the impact of staffing and budget reductions – see Table 1. 90% of Delivery Plan actions, strategic performance indicators and service standard measures across all priority themes are either meeting or exceeding the target or milestone set (green) or very close to it with no concerns about performance at this stage (amber).
- 8.4 In total, 10% of the various commitments (14 of 140) made by the Council in 2011/12 have been classified **red** – performance significantly below target or delivery significantly delayed with concerns about performance. Full details on these including the current position and what action has been taken or is planned to improve performance are set out in paragraphs 8.7 to 8.12 below.
- 8.5 At the time of printing this report, data was not available for 3 measures – strategic indicators NI185 and LPI115 and Delivery Plan action H30 (see section 8 of Appendix A for details). Data for NI185 is not produced on a quarterly basis so this was expected. However, an oral update on these will be provided during the Committee meeting if the information becomes available. There is also one contextual indicator, LPI 42, for which the Committee felt it was not appropriate to set a target or milestone. LPI 42 measures the number of formal homelessness presentations to the council, of which there were 88 compared to 63 during the same nine month period last financial year – an increase of 40% in twelve months. This indicator is linked to Delivery Plan Action H31 – see paragraph 8.7 below for further details.

Table 1 - Summary of Quarter 2 performance and achievement

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	15	7	3	2	1	Red = BV64, NI188, LPI12a No data = NI185, LPI115 Contextual = LPI 42
Strategic Service Standards	7	4	1	0	0	Red = BV78b
Key delivery plan actions	73	17	10	1	0	Red = H31, G14, G20, G23, S4, E12, E16, E19, C1, C8 No data = H30
Total	95	28	14	3	1	
% of Total	70%	20%	10%	-	-	

8.6 The detailed analysis of performance in Appendix A summarised above has highlighted the following performance exceptions. Exceptions are the 14 Delivery Plan actions, strategic indicators and service standards classified as **red** – below target with concerns about performance – at the end of Quarter 3. This section sets out by theme the current position on each exception and, where applicable, what activity has been undertaken or is planned by officers to improve performance.

8.7 Theme 1 – Quality homes local people can afford

- **Private dwellings returned to occupation (BV 64).** No empty private dwellings have been returned to occupation so far this year against an annual target of 5. Babergh has one of the lowest rates of empty properties in the country so relatively speaking this is not a significant problem for the local area. However, the local target has been reduced in recent years to reflect this and performance remains very low.
- **Homelessness levels (Action H31).** The commitment to maintain current levels of homelessness performance so that the overall levels of presentations do not exceed 75, and the number of acceptances does not exceed 40, has been classified Red this quarter as the level has already been exceeded (88 presentations as at Quarter 3). Babergh, in common with Council's generally have experienced unprecedented new levels of homelessness. Figures are up by 20% since the last quarter and show no signs of slowing down. These trends will be monitored and reported on further following year end.

8.8 Theme 2 – A cleaner and greener Babergh

- **Planning to adapt to Climate Change (NI 188).** The Council achieved Level 2 some time ago and set a target to achieve Level 4 by the end of March 2012. However, work against this framework is currently on-hold following the Government's decision to discontinue the statutory National Indicator Set (including NI188). The Suffolk Climate Change Partnership and Suffolk County Council are due to start a new initiative on Climate Change Adaptation in the near future and both Babergh and Mid Suffolk will be partners of this project.
- **Trade waste recycling (Action G14).** The commitment to recycle 850 tonnes of trade waste is significantly below target and will not be achieved this year. 35 tonnes have been recycled out of 1,899 tonnes collected. A joint procurement with Ipswich Borough Council & Mid Suffolk is underway to provide 'dirty MRF' recycling facilities for co-mingled trade waste collections. Following presentations a service provider will be selected.
- **Environmental awareness raising (Action G20).** The commitment to re-launch 'Sort It' magazine with Mid Suffolk DC to promote environmental issues such as recycling will not be met this year due to financial constraints. However, outcomes in these areas (e.g. recycling targets) remain generally on track so there is no critical need to re-launch this publication.
- **Satisfaction with street cleanliness (Action G23).** The target to achieve an 89% customer satisfaction level for street cleanliness as measured by the quarterly SERCO survey has not been met. In the latest survey wave for which data is available (Oct 2011) a satisfaction level of 82% was achieved. This was slightly below the annual mean score for 2011 of 83.5%.

8.9 Theme 3 – A safer and healthier Babergh

- **Promoting food safety and hygiene in schools (Action S4).** The project to work with 125 pupils at Great Cornard Middle School to promote food safety, home hygiene and avoidance of controlled infectious diseases has not gone ahead yet and is now unlikely to happen. The demise of the Government's Healthy Schools Scheme last March (meaning that this work is no longer mandatory) may be a factor in the lack of interest shown by the school to date despite reminders.

8.10 Theme 4 – A strong and sustainable Babergh economy

- **Pre-apprenticeship accreditation scheme (Action E12).** The commitment to work with partners and businesses to deliver a pre-apprenticeship accreditation scheme has not been progressed because the funding bid was unsuccessful.
- **Skills development in key sectors (Action E16).** Work with Suffolk County Council and other partners to increase the skills and knowledge of people working in the tourism and hospitality sectors has not been achieved. No specific work has been undertaken due to the demise of Choose Suffolk earlier in the financial year.
- **Hamilton Road Quarter development in Sudbury (Action E19).** Assembling the land required for the Hamilton Road development has now stalled due to the refusal of a key landowner to negotiate. However, the Council secured funding through the Haven Gateway Partnership to commission a full retail analysis for the area.

8.11 Theme 5 – Vibrant places and strong communities

- **We will process changes to existing benefit claims within 6 days (former BV78b).** There is no data available on what proportion of change claims are made within the service standard time. However, the *average* time taken to process changes to housing benefit and council tax benefit claims was 7.52 days based on the November data which means the standard is still not being met for many customers. Performance has significantly improved since June 2011 when the average time was 14.8 days. This year has been a period of significant change for this service. The new Shared Revenues Partnership (SRP) was established in April 2011. Babergh staff moved to their new offices in Ipswich in May and then had to work through a recruitment process to populate the new staffing structure and then migrate customer data to a new software system (Northgate). These factors have impacted upon performance during this financial year.

- **Rural isolation action plan (Action C1).** Due to the changes to the Core Strategy timetable, the Planning Policy Team has not had the capacity to research and develop an action plan to identify and address the main problems faced by Babergh residents living in rural areas. This was noted previously at Quarter 2. Some useful research material is available but known issues are substantial in nature and difficult to tackle. A meaningful action plan is, therefore, a substantial undertaking requiring designated officer resources. This commitment will now be picked up as part of the work to develop joint strategic priorities and outcomes for 2012/13. It is anticipated that reducing the negative impacts of rural isolation will be a key objective for Babergh and Mid Suffolk next year.
- **Internet Café (Action C8).** It has not been possible to progress plans for an Internet Café at Chelmondiston due to the lack of suitable accommodation in the village. Furthermore, the funding allocated in 2010/11 for this project is no longer available.

8.12 How we will deliver commitments

- **Percentage of capital expenditure achieved on the Housing Revenue Account and General Fund (LPI 12 parts a and b).** On the HRA 61% expenditure has been achieved so far against an annual target of 97%. The year-end estimate is 90% meaning the target will not be met this year. On the GF 28% has been achieved so far against an annual target of 89%. The year-end estimate is 74% meaning the target will not be met this year.

The scheme to construct Hadleigh Community Facilities did not commence until November 2011. The original budget for this scheme was £2,031k and £1,200k of this will be carried forward to 2012/13. The 2011/12 expenditure on Hadleigh Community Facilities will almost entirely be incurred in the last quarter of the financial year. Expenditure on capitalised redundancy costs under the capitalisation direction will also not be incurred until the final quarter of the year. The year end underspend against the original budget will be addressed in the revised General Fund capital budget.

- 8.13 Information on the 28 commitments classified as **amber** (slightly below target / behind schedule but no concerns about performance at this stage) can be found in Appendix A. These will be monitored closely by officers to ensure that timescales and performance are brought back on track as soon as possible.

Summary of Significant Business Risks for Quarter 3 2011/12

- 8.14 The risk ratings, as previously reported to this Committee on 15th November 2011, remain the same.
- 8.15 Key developments since the last risk review and examples of some of the specific actions that have been taken to manage some of the key risks are summarised in Appendix B.

BMI Risk Update

- 8.16 JMIB were presented with a risk update on 14 February 2012. Appendix C summarises the key messages and issues that are currently considered to be key to the success of the BMI project.

9. Appendices

Title	Location
A Analysis of performance exceptions at Quarter 3	Attached
B Significant business risks at Quarter 3	Attached
C BMI risk update	Attached
D Financial Information Quarter 3	Attached
E Capital Budget Monitoring Quarter 3	Attached
F Treasury Management Quarter 3	Attached

10. Background Documents

- 10.1 The 2011/12 Delivery Plan – this can be accessed at:
http://www.babergh.gov.uk/NR/rdonlyres/544B92AE-298F-4727-A38B-48156275F9B6/0/FINALDELIVERYPLAN201112_11Feb2011_.pdf

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PERFORMANCE ANALYSIS – QUARTER 3 PERFORMANCE

1. Introduction

Babergh District Council has made a commitment to deliver the actions included in the 2011/12 Delivery Plan and to meet the targets that have been set for the Council's strategic performance indicators and service standards. This analysis summarises the Council's progress in delivering these commitments. Throughout the report progress has been assessed using the following classification:

Green	On or above target / the action is on track to be completed on time or ahead of time
Amber	Slightly below target / the action will be completed but timescales may have slipped – no concerns about performance
Red	Significantly below target / the action will be significantly delayed or won't be completed at all – concerns about performance

N.B. Only commitments classified as 'Red' are designated as performance exceptions.

Charts are included for PI and service standard exceptions. Information is also provided in this appendix for those commitments designated 'Amber'. All 'Amber' commitments will be monitored closely by officers to ensure that timescales and performance are brought back on track as soon as possible.

2. Quality homes local people can afford

a) Summary of progress

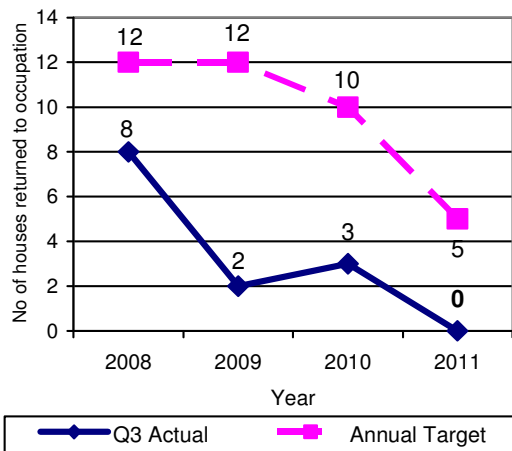
The Council monitors and manages 10 strategic performance indicators, 7 key service standards and 30 key actions to deliver this priority. A summary of progress made during the period 1 April – 31 December 2011 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	5	3	1	0	1	Red = BV64 Contextual = LPI42
Strategic Service Standards	3	4	0	0	0	
Key delivery plan actions	19	9	1	1	0	Red = H31 No data = H30

b) Performance Indicator exceptions

- **Private dwellings returned to occupation (BV 64).** No private dwellings have been returned to occupation so far this year against an annual target of 5.

Private dwellings returned to occupation (BV 64)



Status: Red

Trends: No long term empty private dwellings have been returned to occupation during the first three quarters of this financial year.

Babergh has one of lowest rates of empty properties in the country so relatively speaking this is not a significant problem for the Council. However, whilst the local target has been reduced in recent years to reflect this, performance remains very low.

Lead officer: Tom Ost

In addition, the following performance indicators have been classified Amber:

- Number of private sector homes improved to meet the decent homes standard (LPI 6).** 11 homes have been improved so far this year against an annual target of 30. However, this figure excludes 5 energy efficiency completions. Most of these grants are currently to provide improved or new heating, or grant "top-ups" for the Government's Warm front scheme. Promotion provided by the Warmer Homes Scheme in February and March will highlight the availability of grants to fuel poor households and should improve take-up.
- Percentage of non decent council homes (NI 158).** 2% of council homes are currently non-decent against an annual target of 0%. This equates to just 83 non-decent homes out of a total stock of 3,489. No concerns about performance.
- Planning appeals allowed against the authority's decision to refuse a planning application (BV 204).** 35% of appeals have been allowed at appeal so far this year against an annual target of 30%. This equates to 12 out of 34 decisions appealed (1 of these was a split decision). Only a small number of cases are determined on appeal in any given quarter. This is a similar outcome compared to Quarter 3 last financial year when 34% of decisions were allowed at appeal. The Development Committee receives a detailed analytical report on planning performance each quarter which provides further information on all appeal decisions.

c) Service Standard exceptions

There are no performance indicator exceptions for the 'Quality homes local people can afford' theme this quarter.

In addition the following service standards have been classified Amber:

- We will re-let local authority housing within 26 days (former BV212).** There is no data on what proportion of council dwellings are re-let within the service standard time. However, the *average* re-let time is 27 days which is just below the standard. This is a significant improvement compared to Quarter 3 last financial year when the average time taken to re-let local authority housing was 33 days.

- **We will process large and small scale major applications within 13 weeks (NI 157a).** 56% of major applications processed within time (15 of 27) as at 31 December 2011 which is below the national target level of 60%. This breaks down as: Large scale major = 7 out of 10 within time; Small scale major = 8 out of 17 within time.
- **We will process minor applications within 8 weeks (NI 157b).** 60% of minor applications processed within time as at 31 December 2011 which is below the national target level of 65%. This breaks down as 116 out of 192 applications within time.
- **We will process other applications within 8 weeks (NI 157c).** 79% of other applications processed within time as at 31 December 2011 which is below the national target level of 80%. This breaks down as 534 out of 675 applications within time.

d) Delivery Plan exceptions

- The commitment to maintain current levels of homelessness performance so that the overall levels of presentations do not exceed 75, and the number of acceptances does not exceed 40, has been classified Red this quarter as the level has already been exceeded (88 presentations as at Quarter 3). Babergh, in common with Council's generally have experienced unprecedented new levels of homelessness. Figures are up by 20% over the last quarter and show no signs of slowing down. These trends will be monitored and reported on further following year end. **(Action H31)**

In addition the following Delivery Plan actions have been classified Amber:

- As a result of the change of government and subsequent changes to the production of the Core Strategy and staff vacancies, there were substantial delays to the production of the Core Strategy earlier this year meaning that adoption by spring 2012 was no longer possible. A new timetable has been agreed with Members and stakeholder consultation has now commenced. Submission stage by spring 2012, with adoption by the end of the 2012 calendar year should still be achievable. **(Action H3)**
- Development of a new Housing Strategy and action plan for Council approval has been delayed as a result of integration work to ensure a joined-up approach between Babergh and Mid Suffolk. **(Action H10)**
- Work with partners to identify the housing needs of target equality groups in Babergh such as older people and those with mental health problems has been delayed for a number of reasons some beyond Babergh's control. The restructure of Adult and Community Services (ACS) at SCC and changes to the commissioning process have meant that dialogue has been put on hold temporarily until key personnel are identified to move these issues forward. **(Action H12)**
- Completion of phase 1 of the Poplar Road regeneration scheme to provide 21 homes and 6 new shops by August 2011 has slipped. It is now on course for completion by the end of March 2012. **(Action H15)**
- Assess the feasibility of establishing an accreditation scheme for both landlords and tenants – progress on the landlords' element of this action has slipped. However, a Tenancy Training toolkit has been established and sessions run with new tenants. On the tenants side we have also supported a joined up approach with some of our partner agencies who manage tenants seeking to move on into independent accommodation.

This action will form part of the new integrated approach to tenancy management and support with Mid Suffolk. **(Action H20)**

- Havebury Housing Partnership decided that the private sector leasing scheme was no longer viable and provided an unacceptable level of financial risk following the withdrawal of St Edmundsbury and Forest Heath. However, since then the Housing Panel endorsed the decision to seek new contractual arrangements and Committee recently endorsed a new agreement with Housing Action. **(Action H21)**
- The commitment to develop new protocols and ICT enhancements to enable private sector homes to be advertised and let through the Choice Based Lettings (CBL) scheme is dependent on a collective decision being reached at the CBL Steering Group. The system enhancements have been adopted. However, the group believes this process should only be introduced once partner Councils are able to establish clear systems for accrediting landlords (see action H20 above), and they are allowed to discharge their legal homeless duty through the use of PRS accommodation. **(Action H22)**
- The commitment to improve the energy efficiency of Council housing stock by installing 100 energy efficient heating systems in refurbished properties is on track to exceed the target by the end of March. However, the twin commitment to improve the insulation of 320 properties is unlikely to be met as only 118 properties have been insulated as at the end of Quarter 3 and we have virtually completed the programme where access has been granted. **(Action H27)**
- The commitment to improve the energy efficiency of private sector properties by working in partnership with Warm Front to deliver 50 heating measures has already been met with 68 completed so far. However, the twin commitment to deliver 125 insulation measures is unlikely to be met as very few insulation measures have been undertaken by Warm Front. Emphasis has now changed to undertaking insulation measures using CERT funding. Unfortunately these numbers are not available on a quarterly basis. However, it should be noted that Babergh had the third highest percentage (as a proportion of total stock) take-up regionally in the last three years through CERT funding. **(Action H28)**

3. A greener and cleaner Babergh

a) Summary of progress

The Council monitors and manages 8 strategic performance indicators and 18 key actions to deliver this priority. A summary of progress made during the period 1 April – 30 September 2011 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	4	2	1	1	0	Red = NI188 No data = NI185
Key delivery plan actions	11	4	3	0	0	Red = G14, G20, G23

b) Performance Indicator exceptions

- **Planning to adapt to Climate Change (NI 188).** The Council achieved Level 2 some time ago and set a target to achieve Level 4 by the end of March 2012. However, work against this framework is currently on-hold following the Government's decision to discontinue the National Indicator Set (i.e. NI188). Suffolk Climate Change Partnership and Suffolk County Council are due to start a new initiative on Climate Change Adaptation in the near future and both Babergh and Mid Suffolk will be partners of this project.

In addition, the following performance indicators have been classed as Amber:

- **Municipal waste landfilled (NI 193).** 60.9% of waste landfilled so far this year against an annual target of 59.5%. Performance is lower than at Q3 last year (59.2%) and is now slightly below target.
- **Percentage of non-recoverable material present by weight (LPI 22).** 3.2% of material has been non-recoverable so far this year against a target of 2.5%. Performance is slightly lower than Q3 last year (3.0%) and remains below target. Where round-specific information is available, residents are targeted to improve contamination and quality levels. Information on how improvements can be made is available from the MRF and will be used to drive up performance.

c) Delivery Plan exceptions

- The commitment to recycle 850 tonnes of trade waste is significantly below target and will not be achieved this year. 35 tonnes have been recycled out of 1,899 tonnes collected. A joint procurement with Ipswich Borough Council & Mid Suffolk is underway to provide 'dirty MRF' recycling facilities for co-mingled trade waste collections. Following presentations a service provider will be selected. **(Action G14)**
- The commitment to re-launch 'Sort It' magazine with Mid Suffolk DC to promote environmental issues such as recycling will not be met this year due to financial constraints. However, outcomes in these areas (e.g. recycling targets) remain generally on track so there is no immediate need to re-launch this publication. **(Action G20)**
- The target to achieve an 89% customer satisfaction level for street cleanliness as measured by the quarterly SERCO survey has not been met. In the latest survey wave for which data is available (Oct 2011) a satisfaction level of 82% was achieved. This was slightly below the annual mean score for 2011 of 83.5%. **(Action G23)**

In addition, the following Delivery Plan actions have been classed as Amber:

- Against a commitment to undertake 25 site surveys of land identified within the Council's Contaminated Land Strategy as 'High' or 'Medium' risk of being potentially contaminated, 15 surveys have been completed as at the end of December 2011. It is projected that 20 to 22 will have been completed by the year end which is slightly below the target. The target will be reviewed to account for the impact past work has had in changing the balance of the number of sites left in each risk category. **(Action G2)**

- Ensuring that the Council’s land and open spaces are maintained to a high standard – 69% of sites are achieving an inspection grading of ‘satisfactory’ against an annual target of 87%. Seasonal variation and a change in local contract management are the main factors accounting for this variance. The seasonal variation element should improve during the last quarter and the new contract management arrangements will also have a positive impact. Performance is predicted to improve but may still be slightly below target by the year end. **(Action G6)**
- Hold 4 seminars for builders and agents to support the construction industry to comply with the revised building regulations for the reduction of carbon emissions and management of water supply - 3 seminars have been carried out to date. **(Action G11)**
- Work with parish councils to introduce 5 new ‘bring sites’. The position at Quarter 3 is mixed. One new site has been established, but activity to progress this action further has been reduced, pending decisions on future kerbside collection services. Other potential sites have been identified as part of a Suffolk Waste Partnership project. **(Action G19)**

4. A safer and healthier Babergh

a) Summary of progress

The Council monitors and manages 2 strategic performance indicators and 13 key actions to deliver this priority. A summary of progress made during the period 1 April – 30 September 2011 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	1	0	0	1	0	No data = LPI115
Key delivery plan actions	11	1	1	0	0	Red = S4

b) Performance Indicator exceptions

There are no performance indicator exceptions for the ‘Safer and Healthier’ theme this quarter.

c) Delivery Plan exceptions

- The project to work with 125 pupils at Great Cornard Middle School to promote food safety, home hygiene and avoidance of controlled infectious diseases has not gone ahead yet and is now unlikely to happen. The demise of the Government’s Healthy Schools Scheme last March (meaning that this work is no longer mandatory) may be a factor in the lack of interest shown by the school to date despite reminders. **(Action S4)**

In addition, the following Delivery Plan actions have been classed as Amber:

- The commitment to fully implement the Designated Public Protection Order in Hadleigh and Sudbury and complete the protocol on enforcement has been delayed following consultation with the Police and Sudbury Town Council. **(Action S2)**

5. A strong and sustainable Babergh economy

a) Summary of progress

The Council monitors and manages 21 key actions to deliver this priority. A summary of progress made during the period 1 April – 30 September 2011 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Key delivery plan actions	18	0	3	0	0	Red = E12, E16, E19

b) Delivery Plan exceptions

- The commitment to work with partners and businesses to deliver a pre-apprenticeship accreditation scheme has not been progressed because the funding bid was unsuccessful. **(Action E12)**
- Work with Suffolk County Council and other partners to increase the skills and knowledge of people working in the tourism and hospitality sectors has not been achieved. No specific work has been undertaken due to the demise of Choose Suffolk earlier in the financial year. **(Action E16)**
- Hamilton Road Quarter development in Sudbury – Assembling the land required for the Hamilton Road development has now stalled due to the refusal of a key landowner to negotiate. However, the Council has secured funding through the Haven Gateway Partnership to commission a full retail analysis for the area. **(Action E19)**

6. Vibrant places and strong communities

a) Summary of progress

The Council monitors and manages 6 strategic performance indicators, 2 strategic service standards and 19 key actions to deliver this priority. A summary of progress made during the period 1 April – 30 June 2011 is given below.

	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	4	2	0	0	0	
Strategic Service Standards	1	0	1	0	0	Red = BV78b
Key delivery plan actions	14	3	2	0	0	Red = C1, C8

b) Performance Indicator exceptions

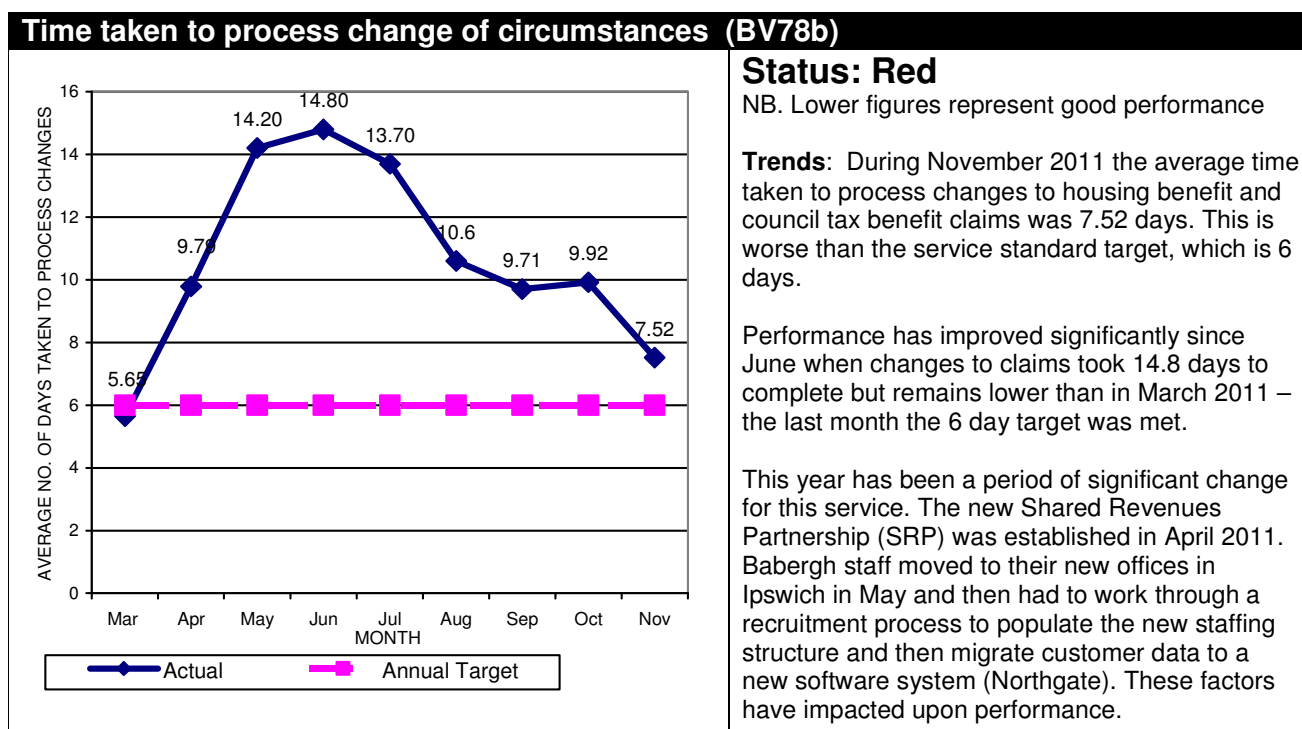
There are no performance indicator exceptions for the 'Vibrant Places and Strong Communities Theme' this quarter.

However, the following performance indicator has been flagged Amber:

- **Number of private sector homes adapted to meet the needs of older people or disabled people (LPI 9).** 18 adaptations have been completed so far this year against an annual target of 35. We are expecting at least 10 completed applications from the Home Improvement Agency to process through to approval before the end of March 2012. Currently 20 applications are outstanding and these should be coming forward in the last three months of the year or early in the new financial year. No concerns about performance.
- **The number of people achieving an accredited qualification as a result of participation in the Be Active Project or Sports Development Programme (LPI72a).** As at the end of 2011, 10 participants have achieved an accredited qualification against an annual target of 30. Qualifications completed included first aid and child protection.

c) Service Standard exceptions

- **We will process changes to existing benefit claims within 6 days (former BV78b).** There is no data available on what proportion of change claims are made within the standard time. However, the *average* time taken to process changes to housing benefit and council tax benefit claims was 7.52 days based on the November data which means the standard is still not being met for many customers. Performance has significantly improved since June 2011 when the average time was 14.8 days.



d) Delivery Plan exceptions

- Due to the changes to the Core Strategy timetable, the Planning Policy Team has not had the capacity to research and develop an action plan to identify and address the main problems faced by Babergh residents living in rural areas. This was noted previously at Quarter 2. Some useful research material is available but known issues are substantial in nature and difficult to tackle. A meaningful action plan is, therefore, a substantial undertaking requiring designated officer resources. This commitment will now be picked up as part of the work to develop joint strategic priorities and outcomes for 2012/13. It is anticipated that reducing the negative impacts of rural isolation will be a key objective for Babergh and Mid Suffolk next year. **(Action C1)**

- It has not been possible to progress plans for an Internet Café at Chelmondiston due to the lack of suitable accommodation in the village. Furthermore, the funding allocated in 2010/11 for this project is no longer available. **(Action C8)**

In addition the following Delivery Plan actions have been classified Amber:

- The tender process for a new joint community alarm service for the Mid Suffolk and Babergh area has been delayed. Temporary arrangements are in place to ensure that all Babergh customers who require a community alarm service are signposted to organisations that can provide this service. **(Action C15)**
- The commitment to work up plans for a Very Sheltered Housing scheme at Chilton Woods in Sudbury has progressed but timescales have slipped. The Chilton Woods project teams are meeting regularly and a Very Sheltered Housing scheme is currently included for the site but little progress has been made on needs data from Suffolk County Council. **(Action C16)**
- The Local Housing Needs survey highlighted a need for older person's accommodation in Cockfield. Work to identify suitable sites is on-going with Cockfield Parish Council and planners. **(Action C17)**

7. How we will deliver

a) Summary of progress

The Council monitors and manages 2 strategic performance indicators and 2 strategic service standards to deliver this priority. A summary of progress made during the period 1 April – 30 September 2011 is given below.

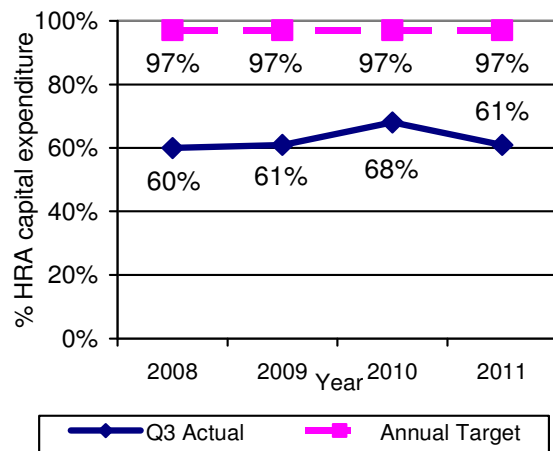
	Green	Amber	Red	No data	Contextual	Comments
Strategic PIs	1	0	1	0	0	Red = LPI12 (parts a and b)
Strategic Service Standards	2	0	0	0	0	

b) Performance Indicator exceptions

- **Percentage of capital expenditure achieved on the Housing Revenue Account and General Fund (LPI 12 parts a and b).** On the HRA 61% expenditure has been achieved so far against an annual target of 97%. The year-end estimate is 90% meaning the target will not be met this year. On the GF 28% has been achieved so far against an annual target of 89%. The year-end estimate is 74% meaning the target will not be met this year.

The scheme to construct Hadleigh Community Facilities did not commence until November 2011. The original budget for this scheme was £2,031k and £1,200k of this will be carried forward to 2012/13. The 2011/12 expenditure on Hadleigh Community Facilities will almost entirely be incurred in the last quarter of the financial year. Expenditure on capitalised redundancy costs under the capitalisation direction will also not be incurred until the final quarter of the year. The year end underspend against the original budget will be addressed in the revised General Fund capital budget.

% capital expenditure achieved on the Housing Revenue Account (LPI12a)

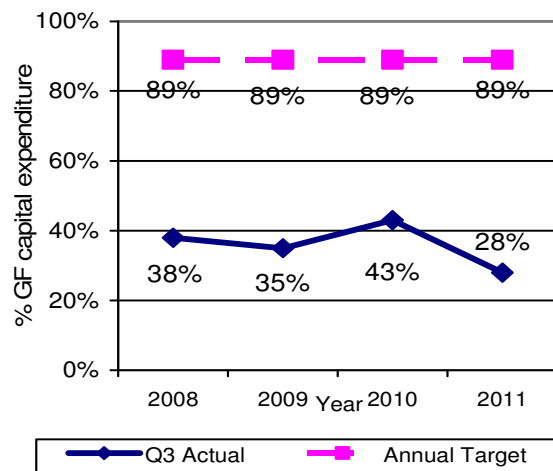


Status: Red

Trends: 61% of capital expenditure was achieved on the HRA as at 31 December 2011. This is a lower level of expenditure achieved compared to quarter 3 last year when 68% had been achieved.

Lead officer: Ryan Jones

% capital expenditure achieved on the General Fund (LPI12b)



Status: Red

Trends: 28% of capital expenditure was achieved on the HRA as at 31 December 2011. This is a significantly lower level of expenditure achieved compared to quarter 3 last year when 43% had been achieved.

Lead officer: Barry Hunter / Ryan Jones

c) Service Standard exceptions

There are no service standard exceptions for the 'How We Will Deliver' theme this quarter.

8. Commitments for which there is no Quarter 3 data or information available at the time of publication

a) Performance Indicators

NI 185 – CO₂ reduction from Local Authority operations. (This indicator can only be reported after the year end. 2010/11 outcome is available)

LPI115 –Number of incidents of criminal damage / serious public order offences in hotspot areas. (Awaiting data from Suffolk County Council Research team)

b) Service Standards

None

c) Delivery Plan actions

H30 – Determine discretionary housing payments within 24 hours where the outcome may prevent a household becoming homeless

(The Shared Revenues Partnership does not currently monitor the number of discretionary housing payments made within 24 hours where the outcome may prevent a household becoming homeless)

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APPENDIX B

Significant Business Risks – Key messages/issues since the last risk review

Risk	Key Messages/Issues
Risk 1 – Political and Managerial Leadership	<ul style="list-style-type: none"> • JMIB updated in February 2012 on the progress and issues associated with the project to develop a joint approach to strategic planning across both Councils. The development process will provide the Councils with a clear basis for the creation of integrated service structures, resource allocation and business planning for 2012/13. • Report presented to JMIB in February 2012 to consider how the future provision of back office and support function services should be approached. • A shared Management Team has now been recruited following approval of the last two appointments by both Councils. • Formal consultation on the Tier 4 staff proposals has begun supported by a number of staff briefings. • This will be followed by the rest of the organisation and the changes that need to link to the Tier 4 structure. • Work is well progressed on a joint job evaluation and grading structure for all posts in the integrated organisation from 2012/13. • See also Appendix C - 'Senior Management Leadership and Culture' under the Significant Progress heading.
<i>Risk 2 – Efficiencies and Savings (Rolling 3 Year Time Frame)</i>	<ul style="list-style-type: none"> • Budget approved for 2012/13. Budget savings of £1.3m including additional income generation proposals identified and agreed. • Still a major challenge to deliver total savings of £3.5m over the next 3 years. • Council Tax increase helps to some extent.

<p>Risk 3a – Shared Services – Integration with Mid Suffolk</p>	<ul style="list-style-type: none"> • Project risks with risk rating and mitigation measures have been captured within the BMI Implementation Plan and Risk Register. • Monitoring of these risks is done quarterly by the JMIB. Refer to Appendix C – BMI Risk Update presented to JMIB in February 2012.
<p>Risk 3b – Other Shared Services</p>	<ul style="list-style-type: none"> • Officers continuing to consider further opportunities for other shared services/collaboration (i.e. other than Mid Suffolk) on the basis that in all cases a joint approach with Mid Suffolk would always be considered as the preferred way forward. • See also Risk 1, re future provision of back office and support function services. • Other examples include waste services – see further information on Risk 5 - Partnerships below.
<p>Risk 4 - Capacity</p>	<ul style="list-style-type: none"> • Ongoing lunch-time drop-in sessions for staff to ask questions on integration/transformation matters. • The development of a critical path and action plan for the integration of ICT systems and services was presented to the JMIB in February 2012. • Refer to Appendix C - BMI Risk Update under 'ICT/Information Management'.
<p>Risk 5 – Partnerships</p>	<ul style="list-style-type: none"> • Babergh withdrew from the West Suffolk LSP in December 2011. A Member was appointed to serve on the newly created LSP covering Babergh and Mid Suffolk districts as approved by the Strategy Committee in November 2011. • The Overview and Scrutiny (Community Services) Committee to undertake a review of the effectiveness of the new partnership arrangements during 2012. • A joint waste approach for the procurement of waste transfer and recycle marketing services for all of the Suffolk Waste Partnership authorities was approved by the Strategy Committee in November 2011.

<p>Risk 6 – Performance and Cost Management</p>	<ul style="list-style-type: none"> • JMIB updated in February 2012 on the progress for developing the format and content for the proposed performance management arrangements for 2012/13. This will include the specific nature of the Delivery Plan and Balanced Scorecards and the proposed joint reporting arrangements. • Work is currently on track with Heads of Service supported by corporate staff and their respective teams reviewing a draft set of objectives for each priority, coordinating and developing supporting outcomes and identifying relevant performance and risk measures. • Ongoing scrutiny and management of costs to be a fundamental part of the financial management arrangements of the integrated teams.
<p>Risk 7 – Localism and Community Engagement</p>	<ul style="list-style-type: none"> • Continued monitoring and interpretation of legislation and guidance on localism and Big Society, including engagement with partners such as Voluntary Community Organisations as appropriate and necessary. • Head of Communities post established in new integrated structure to lead on Localism and Community Engagement. • It is the intention that Tier 4 posts should also carry out specific responsibility for working across 'Place' and 'People' regardless of their operational duties. This will provide the necessary overlap between staff and the communities and Members they serve. • The proposed structure for Tier 4 officers includes the following posts; Strong Communities Lead; Healthy Communities Lead; and Safe Communities Lead. These posts report to the Head of Communities and show the commitment both Councils have towards engaging and understanding local needs.

BMI Risk Summary Update – Key Messages and Issues

Risk Ref. as shown on BMI risk register	BMI risk description/issues
New Risks	
ICT/Information Management – ICT 4	Delays in joining software applications will lead to teams having to use separate BDC/MSDC systems in the short term, resulting in efficiencies not being realised as early as possible. The ICT delivery stream will undertake an initial requirements-gathering exercise by meeting with HoS and other senior managers to discuss timescales and a programme of software integration by 31 March 12.
Financial Matters – F12	An effective approach to managing budgets for Heads of Service and Managers in the integrated structure is needed to ensure accurate monitoring and reporting across the two Councils. A mechanism and approach for use in 2012/13 will be in place by April 2012.
Financial Matters – F13	A protocol for cost and income sharing needs to be established for use regarding the 2011/12 accounts by April 2012. Discussions are taking place with external auditors on the principles for 2012/13 onwards.
Significant Progress	
Staff integration	Appointments to all Heads of Service have been completed. Appointments to last two Director posts have been made .
Project management	Transformation and Integration Plan (TIP) to replace Project Implementation Plan (PIP). The TIP will provide a clearer more focussed approach in identifying and implementing critical decisions to ensure maximum benefits of transformation and integration are realised.
Significant Progress cont'd	
Staff Integration/HR	Appointment of SMT. Tier 4 pre-consultation has now closed. Plan is to have Tier 4 appointments in place on 1 st May 2012. An action line of the actions needed and timescale to make this happen have been communicated to all staff across both Councils. Work is underway to develop a new pay and grading structure for all posts in the integrated organisation.
Accommodation and Facilities	A draft divisional layout for both buildings, with options, has been produced which will be presented to MT in March for their consideration.

Contracts	A discussion paper on the way forward for procurement in the new structure for BDC and MSDC was presented to the Procurement Task Group in January 2012. The paper reported on a number of initiatives that are currently being undertaken or planned.
CSD Partnership	Option appraisal being conducted on what services should form part of the back office contract.
Senior Management Leadership and Culture	A series of learning and development opportunities have been offered to all staff. Recognised need to support, through team building, the development of a management and leadership style that will facilitate high performance, creativity and empowerment of staff. A training and development plan for all staff will be developed and implemented from April 2012.
Increased risk scores	
ICT/Information Management – ICT 3	The risk score for ICT1 <i>Failure to adequately prepare for the ICT delivery options – post 2014 should BDC/MSDC decide not to align with SCC</i> has increased in recognition of the high impact that this could have on service delivery.
Risks Archived since last update (August 11)	
Financial Matters – F10	<i>Slippage in appointing the Top Team impacts on the financial assumptions made in the business case.</i> The final appointments have been made (subject to ratification by each council).
ICT/Information Management – ICT2	<i>Cloud computing is not a viable option post June 2014 as a means of providing an alternative platform.</i> This risk is now covered within the ICT action plan (Task ICT1).

APPENDIX D

FINANCIAL INFORMATION - QUARTER THREE

1. General Fund

- 1.1. Salary and related costs are anticipated to be in the region of £150k lower than the original budget, which demonstrates the very proactive approach that has been taken on vacancy management.
- 1.2. In addition, further modest savings and additional income are anticipated. For example, income from land charges continues to be higher than anticipated showing a favourable variance of £20k.
- 1.3. Babergh Matters has not been published this year generating a saving of £41k but this likely to be subject to a request to carry over budget into 2012/13.
- 1.4. Additional investment income is expected to be achieved of around £11k, despite interest rates remaining low. This is as a result of more surplus funds being available during the year to invest.
- 1.5. Conversely, there are some additional cost pressures, including an additional contribution to South Suffolk Leisure of £25k to cover increased energy costs.
- 1.6. Building control income is expected to be lower than budget due to the continuing economic downturn.
- 1.7. The revised outturn position is, however, likely to achieve an overall saving compared to budget. The final outturn position will be reported to Members in Q4 and as part of the year end outturn report.
- 1.8. Major variances are summarised in the table below:

Key General Fund Variances		2011/12	
Description	Original Budget	Revised Forecast	Budget Change
	£000	£000	£000
Salaries	7,484	7,335	-149
Land Charges Income	-160	-180	-20
SSL Management Fee - Hadleigh Pool & Kingfisher LC	171	196	25
Babergh Response Income	-111	-76	35
Babergh Matters	41	0	-41
Building Control Income	-427	-380	47
Building Control Commercial Income	-48	-23	25
Saving			-78

2. Housing Revenue Account

- 2.1. The forecast deficit is expected to increase by around £95k which reflects a number of variances in income and expenditure for the year, including carry forwards from 2010/11 of £55k for housing reform and £10k towards redundancy costs. This deficit is acceptable and manageable as reserves were higher at the start of the year than previously anticipated.
- 2.2. An overall saving in salary costs is also being achieved in the HRA by the close monitoring of staffing costs and vacancy management. A modest saving is likely for sheltered scheme salaries.
- 2.3. The forecast reduction in rental income is due to a number of vacant properties that required major works prior to being relet. In addition, there are increased costs payable in Housing Subsidy of £40k.
- 2.4. An increase in the budget of £114k has been included in the revised budget for responsive repairs which is a demand led service. An increase in the cost of the 'whole house servicing' contract has also impacted on this budget. Other maintenance budgets have been reduced or reallocated to cover these additional costs.
- 2.5. A comparison of key aspects of the original budget, including carry forwards, and revised forecast is provided below:

HOUSING REVENUE ACCOUNT				
	2011/12 Original Budget - including carry forwards £000	2011/12 Revised Forecast £000	Budget Change/ Forecast £000	Comments
Income - rents and charges (less voids)	-14,348	-14,198	150	Reduced income on housing and garage rents, voids management.
Tenancy changes (void properties)	456	466	10	Additional budget allocated within the overall repairs budgets.
Repair Request from tenants	898	1012	114	Budgets transferred to support additional expenditure
Special Items – Repairs	211	150	-61	Budgets transferred to support additional expenditure on responsive repairs
Painting and Pre-paint repairs	326	297	-29	Budgets transferred to support additional expenditure on responsive repairs
Sheltered Scheme Salaries	197	186	-11	Small saving likely to be achieved
Energy Costs	228	229	1	Close monitoring of energy costs will continue throughout the year
HRA Subsidy	5,390	5,430	40	Final adjustment subject to debt settlement interest arrangements
Other Including staff savings			-19	Close monitoring of all budgets is continuing
Capital charges			-100	Related to financing of capital expenditure
Additional Cost			95	Additional deficit

CAPITAL BUDGET MONITORING QUARTER 3

Capital Expenditure 2011/12

The position on the major schemes is summarised in the table below:

Scheme	Original Budget plus carry forwards £000	Revised Budget £000	Difference £000
Enhancement of Kingfisher Facilities	549	707	158
Hadleigh Community Facilities	2,031	998	-1,033
Green Waste Enhancements	135	135	0
Carbon Reduction Programme	118	118	0
Private Sector Renewal Grants	346	289	-57
Affordable Housing	293	263	-30
ICT / Information Management	213	138	-75
Mid Suffolk Integration & Transformation	384	839	455
Community Development Grants	236	337	101
Other Schemes	359	345	-14
General Fund Capital Programme	4,664	4,169	-495
Housing Revenue Account Capital Programme	3,478	3,278	-200

Contract and Asset Management

1. **Enhancement of Kingfisher Facilities** – (original budget £549k) this scheme commenced on 22/08/11 and the new facility opened on 11th February 2012. The additional budget of £158k is to be financed from S106 monies. The increase in the budget is due to the tender value as received, additional related fees, provision of furniture and additional works ordered during construction.
2. **Hadleigh Community Facilities** (original budget £2,031k) commenced on 14th November 2011 with an anticipated completion date of the end of September 2012. £1.033m of this budget will be carried forward to 2012/13. The key issues leading to the delay in commencing the scheme were service diversions and acoustic requirements linked to the planning permission.
3. **Green Waste Enhancement** (replacement refuse vehicle – budget £135k) – the vehicle is to be ordered by the end of February with delivery expected in Qtr 1 2012/13.

4. **Carbon Reduction Programme** (budget £118k) – much of this budget is being spent on the Kingfisher Leisure Centre and Hadleigh Community Facilities as the work is carried out on these schemes. The budget should all be spent in 2011/12.

Private Sector Housing

5. **Private Sector Renewal Grants** (original budget £346k). To date there has been a lower level of demand from eligible applicants. A number of disabled facilities grant referrals are currently with the Home Improvement Agency for assessment and cannot be progressed until this assessment has been completed. Contact is being made with the Home Improvement Agency to expedite these referrals.
6. **Affordable Housing** (budget £293k) – £263k of this budget is expected to be spent in 2011/12. The remaining £30k will be carried forward and allocated to schemes that will be completed in future years.

ICT / Information Management

7. The total original budget for ICT / Information Management for 2011/12 of £335k included £148k for schemes arising from the integration between Babergh and Mid Suffolk. The progress with the staff integration and the resulting changes to ICT service delivery are such that £82k of this expenditure will now take place in 2012/13.

Communities

8. The budget has been increased for community development grants to utilise S106 monies of around £100k for the provision of funding towards the Community Transport Scheme. This scheme is for people who have difficulty accessing public transport between Sudbury and the surrounding areas.

Mid Suffolk Integration and Transformation

9. The original budget for capitalised redundancy costs has been increased from £200k to a revised budget of £750k as agreed with CLG. The extent to which this is spent will depend on actual redundancy costs for the year.

HRA

10. It will be necessary to transfer budgets between budget headings where higher priority needs have arisen. For example increasing budgets for disabled adaptations and rewiring works and reducing budgets elsewhere. It is likely that there will be an overall underspend of approximately £200k spread over several budget areas.

Capital Receipts

11. Capital receipts of £175k are now likely against a revised budget of £150k (original budget £2m).

Anticipated capital receipts are summarised in the table below:

	Original Budget £'000	Revised Budget £'000	Difference £'000
Right to Buy Sales	100	100	
East House	850		-850
Ransom Strip, Bures	50	50	
Tesco	850		-850
Windfall	150		-150
Total	2,000	150	-1,850

1. **Right to Buy Sales** (net of pooling) (budget £100k) – this budget was been fully achieved at the end of quarter 3. It is anticipated that the total net receipts for the year will be £125k.
2. **East House** (budget £850k) – due to delays in the planning process, the capital receipt will not be received 2011/12 but is expected to be received mid 2012.
3. **Ransom Strip, Bures** (budget £50k) – this is dependant on planning permission but is likely to be received in 2011/12.
4. **Tesco** (budget £850k) – this receipt will not be received in 2011/12. The planning application from Tesco was refused in July. At this stage it is not clear what future action Tesco will take and the eventual timing of any capital receipt will depend on Tesco's course of action.
5. **Windfall** (budget £150k) – this is unlikely to be achieved.

TREASURY MANAGEMENT REPORT QUARTER 3

1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 (revised by CIPFA in November 2011) recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with the Code.
- 1.2 In addition to reporting on risk management related to treasury activities, the Code also requires the Council to report on any financial instruments entered into to manage treasury risks.

2. The Economy and Events in Quarter 3

- 2.1 The quarter was dominated by the escalation of the sovereign debt crisis in the Eurozone which, despite several summits by heads of state, avoided tough decisions and workable plans desperately required to address their fundamental fiscal, economic and financial problems of overburdened sovereign balance sheets.

3. Debt Management Quarter 3

- There was no change in external debt position during the quarter and this is maintained at £5.9m. The debt repaid reflects repayment of principal for EIP loans.

	Balance on 01/04/2011 £000	Debt Maturing £000	Debt Repaid £000	New Borrowing £000	Balance on 31/12/2011 £000	Increase/ Decrease in Borrowing £000
Short Term Borrowing	-	-	-	-	-	-
Long Term Borrowing	3,000	-	(100)	3,000	5,900	2,900
TOTAL BORROWING	3,000	-	(100)	3,000	5,900	2,900
Average Rate %	2.63%	-		2.88%	2.77%	

- PWLB Borrowing**
The PWLB remains the main source of borrowing for the Council as it offers flexibility and control.

4. Investment Activity Quarter 3 and Compliance

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

	Balance on 01/04/2011 £000s	Investments Made £000s	Investments Repaid £000s	Balance on 31/12/2011 £000s
Short Term Investments	3,908	98,880	(90,417)	12,371
Long Term Investments	-	-	-	-
TOTAL INVESTMENTS	3,908	98,880	(90,417)	12,371

- 4.2 No investments were made for a period greater than 364 days during this period and currently the maximum period for investments is 3 months.
- 4.3 Security of capital has remained the Council's main investment objective and is maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2011/12.
- 4.4 Counterparty credit quality is assessed and monitored with reference to the following:
- Credit Ratings (the Council's minimum long-term counterparty rating of A+ (or equivalent) across rating agencies Fitch, S&P and Moody's);
 - credit default swaps;
 - GDP of the country in which the institution operates;
 - the country's net debt as a percentage of GDP;
 - sovereign support mechanisms /potential support from a well-resourced parent institution.

Credit Risk

- 4.5 Counterparty credit quality has been maintained throughout the year, as can be demonstrated by the Credit Score Analysis summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2011	2.43	AA+	2.89	AA
30/06/2011	3.84	AA-	3.13	AA
30/09/2011	3.04	AA	4.19	AA-
31/12/2011	2.81	AA	4.27	AA-

- 4.6 A credit risk score of 5 or lower reflects the Council's current investment approach to focus on security. The highest rating is AAA and currently the Council's minimum criteria is A+.

- 4.7 The Value Weighted Average reflects the credit quality of the investment according to size of the deposit. The Time Weighted Average reflects the credit quality of investments according to the maturity of the deposit. The score increased during the year as the majority of investments held were with UK banks maturing in January and February rather than with AAA rated investment sources such as other local authorities. This is further in 4.9 below.

Counterparty Update:

- 4.8 The ratings of most of the UK banks, Nationwide Building Society and non-UK banks were either downgraded or placed on review for possible downgrade. For the UK banks, the downgrades largely reflected the reassessment by the agencies of the extent of future systemic support that would be forthcoming from the sovereign. For Eurozone banks, the worsening sovereign debt crisis and poor growth outlook led to pressure on sovereign ratings and consequently on bank ratings.
- 4.9 The downgrades resulted in the long-term rating of several UK institutions (Barclays, NatWest/RBS, Bank of Scotland/Lloyds TSB Bank, Clydesdale Bank and Nationwide BS) falling below the Council's minimum criteria of A+. Even though there are no solvency issues with these institutions, they have been temporarily suspended as counterparties for new investments until a revision to the minimum credit criteria has been considered and approved by full Council. At the time of writing this report the Council is in the process of revising credit rating criteria for 2012/13 as part of its treasury management strategy.

Budgeted Income and Outturn

- 4.10 The UK Bank Rate has been maintained at 0.5% since March 2009 and not expected to rise until 2014/2015. The Council anticipates an investment outturn of £69k for the whole year against a budget of £61k.

Housing Reform

- 4.11 During Q3 the Localism Bill received Royal Assent, and as a consequence draft self-financing determinations were issued by CLG. Self-financing involves a removal of the housing subsidy system by offering a one-off reallocation of debt. The settlement of the reallocation is expected to take place in Q4 on 28th March 2012 and will result in the Council having an increase in debt to fund the settlement of £84m. The specific borrowing amount and terms have been determined by the Authority in conjunction with the advice of its treasury advisers. The Council is working with Housing, housing consultants and its treasury advisors to prepare for the transaction.

5. Compliance with Prudential Indicators

- 5.1 The Council can confirm that it has complied with its Prudential Indicators for 2011/12, which were set in February 2011 as part of the Council's Treasury Management Strategy 2011/12 (K190A). This document can be accessed through the following link: <http://www.babergh.gov.uk>.
- 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 £90m for 2011/12 (to allow for additional borrowing for Housing Reform).
 - 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 2011/12 was set at £88m.
 - The Director of Finance confirms that there have been no breaches of the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £6m.

6. 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 up to and including the third quarter of 2011/12. 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.