



**Report to:** Cabinet

**Subject:** Performance Plan and Budget Outturn 2004/05

**Date:** 11 July 2005

**Author:** Senior Management Team

1. **Purpose of the Report**

- 1.1 This report presents the Performance Plan and Budget Outturn for 2004/05. The outturn reports, grouped by Portfolio, are attached at Appendix 1.
- 1.2 Cabinet are asked to note the final outturn position and to recommend to Council the method of financing the 2004/2005 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989.

2. **Performance Plan**

- 2.1 The Performance Information section for each Portfolio included in Appendix 1 includes details of achievement against Improvement Tasks and Performance Indicators for 2004/05.
- 2.2 Each task and indicator has been allocated a priority weighting of 1,2 or 3, where: -
- 1 = A task or indicator central to delivery of the Council's three priorities and/or central to the CPA Improvement Plan.
  - 2 = A task or indicator that measures the overall "health" of the Council, such as council tax collection, sickness rates, planning applications etc.
  - 3 = All other tasks and indicators.
- 2.3 Achievement against each task and indicator is measured by a "traffic light" system (the "Status" column on the forms). This uses the letters (R)ed, (A)mbler and (G)reen to assess progress where: -

- G = Task or indicator is on target.
- A = There is slight slippage against the target for the task or indicator but it is expected that the target will be secured in line with the target date, with appropriate minor adjustments to resourcing as required.
- R = There is significant slippage against the task or target and it is unlikely that the original target will be secured without a shift in resources. In some cases, the target may need to be changed.

2.4 To be assessed as Green at the end of the fourth quarter (i.e. end of year): -

- An Improvement Task must be completed, or be on target compared with where it should be if the project straddles more than one financial year, as set out in its Project Plan.
- A performance indicator must be in line with target for the year.

2.5 Explanations are included for any tasks or indicators assessed at Amber or Red.

2.6 Where Cabinet has previously agreed an amendment to a target date, progress is assessed against the amended date rather than the original date.

2.7 For those assessed as Red, recommendations for changes to targets are also included where these are felt to be necessary. Reasons are included in Appendix 1 alongside the recommendations - the recommendations are also set out below for members' consideration.

<b>Portfolio Area</b>	<b>Task</b>	<b>Original Target</b>	<b>Proposed Revised Target</b>
<b>Direct Services and Property</b>	Implement new communications and vehicle tracking/navigation system in all vehicles	October 2004	October 2005
<b>E-government and Members</b>	Develop and enhance web site to provide electronic service delivery and comply with Best Value Practice	March 2005	December 2005
<b>E-government and Members</b>	CAPs - development to continue to include Land Charges links and enable new monitoring requirements in respect of local plan policies.	March 2005	March 2006
<b>E-government and Members</b>	Establish over-arching ICT Strategy to provide a direction for future investments in ICT taking into account external requirements and internal needs	March 2005	October 2005
<b>Leader</b>	Establish a process by which the Council can learn and share successes and failures for future improvements	Mar 2005	October 2005

2.8 Where tasks have extended beyond 31 March 2005, they have been incorporated in 2005/06 Service Plans for the relevant department.

### 3. Capital Outturn 2004/05

- 3.1 Provisional Capital outturn figures for 2004/2005 and capital budgets to be carried forward to 2005/2006 were reported to Cabinet on 2 June 2005. There have been no changes to the capital outturn since the June report, however a minor amendment has been made to the capital carry forwards approved by the Head of Finance reducing them by £10,000.
- 3.2 A summary of the final capital outturn is presented in the table below. The final capital outturn totals £5,838,216 compared to an approved budget of £8,978,600. This represents an underspending of £3,140,384 against which the requested carry forwards into 2005/06 total £3,058,100. Details of the outturn for individual schemes by Portfolio area are included at Appendix 1.

<b>Portfolio</b>	<b>Revised Estimate 2004/2005 £</b>	<b>Final Outturn 2004/2005 £</b>	<b>Variation £</b>	<b>Carry Forward £</b>
Leader	311,700	<b>183,943</b>	(127,757)	120,700
Development & Econ Regen	28,400	<b>28,400</b>	0	0
Agenda 21, Crime & Community Development	0	<b>0</b>	0	0
E-Govt, Member & Property	455,500	<b>146,212</b>	(309,288)	314,500
Direct Services	1,072,300	<b>819,904</b>	(252,396)	254,600
Leisure	2,339,300	<b>1,088,665</b>	(1,250,635)	1,168,000
Finance	92,400	<b>64,414</b>	(27,986)	28,000
<b>Sub Total</b>	<b>4,299,600</b>	<b>2,331,538</b>	<b>(1,968,062)</b>	<b>1,885,800</b>
Housing Investment Programme	4,679,000	<b>3,506,678</b>	(1,172,322)	1,172,300
<b>Value requiring Capital Financing</b>	<b>8,978,600</b>	<b>5,838,216</b>	<b>(3,140,384)</b>	<b>3,058,100</b>

### 3.3 Capital Financing 2004/2005

- 3.3.1 With effect from 2004/05 it is required that capital expenditure be financed on the basis of the value of works completed rather than actual invoices paid as required previously. Therefore, expenditure has been adjusted for the outstanding 2003/04 capital creditors (i.e. work completed in one year but not paid for until the next) to arrive at the amount to be financed in 2004/05. Details are given below:

	£
Final Capital Outturn 2004/2005	5,838,216
Add 2003/04 Capital Creditors brought forward	558,530
Capital value to be financed	<u>6,396,746</u>

3.3.2 Appendix 2 sets out the proposed method of financing this £6,396,746. It shows that after applying external capital resources, contributions from the HRA and General Fund approved for specific schemes, and use of some of the available usable capital receipts, the programme is fully funded.

3.3.3 In 2004/05 the Council had available a Major Repairs Allowance, which can only be used to finance investment in housing stock, of £2,530,221 (including the carry forward from 2003/04). It is proposed that £2,517,825 of this be used to finance expenditure in 2004/05. The remaining balance of £12,396 will be carried forward in the Major Repairs Reserve to finance part of the capital carry forwards.

#### 3.4 **Capital Determinations 2004/2005**

3.4.1 The Local Government and Housing Act 1989 requires each Local Authority to determine how its capital expenditure has been financed together with the amounts set aside from revenue as provision for credit liabilities (repayment of debt).

3.4.2 (i) Section 42(2)(g) of the Local Government and Housing Act 1989 requires the Authority to determine the amount of expenditure which has been met out of money provided by other persons. This is:

	£
Capital grants receivable	184,000
Capital contributions	279,153

(ii) Section 60(2) of the Act requires the Authority to determine the amount of usable capital receipts to be applied to meet expenditure incurred for capital purposes for 2004/2005. This figure is £2,842,268.

3.4.3 In addition to these determinations relating to the funding of the Capital Programme, Section 63(1) of the Local Government and Housing Act requires the Authority to determine the amounts set aside from revenue accounts as provision for credit liabilities. These are calculated in accordance with statutory formulas and for 2004/2005 the amounts are £167,198 for the General Fund and £NIL for Housing.

#### 4. Revenue Outturn 2004/05

4.1 The actual net expenditure for the General Fund and the Housing Revenue Account for 2004/05 is detailed in Appendix 1 for each Portfolio area together with explanations of major variances in expenditure / income.

#### 4.2 Summary General Fund Outturn

4.2.1 The table below summarises the actual net expenditure for each of the main General Fund Portfolios in 2004/05 compared to the latest revised estimate approved by Cabinet in February 2005. This shows an overall underspending across the council of £157,748 or 1.4% after accounting for approved budget carry forwards of £475,500.

<b>Portfolio</b>	<b>Total Estimate 2004/05 £</b>	<b>Actual Expenditure 2004/05 £</b>	<b>Carry Forward 2004/05 £</b>	<b>Variance 2004/05 £</b>
Leader	2,186,400	2,235,974	41,300	90,874
Agenda 21 Crime & Comm Dev	1,029,900	1,079,715	2,100	51,915
E-Govt Member & Property Services	95,200	0	183,400	88,200
Dev & Econ Regeneration	439,700	305,852	6,100	(127,748)
Direct Services	4,250,300	4,767,938	22,700	540,337
Housing Gen Fund	894,200	501,273	50,100	(342,827)
Leisure Services	2,672,500	3,471,350	79,700	878,552
Finance	(150,100)	(1,577,250)	90,100	(1,337,150)
<b>Total</b>	<b>11,418,100</b>	<b>10,784,852</b>	<b>475,500</b>	<b>(157,748)</b>

The outturn expenditure results in a contribution to balances of £222,056 compared with a revised estimate of contribution from balances of £411,192. This results in an addition to available balances of £157,748 after accounting for revenue budget carry forwards of £475,500.

#### 4.2.2 Summary of Major General Fund Variances

Gross variances from budget have been offset by carry forward requests which are reflected in those schemes which are continuing into 2005/2006. The full list of approved revenue carry forwards, including the Housing Revenue Account, is included at Appendix 3 for information.

Other major variances are analysed as follows:

#### 4.2.3 Employee Related Expenses

##### Implementation of FRS 17, Retirement Benefits

The 2003 Code of Practice on Local Authority Accounting requires full recognition of the Financial Reporting Standard for Retirement Benefits – FRS17, from 1 April 2003. The objectives of FRS 17 are to ensure that:

- financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations;
- the operating cost of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise; and
- the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

Authorities have generally made charges to revenue accounts based on employer's pension contributions payable and payments to pensioners in the year rather than benefits entitlements earned by employees as required by FRS 17. Therefore, adjustments have been made to the Service Revenue Accounts total costs of services to remove the actual pension contributions payable and replace them with benefit entitlements earned. Further entries to the revenue accounts have been required to reflect the movements in assets and liabilities during the year together with reconciling entries back to the contributions payable for council tax purposes i.e. FRS 17 are currently accounting entries which do not impact upon the budget requirement and the amount due to be raised by council tax.

#### 4.2.4 Other Expenditure

Additional expenditure has arisen in some services, the most significant of which include the additional cost of Concessionary Fares, increased contributions to the bad debt provision, overspend on Depot repairs and maintenance and additional repairs at Arnold Leisure Centre Pool. Direct Services charges to Refuse Collection, Street Cleansing and Highways have increased, largely due to sickness and holiday cover and increased vehicle costs.

Some reductions in expenditure have been achieved and include, for example, reduced Carlton Forum gas supplies, postage expenses and external audit fees.

#### 4.2.5 Central Support Recharges

As part of the new revised budget process, any virements, supplements and quarterly Cabinet approved changes to the 2004/05 budget relating to Central and Administrative Departments were not recharged to Service Department budgets as was the case in previous years. However, the actual expenditure incurred has been recharged to the Service Departments as part of the year end Central Support allocations and therefore where budget amendments have occurred this will show as a variance on the outturn statements included at Appendix 1.

#### 4.2.6 Asset Rentals – Impact of Asset Revaluations

A number of the Council's fixed assets were revalued during 2004/05 in accordance with the rolling programme of valuations over 5 years. This resulted in some large increases in the balance sheet value of some assets, in particular, public offices and the recognition of development land sites. The increases in value, as at 1 April 2004, have resulted in increased charges to the revenue accounts for assets rentals which consist of notional interest charges and depreciation.

These entries have no impact on the budget requirement and the amount to be raised by council tax.

#### 4.2.7 Asset Rentals – Accounting For Deferred Charges

Some capital expenditure which the Authority incurs does not result in the creation of a fixed asset e.g. Housing Improvement Grants. It is required that this expenditure is written out of the balance sheet by writing it off to the appropriate service revenue account on the basis of the benefit obtained by the service from the expenditure.

During 2003/04 there was a change in accounting policy for Deferred Charges which requires them to be written off in the same year as the expenditure is incurred whereas previously they were written off in the year following expenditure. Therefore, expenditure incurred during 2003/04 was charged to the revenue account in 2003/04 instead of 2004/05. The estimates for 2004/05 reflect the anticipated charges prior to the change in accounting policy i.e. they reflect the 2003/04 charges that were expected to be written off in 2004/05 and therefore variances have occurred in the revenue outturn.

These entries have no impact on the budget requirement and the amount to be raised by council tax.

#### 4.2.8 Asset Rentals – Impairment Charges

During each financial year the value of the assets in the Council's balance sheet is reviewed and if there is reason to believe that the valuation has changed materially in the period, it is adjusted accordingly. If a reduction in value (impairment) has occurred, for example, due to physical damage, the



loss is recognised in the service revenue account.

During 2004/05 a number of assets were found to have suffered an impairment loss due to the asset depreciating at a faster rate than was predicted at the last valuation. Therefore, the relevant service revenue accounts have been charged with an impairment loss. These entries are offset within the Financing Budgets in Finance Portfolio and therefore have no impact on the budget requirement and the amount to be raised by council tax.

#### **Impairment Charges to Service Revenue Accounts 2004/05**

<b>Service/Asset Impaired</b>	<b>Impairment Charge 2004/05</b>
	£
<b><u>Assets Depreciating Faster Than Expected</u></b>	
Leisure – Arnot Hill Park Lodge	56,709
Leisure - Arnold Leisure Centre	508,014
Leisure – Richard Herrod Leisure Centre	507,844
<b><u>Total Impairment Charges</u></b>	<b>1,072,567</b>

Impairment charges in respect of assets depreciating at a faster rate than expected may indicate areas where the investment in ongoing maintenance is not at a sufficient level to obtain the optimum useful life of the asset. This issue will need to be examined as part of the Council's Asset Management Planning process.

#### 4.2.9 Additional Income

Additional income has been generated over a number of services the main areas being:

- Planning Fees (£57,300)
- Council Tax Summons (£69,000)
- Cemeteries Income (£28,300)
- Recycling Credits (£24,300)
- Investment Interest (£21,500)

This additional income has been partly offset by reductions in income for Land Charges £22,200 and Leisure Centres £25,900.

4.3 Appendix 4 summarises the movement in the Council's General Fund balances and total General Fund reserves during 2004/05. General Fund balances have increased from an opening figure of £1,873,000 to a closing balance of £2,095,000. This closing balance compares with a revised estimate figure of £1,462,000.

The 2004/05 outturn position means that the estimated General Fund balance at 31 March 2006 is now £1,396,000 compared with an original estimate of £1,267,000. Overall General Fund reserves as at 31 March 2005 including all earmarked reserves total £2,720,000 against an estimated figure of £2,399,000 an increase of £321,000. Movement in specific reserves are shown in Appendix 4.

#### 4.4 Housing Revenue Account Outturn

The balance on the Housing Revenue Account at the end of 2004/05 was £804,668 against an estimated balance of £569,300. After taking account of carry forwards of £39,100 this represents an increase in balances of £196,268 or 34.5%. The increase has mainly occurred because of additional income from service charges and rents due to a reduction in house sales, interest on investments and balances, a reduction in subsidy repaid to the ODPM, and underspendings in housing repairs, general management and special services partially offset by an increase in bad debts provision. The Housing Revenue Account summary together with an explanation of variances is attached at Appendix 1.

#### 4. Recommendations

##### 4.1 Members are asked to:

- (i) Note the Performance Plan and Budget outturn figures for 2004/2005.
- (ii) **RECOMMEND** that Council approve:
  - (a) The overall method of financing 2004/2005 capital expenditure as set out in Appendix 2 of the report.
  - (b) The capital determinations in Sections 3.4.2 and 3.4.3 of the report.