



Report to: Cabinet

Subject: Performance Plan and Budget Outturn 2005/06

Date: 15 June 2006

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1. Purpose of the Report

- 1.1 This report presents the Performance Plan and Budget Outturn for 2005/06. 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 2005/2006 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989.

2. FINANCIAL OVERVIEW

- 2.1. Financial out-turn for 2005/2006 shows the Council underspending against Capital, General Fund and Housing Revenue Account budgets. Although underspends are generally viewed more positively than an overspend they will still represent under performance against the Council's plans. It is pleasing to note, however, that levels of underspend are much lower than in previous year's and this is especially true for capital expenditure, where the Council's underspend of £1,216,987 (14.3%) shows dramatic improvement. As this was one of the few areas of concern that the District Auditor raised in his Annual Letter this improvement is much welcomed.

The Council's financial processes do allow carry forward of underspends, where certain conditions are met, these values have also been much reduced in all areas demonstrating improved budget and performance management.

Detailed explanations of major variations at individual portfolio holder level are included in the Appendix 1, however, global changes in respect of the treatment of Pension Fund Deficits, land and building depreciation and central support allocations can mask the detail of performance in individual areas.

There are some areas that do require highlighting in this overview:

- Overall the out-turn financial performance has been much closer to budgeted and plans than in previous years
- Savings in respect of the transfer of Highways Agency are being achieved ahead of schedule
- The impact of the implementation of new financial systems has reduced debt collection performance resulting in the need to provide for higher bad debt provisions.
- The level of net overspending in the provision of Waste Management Services was effectively in the order of £205,000 and gives rise for concern for both the Financial Management of the Service and potential impact on 2006/2007 budget.
- Fees and charges income is now beginning to show signs of customer resistance. This may have an impact in the medium term if the Council continues with a policy of above inflation increases.

Overall the Council has yet again produced a robust financial out-turn in line with the Medium Term Financial Plan projections. General Fund and HRA balances both remain above minimum levels and, although some individual areas will require greater attention in the future, in financial performance remains strong.

3. **Performance Plan**

- 3.1. The Performance Information section for each Portfolio included in Appendix 1 includes details of achievement against Improvement Tasks and Performance Indicators for 2005/06.
- 3.2. 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 and/or completed.
 - 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.

- 3.3. 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.
- 3.4 Explanations are included for any tasks or indicators assessed at Amber or Red.
- 3.5 Where Cabinet has previously agreed an amendment to a target date, progress is assessed against the amended date rather than the original date.
- 3.6 Progress against Improvement Tasks over the year has been good, with the vast majority completed on target and with outcomes secured.
- 3.7 Progress against performance indicators has already been summarised as part of the report on the Strategic Corporate Plan update considered by Cabinet at its meeting on 1 June 2006.
- 3.8 For Improvement Tasks 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.

Portfolio Area	Task	Original Target	Proposed Revised Target
Direct Services and Property	Joint working with neighbouring authorities on: Trade Waste (recycling), and Medical Waste	June 2006	September 2006
Direct Services and Property	Development of new strategy/policy for building services related functions (including caretaking)	September 2005	July 2006
E-government and Members	Achieve National Procurement Standards	March 2006	March 2007 for o/standing items
Leisure Services	Develop a Referral Pathway for Children.	November 2005	November 2006
Housing	Produce revised Homelessness Strategy, submit to GOEM and implement	March 2006	September 2006

- 3.9 Where tasks have extended beyond 31 March 2006, they have been incorporated in 2006/07 Service Plans for the relevant department.

4 Capital Outturn 2005/2006

- 4.1 Provisional Capital outturn figures for 2005/2006 and capital budgets to be carried forward to 2006/2007 were reported to Cabinet on 1 June 2006. There have been no changes to the capital outturn or carry forwards since the 1 June report.
- 4.2. A summary of the final capital outturn is presented in the table below. The final capital outturn totals £7,294,113 compared to an approved budget of £8,511,100. This represents an underspending of £1,216,987 against which the requested carry forwards into 2006/2007 total £1,160,000. Details of the outturn for individual schemes by Portfolio area are included at Appendix 1.

Portfolio	Revised Estimate 2005/2006 £	Final Outturn 2005/2006 £	Variation £	Carry Forward £
Leader	70,200	71,683	1,483	0
Agenda 21, Crime & Community Development	45,000	17,001	(27,999)	28,000
E-Govt & Member Services	654,400	623,954	(30,446)	36,000
Development & Econ Regen	20,000	20,000	0	0
Direct Services & Property	1,567,400	1,387,739	(179,661)	136,800
Leisure	1,092,700	991,626	(101,074)	74,700
Finance	85,100	50,907	(34,193)	34,200
Sub Total	3,534,800	3,162,910	(371,890)	309,700
Housing Investment Programme	4,976,300	4,131,203	(845,097)	850,300
Value Requiring Capital Financing	8,511,100	7,294,113	(1,216,987)	1,160,000

4.3. Capital Financing 2005/2006

- 4.3.1 Appendix 2 sets out the proposed method of financing the £7,294,113 capital expenditure incurred in 2005/06. 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.
- 4.3.2 In 2005/06 the Council had available a Major Repairs Allowance, which can only be used to finance investment in housing stock, of £1,924,838 (including the carry forward from 2004/05). It is proposed that £1,892,406 of this be used to finance expenditure in 2005/06. The remaining balance of £32,432 will be carried forward in the Major Repairs Reserve to finance part of the capital carry forwards.

4.4 **Capital Determinations 2005/2006**

4.4.1 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).

4.4.2 (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	219,000
Capital contributions	759,179

(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 2005/2006. This figure is £1,073,049.68.

4.4.3 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 2005/2006 the amounts are £187,326 for the General Fund and £NIL for Housing.

5. **Revenue Outturn 2005/06**

5.1 The actual net expenditure for the General Fund and the Housing Revenue Account for 2005/06 is detailed in Appendix 1 for each Portfolio area together with explanations of major variances in expenditure / income.

5.2 **Summary General Fund Outturn**

5.2.1 The table below summarises the actual net expenditure for each of the main General Fund Portfolios in 2005/06 compared to the latest revised estimate. The latest revised estimate is that approved by Cabinet in February 2006, adjusted by quarter four budget amendments to central support and virements between the General Fund and the Housing Revenue Account. The table shows an overall underspending across the council of £83,474 or 0.7% after accounting for approved budget carry forwards of £301,800.

Portfolio	Total Estimate 2005/06 £	Actual Expenditure 2005/06 £	Carry Forward 2005/06 £	Variance 2005/06 £
Leader	2,174,400	2,687,258	7,300	520,158
Agenda 21 Crime & Comm Dev	1,237,200	1,205,136	35,800	3,736
E-Govt & Member Dev & Econ	0	0	78,500	78,500
Regeneration	358,700	364,697	0	5,997
Direct Services & Property	4,724,700	4,934,973	0	210,273
Housing Gen Fund	578,300	471,126	16,400	(90,774)
Leisure Services	2,858,300	2,849,127	77,500	68,327
Finance	496,300	(469,691)	86,300	(879,691)
Total	12,427,900	12,042,626	301,800	(83,474)

The outturn expenditure results in a contribution from balances of £235,905 compared with a revised estimate of contribution from balances of £621,179. This results in an addition to available balances of £83,474 after accounting for revenue budget carry forwards of £301,800. Additional LABGI grant of £15,705 has also been received which has been contributed to the General Reserve for the financing of future resource developments.

5.2.2. 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 2006/2007. 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:

5.2.3 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.

5.2.4 Other Expenditure

Additional expenditure has arisen in some services, the most significant areas being:

- Waste Management - £270,000 – additional contractors and agency labour to cover for sickness and the increased requirements for Garden Waste and Glass Collection; additional transport costs due to increasing fuel prices, additional vehicle maintenance and use of hired transport; additional Trade Waste Disposal Costs; wheelie bins stock write off. The additional expenditure on Waste Management is partly offset by additional income as detailed in paragraph 4.2.6
- Concessionary Fares - £18,400 – payments to Nottingham City Transport
- Increased Contributions to Bad Debts Provision - £34,000
- Christmas Lighting - £12,500
- Richard Herrod LC £14,000 – increased energy costs

Some reductions in expenditure have been achieved, the most significant areas being:

- Carlton Forum Gas Supplies – (£23,900)
- Carlton Forum NCC Grounds Maintenance – (£36,900)
- Members Allowances – (£13,000)
- Netherfield Lagoon Grant – (£15,000)
- Provision for repayment of external borrowing (£22,300)
- Landscape – Premises and equipments planned maintenance (£12,000)
- Landscape – Premises energy and NNDR (£12,000)
- Residual Highways Maintenance – (£30,000) insurance premiums not due

- Programmed Maintenance – (£27,800) – bus shelters/street furniture not completed due to vacant post
- Public Offices – (£24,000) – savings on security and cleaning contractors

In addition to the above savings have been achieved across the board on supplies and services

5.2.5 Central Support Recharges

A full revision of central support recharge budgets has not been allocated during the year, the budgets of all central support services providers have, of course, been monitored and updated as part of the quarterly budget monitoring process. Reallocation of support costs has been undertaken as part of the accounts closedown process based on actual outturn figures and therefore variances between the central support budgets and actual recharges have occurred as a result this reappraisal. Variances resulting from the reappraisal of central support have occurred across the board, as detailed in Appendix 1, but the entries themselves do not impact on the budget requirement or the amount to be raised by Council Tax.

5.2.6 Income – Grants and Fees and Charges

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

- Licensing Income (£13,000)
- Election Grant (£10,000)
- Recycling Credits/Fees (£31,600)
- Trade Waste and Sweeping Fees (£35,500) (partly offset by increased waste disposal costs)
- Sale of Highways Grit Bins (£24,500)
- Sale of Highways Vehicle to NCC (£30,600)
- Housing Benefit Admin Grants (£78,900)

This additional income has been partly offset by reductions in income for Leisure Services £41,500 (net) and Public Offices Arnot Hill House service charges £9,000.

5.3 Appendix 4 summarises the movement in the Council's General Fund balances and total General Fund reserves during 2005/06. General Fund balances have decreased from an opening figure of £2,095,000 to a closing balance of £2,044,000. This closing balance compares with a revised estimate figure of £1,643,000.

The 2005/06 outturn position means that the estimated General Fund balance at 31 March 2007 is now £1,782,000 compared with an original estimate of £1,705,300. Overall available General Fund reserves as at 31 March 2006, after accounting for financing of carry forwards and including all earmarked reserves, total £2,999,000 against an estimated figure of £2,845,000 an increase of £154,000. Movement in specific reserves are shown in Appendix 4.

5.4 Housing Revenue Account Outturn

The balance on the Housing Revenue Account at the end of 2005/06 was £880,351 against an estimated balance of £701,200. After taking account of carry forwards of £113,700 this represents an increase in balances of £65,451 or 9.3%. The increase in balances is mainly due to savings on housing repairs and general management expenditure, additional interest income on investments and balances, partly offset by reductions in rents and service charge income and an increase in the bad debts provision. The Housing Revenue Account summary together with an explanation of variances is attached at Appendix 1.

5.5 Members Pot Outturn

A summary of the Members Pot Outturn for 2005/06, together with outturn for 2003/04 and 2004/05 for information, is attached at Appendix 5.

This shows details of how the Members Pot has been spent together with a breakdown between the type of spend i.e. grants to third parties or works/services carried out by directly by the Council. In 2005/06 the Members Pot budget totalled £54,100, of this £40,800 has actually been spent, £25,600 on grants and £15,200 on work/service completed by the Council. A full list of grants to third parties is also attached at Appendix 5. Budget of £13,300 has been approved for carry forward to 2006/07. Of the Council's 50 Members, 38 spent their allocation, 5 have committed budgets and 7 have not yet committed.

6. **RECOMMENDATIONS**

6.1 Members are asked to:

- (i) Note the Performance Plan and Budget outturn figures for 2005/2006.
- (ii) **RECOMMEND** that Council approve:
 - (a) The overall method of financing 2005/2006 capital expenditure as set out in Appendix 2 of the report.
 - (b) The capital determinations in Sections 4.4.2 and 4.4.3 of the report.