



Report to: Cabinet

Subject: Performance Plan and Budget Outturn 2006/07

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1. Purpose of the Report

- 1.1 This report presents the Performance Plan and Budget Outturn for 2006/07. 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 2006/07 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 2006/07 shows the Council underspending against Capital, General Fund and Housing Revenue Account budgets. It is pleasing to note that further improvements have been made in the monitoring of the capital programme, and that improvements with regard to revenue and HRA monitoring have been maintained.

The Council's financial processes allow carry forward of underspends, where certain conditions are met. These are the subject of a separate report, elsewhere on this agenda.

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 deficit, asset rentals, amortisation and central support allocations can mask the detail of performance in individual areas.

It is considered that the following areas require highlighting in this overview:

- Overall the improvements in out-turn financial performance have been maintained.

- The General Fund budgets included an employee vacancy provision of £122,000. Overall, the actual savings in employee costs were £105,000 in excess of this provision. This provision will be reviewed for future years.
- Following implementation of the Rushcliffe Shared Service Agreement and the IBS Benefits System for sundry debtors, it has been necessary to establish new bad debt provisions. In addition, a significant provision is still held for outstanding Gedling Debtors System items, owing to the age of the debts. Contributions to these provisions have been charged to the revenue accounts.
- Fees and charges income is still showing signs of customer resistance, which may have a further impact in the medium term if the Council continues with a policy of above inflation increases.

Overall the Council has again produced a robust financial outturn, 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, the Council's 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 2006/07.
- 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) Red, (A) Amber and (G) Green 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 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	Review Joint working with other County districts on Waste Services	June 2007	October 2007
Direct Services and Property	Review and update Business Plan taking into consideration partnership working	March 2007	March 2008
Direct Services and Property	Finalisation of twin bin roll out and determination of facilities for properties with no space for it	Dec 2006	Sept 07
Direct Services and Property	Review of new waste disposal arrangements with Notts CC	March 2007	March 2008
Housing	Produce a revised Housing Strategy, submit to GOEM and implement	Sept 07	June 08
Leader	Complete and review the implementation of Total Land Charges system	July 2007	March 2008
Leisure Services	Provide procurement options for the future management of the Borough's leisure centres.	Sept 07	Sept 08
Agenda 21, Crime and Community Development	Detailed review and assessment of NO2 levels	April 07	March 2008

Where tasks have extended beyond 31 March 2007, they have been incorporated in 2007/08 Service Plans for the relevant department.

- 3.8 Progress against performance indicators overall is also generally good. Initial analysis shows that targets against 63% of indicators have been secured and

that performance against 51% of indicators has improved compared with 45% in 2005/06). This is a key measure in demonstrating a continued positive direction of travel for the council overall. Comparisons with other councils suggests that 34% of indicators are in the upper quartile (top 25% for these measures) based on those indicators for which quartile data is available. This quartile data relates to national PI results for 2005/06, the latest date for which quartile data is available.

- 3.9 Where targets have not been secured, explanations have been included in the comments column of the relevant spreadsheets.
- 3.10 Councils are required to set targets for the following three years for all performance indicators to comply with Best Value Performance Plan requirements. Targets for 2007/08 and 2008/09 were set last year as part of this process and confirmed by Council in considering Budget/Service Plans for 2007/08 in March 2007.
- 3.11. Generally these targets should not be amended unless there is a compelling case for adjustment, based on over or under performance in the previous year, or other circumstances. Because targets should be challenging but realistic, it is felt that adjustments should be made to targets for a limited number of indicators. Suggested changes are attached at Appendix 5 with explanations of the reasons for the proposed amendments.
- 3.12 The attached portfolio spreadsheets (at Appendix 1) include targets for all performance indicators for 2009/10 for members' consideration and agreement.
- 3.13 Performance indicator results, agreed targets for the following three years and any explanations of variances are required to be published by the Council to fulfil the requirement to publish an annual Best Value Performance Plan. These details will be collated from this report and published by 30 June to fulfil this requirement. It is intended that a fuller Annual Report, setting performance in a wider context and including details of progress towards wider outcomes will be published later in the Summer.

4. Capital Outturn 2006/07

- 4.1 Provisional Capital outturn figures for 2006/07 and capital budgets to be carried forward to 2007/08 are the subject of a separate item on this agenda.
- 4.2. A summary of the capital outturn is presented in the table below. Capital outturn totals £8,261,778 compared to an approved budget of £8,893,900. This represents a net underspending of £632,122. Requests for carry forwards into 2007/08 total £682,700. It should be noted that this sum exceeds the overall net underspending due to advance spending on the Richard Herrod Pavilion scheme, for which £70,000 was previously slipped to 2007/08 at Cabinet Q3. An adjustment will be made to the 2007/08 Programme at Cabinet Q1. Details of the outturn for individual schemes by Portfolio area are included at Appendix 1.

Portfolio	Revised Estimate 2006/2007 £	Final Outturn 2006/2007 £	Variation £	Carry Forward £
Leader	5,500	5,541	41	0
Agenda 21, Crime & Community Development	308,200	294,634	-13,566	0
E-Govt & Member Services	163,900	146,068	-17,832	8,000
Direct Services & Property	1,115,300	985,488	-129,812	99,100
Leisure	1,850,900	1,844,216	-6,684	88,200
Finance	121,300	90,301	-30,999	33,500
Sub Total	3,565,100	3,366,248	-198,852	228,800
Housing Investment Programme	5,328,800	4,895,530	-433,270	453,900
Value Requiring Capital Financing	8,893,900	8,261,778	-632,122	682,700

4.3. Capital Financing 2006/07

4.3.1 Appendix 2 sets out the proposed method of financing the £8,261,778 capital expenditure incurred in 2006/07. 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 2006/07 the Council had available a Major Repairs Allowance, which can only be used to finance investment in housing stock, of £2,013,607 (including the carry forward from 2005/06). It is proposed that this be used in full to finance expenditure in 2006/07.

4.4 Capital Determinations 2006/07

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	242,352
Capital contributions	896,671

- (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 2006/2007. This figure is £978,148.

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 formulae and for 2006/2007 the amounts are £297,877 for the General Fund and Nil for Housing.

5. Revenue Outturn 2006/07

5.1 The actual net expenditure for the General Fund and the Housing Revenue Account for 2006/07 is detailed in Appendix 1 for each Portfolio area together with explanations of major variances in expenditure and 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 2006/07 compared to the latest revised estimate. The latest revised estimate is that approved by Cabinet in February 2007, adjusted by quarter four budget amendments and virements. The table shows an overall General Fund underspending of £128,963 or 1% after accounting for approved budget carry forwards of £449,700.

Portfolio	Current Estimate 2006/07 £	Actual Expenditure 2006/07 £	Carry Forward 2006/07 £	Variance 2006/07 £
Leader	2,197,600	2,087,719	41,800	-68,081
Agenda 21 Crime & Comm Dev	1,412,700	1,384,584	28,800	684
E-Govt & Member Servs	0	0	108,200	108,200
Development & Econ Regeneration	377,900	355,304	20,800	-1,796
Direct Services & Property	4,941,500	4,889,770	47,600	-4,130
Housing Gen Fund	705,200	658,105	80,700	33,605
Leisure Services	2,400,700	2,775,236	83,200	457,736
Finance	1,337,200	643,419	38,600	-655,181
Total	13,372,800	12,794,137	449,700	-128,963

The outturn expenditure results in a contribution to the General Fund balance of £579,000, compared with a revised estimate of £112,000. In addition, increased LABGI grant of £570,000, and Performance Reward Grant of £11,000 have been contributed to Balances. The overall available balance on the General Fund at 31 March 2007 £3,316,000, of which £450,000 will be required to fund the revenue carry-forwards. Details of the total reserves held at 31 March 2007 are shown at Appendix 3.

5.2.2. Summary of Major General Fund Variances

Gross variances from budgets have been offset by carry forward-requests, for schemes which are continuing into 2007/08. The full list of revenue carry forwards, including the Housing Revenue Account, are the subject of a separate report elsewhere on this agenda.

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 ie. FRS 17 are currently accounting entries which do not impact upon the budget requirement and the amount due to be raised by council tax.

Savings on Employee Expenses

Overall savings of £105,300 have been made on employee expenses, mainly due to vacancies and appointments at lower grades.

5.2.4 Other Expenditure

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

- Calverton LC energy costs £17,300
- Contributions to bad debt provisions £205,700
- HB contribution to Reserve £25,000
- Insurance Premium savings contribution to Reserve £17,900
- Rushcliffe Debtors system £32,500

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

- Emergency Planning (£16,800)
- Postages (£13,300)
- IT software licences & maintenance (£37,300)
- Depot & Fleet Management (£77,900)
- Landscape (£67,100)
- Public Offices supplies & services (£30,000)
- Carlton Forum Gas (£25,000)

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, 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:

- Planning Fees (£21,300)
- IT contribution from Rushcliffe BC (£13,600)
- Waste Management-net (£41,900)
- Local Tax Court costs (£33,100)
- NNDR Court costs (£19,700)
- Discount received in respect of debt rescheduling (£28,500)

Reductions in Income have been recorded in some areas:

- Landscape £72,400
- Leisure income £127,300

5.3 Housing Revenue Account Outturn

The balance on the Housing Revenue Account at the end of 2006/07 was £1,350,300 against an estimated balance of £981,900. After taking account of carry forwards of £325,100 this represents an increase in balances of £43,300 or 4.4%. The Housing Revenue Account summary together with an explanation of variances is attached at Appendix 1.

5.4 Members Pot Outturn

A summary of the Members Pot Outturn for 2006/07 is attached at Appendix 4.

This shows details of how the Members Pot has been spent together with a breakdown between the type of spending, ie. grants to third parties or works & services carried out by directly by the Council. In 2006/07 the Members Pot budget totalled £63,300, of this £54,900 has actually been spent, £31,900 on grants and £23,000 on works & service completed by the Council. A full list of grants to third parties is also attached at Appendix 4. Of the Council's 50 Members, 38 spent their full allocation, 8 spent part of their allocation, and 4 spent nothing.

6. **RECOMMENDATIONS**

6.1 Members are asked:

- (i) To note the Performance Plan and Budget outturn figures for 2006/07.
- (ii) To **RECOMMEND** that Council approve:
 - (a) The overall method of financing of the 2006/07 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.
- (iii) That year-end performance indicator and improvement tasks results for 2006/07 included in Appendix 1 be noted.
- (iv) That amendments to improvement task targets set out in paragraph 3.7 above be agreed.
- (v) That performance indicator targets for all indicators for 2009/10 included in Appendix 1 be agreed for **RECOMMENDATION** to Council.
- (vi) That amendments to performance indicator targets for 2007/08 and 2008/09 set out in Appendix 5 be agreed for **RECOMMENDATION** to Council.