



Report to: Cabinet

Subject: Performance Plan and Budget Outturn 2008/09

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1. Purpose of the Report

- 1.1 This report presents the Performance Plan and Budget Outturn for 2008/09. The outturn reports, grouped by Portfolio, are attached at Appendix 1.
- 1.2 Cabinet is asked to note the final outturn position and to recommend to Council the method of financing the 2008/09 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989.

2. Financial Overview

- 2.1 Financial outturn for 2008/09 shows the Council underspending against the final approved Capital and General Fund Revenue budgets. The General Fund is £313,300 underspent after accounting for carry forwards. 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.
- 2.2 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. Major variances excess of £10,000 are summarised in paragraphs 5.2.4 and 5.2.7
- 2.3 It is considered that the following areas require highlighting in this overview:
- 2.3.1 Savings on employee expenses of £379,100 have been achieved after accounting for carry forward requests of £43,000. A vacancy provision of £162,300 was set for 2008/09 and this target has therefore been exceeded by £216,800. This is mainly due to the immediate implementation of positive vacancy management following the decision

to freeze posts during the 2009/10 budget process which required reductions over the medium term to mitigate against the impact of the decline in the economic climate.

2.3.2 During 2008/09 the economic downturn and crisis in the financial services sector placed significant pressure on the Council's budget position. Cost pressures in terms of increased running costs e.g. fuel costs, and reduced income from fees and charges emerged at an early stage in the budget and performance plan quarterly monitoring process as reported to Cabinet in August 2008. Council approved a supplementary estimate of £498,000, which was deliverable from the existing level of General Fund reserve balances, in accordance with the limits determined in the Council's Financial Strategy.

The outturn position in respect of those main budgets which required a significant supplementary estimate are summarised in the table below:

Budget Head	Original Budget 2008/09 £	Supplementary Est £	Other Virement Approved £	Revised Budget 2008/09 £	Actual 2008/09 £	Variance Against Revised Budget £
Vehicle Fuel Cost	343,000	80,000	(16,700)	406,300	390,700	(15,600)
Land Charges Income	(231,800)	123,500	10,000	(98,300)	(90,900)	7,400
Leisure Centre Income	(2,848,200)	300,000	145,200	(2,402,800)	(2,344,807)	57,993

- Fuel prices began to reduce following approval of the supplementary estimate and only £47,700 of the £80,000 approved increase was required during 2008/09.
- Due to the continuing decline in the economy Land Charges income has also continued to decline, with the total variance between the original estimate and final outturn for 2008/09 showing a reduction of £140,900.
- Leisure Centre income is still showing signs of customer resistance but the number of DNA members now appears to be stabilising. However, outturn shows further erosion of leisure centre income compared to quarter three budget monitoring with a further reduction in income of £58,000 which may have an ongoing impact in the medium term. The total variance between the original estimate and final outturn for 2008/09 is a reduction of £503,000. Leisure will need to increase customer usage sufficiently to generate a further £125,000 in order to achieve 2009/10 income estimates. This is a continuing challenge given the current economic climate.

2.3.3 Planning income has significantly declined during the final quarter of 2008/09, resulting in a reduction of £52,000 against the approved budget.

- 2.3.4 Part of the General Fund underspend, £80,000, has arisen as a result of the impact of LSVT on the Council's debt position which benefits the General Fund in terms of reduced interest payments to the Housing Revenue Account. This benefit to the General Fund is matched by a reduction in the Housing Revenue Account balance which now transfers to General Fund following LSVT i.e. the net impact on the Council's overall balances arising from this transaction is nil.
- 2.4 Overall the Council has again produced a robust financial outturn in line with the revised medium term financial plan projections for 2008/09 and which increases reserve balances and provisions in a worsening economic climate.
- 2.5 General Fund balances remain above minimum levels and, although some individual areas will require ongoing attention in the future, notably leisure centre income, the Council's financial performance remains strong.

3. **Performance Results and Future Targets**

- 3.1 The Performance Information section for each Portfolio included in **Appendix 1** includes details of achievement against Improvement Tasks and Performance Indicators for 2008/09.
- 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. As this is the first full year of the new National Indicator regime, baseline information has been gathered for a number of these indicators during 2008/09. In these instances, Red-Amber-Green status is generally not applicable as targets will not have been set until this baseline information has been gathered.

- 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. For the few Improvement Tasks assessed as Red or Amber, tasks have been rolled forward into 2009/10 (in some cases as part of wider programmes) and revised target dates included in the Council Plan agreed at Council in March. Therefore there are no tasks for which revised target dates are proposed for Cabinet consideration at this time.
- 3.7 Progress against performance indicators overall is also generally good, especially when overall economic circumstances are taken into account. Initial analysis shows that targets against 61% of indicators have been secured and that improvements have been made in key priority areas including customer service, sickness absence, recycling and homelessness. The introduction of new National Indicators means that year-on-year comparisons cannot be made – but this will be possible in future years now that baseline performance has been gathered against almost all of the Council's chosen strategic indicators.
- 3.8 Where targets have not been secured, explanations have been included in the comments column of the relevant spreadsheets.
- 3.9 Members will recall that the Council has changed its performance management arrangements for the current year. These incorporate a new format Council Plan, which focuses on delivery of outcomes in the new Sustainable Community Strategy, linked to new Department and Section Service Improvement Plans. These include strategic performance indicators (drawn from the national indicator set and local indicators relating to the Council's priorities). The new framework is set out in diagrammatic form at **Appendix 5**. Performance will now be managed through a new, purpose built performance management system, allowing greater focus on outcomes and priority, more timely production of management information, a stronger "golden thread" relating detailed actions to high level priority outcomes and improved data quality. Future performance reports will be derived from this new system. These improvements address issues raised by the Audit Commission in the 2008 Comprehensive Performance Assessment report.
- 3.10 **Target setting** – While Government does not require targets to be set against National Indicators, it is clearly good practice to do so wherever practicable and last year, it was agreed that targets would be set for a three-year period, in line with what were Best Value requirements. It is proposed that this good practice should continue to be applied to the Council's strategic performance indicators – this also continues good links with the Nottinghamshire Local Area Agreement (LAA), as recently refreshed.
- 3.11 Proposed Borough Council targets for these strategic performance indicators for the three years from 2009/10 to 2011/12 are attached for members'

consideration at **Appendix 6**. These are proposed with due regard to targets set last year for 2009/10 and 2010/11 against any of the indicators continuing in the new Council Plan. For a number of indicators newly introduced in 2008/09, targets are proposed for the first time, drawing on baseline data gathered during 2008/09. Member responsibilities for indicators have been reallocated in line with portfolios reported to Council on 13 May 2009.

- 3.12 Some of the National Indicators are also included in the Nottinghamshire Local Area Agreement (LAA) (these are clearly marked as such in the tables). Wherever possible, a district specific target, developed through the Nottinghamshire Partnership and agreed through the Partnership Board (at which this Council is represented) is included here. These district targets reflect the contribution required from the Borough Council to secure those county-wide targets over the three years. This ensures alignment between Borough Council targets and LAA targets.
- 3.13 Results for a number of national indicators are derived from the statutory "Place Survey" (a survey of public opinion which all local authorities are required to carry out to a standard format every two years). Due to circumstances beyond the control of the Council and its contractors, Ipsos MORI, results for the 2008 Place Survey have not yet been published nationally. It is understood that the Department for Communities and Local Government hopes to resolve the issue in the near future, at which point Borough results will be published along with comparisons with other areas. The intention would be to report these to members in the form of a presentation later this Summer.
- 3.14 The requirement to produce a Best Value Performance Plan, including results against performance indicators, is no longer in place but it remains good practice to publish performance results and future targets. The Council will therefore include an overview of results in a summary version of the Council Plan, to be developed during the early part of the Summer, and a fuller version of results, including a full schedule of all National Indicator results will be included in the Council's Annual Report and Summary Statement of Accounts, for publication in early Autumn. The full performance digest will be made available on the Council's website in advance of the Annual Report's publication.

4. Capital Outturn 2008/09

- 4.1 Capital outturn figures for 2008/09 and capital budgets to be carried forward to 2009/10 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 £4,934,088 compared to an approved budget of £5,349,400. This represents a net underspending of £415,312, made up of £475,760 for the General Fund and an overspend in the Housing Investment Programme of £60,448. Requests for general fund carry forwards into 2009/10 total £449,900. Details of the outturn for individual schemes by Portfolio area are included at Appendix 1.

Portfolio	Current Estimate 2008/2009 £	Final Outturn 2008/2009 £	Variation £	Carry Forward £
Leader	12,000	12,500	500	0
Safe & Sustainable Neighbourhoods	85,000	86,355	1355	0
Customer Services & Efficiency	47,600	34,090	(13,510)	16,600
Development & Economic Regeneration	44,000	44,000	0	0
Direct Services & Property	1,227,000	1,048,418	(178,582)	175,900
Housing & Health	1,033,600	875,776	(157,824)	157,700
Leisure & Youth	1,052,600	948,879	(103,721)	75,700
Finance	120,700	96,722	(23,978)	24,000
Sub Total	3,622,500	3,146,740	(475,760)	449,900
Housing Investment Programme	1,726,900	1,787,348	60,448	0
Amount Requiring Capital Financing	5,349,400	4,934,088	(415,312)	449,900

4.3. Capital Financing 2008/09

- 4.3.1 Appendix 2 sets out the proposed method of financing the £4,934,088 capital expenditure incurred in 2008/09.
- 4.3.2 In 2008/09 the Council received a Major Repairs Allowance, which can only be used to finance investment in housing stock, of £1,233,073. It is proposed

that all of this be used to finance expenditure in 2008/09, together with the £13,349 brought forward from 2007/08.

4.4 Capital Determinations 2008/09

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	777,364
Capital contributions	95,833

(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 2008/2009. This figure is £1,630,712.

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 repayment of debt, known as the minimum revenue provision (MRP). This is calculated in accordance with MRP guidance and for 2008/2009 Council determined the MRP amount of £563,100 on 23 February 2009.

5. General Fund Revenue Outturn 2008/09

5.1 The actual net expenditure for the General Fund for 2008/09 is detailed in Appendix 1 for each Portfolio area, together with explanations of major variances in expenditure and income.

5.2 The table below summarises the actual net expenditure for each of the main General Fund Portfolios in 2008/09 compared to the latest approved estimate. The latest estimate is that approved by Cabinet in February 2009, adjusted by quarter four budget amendments and virements. The table shows an overall General Fund underspending of £313,292 or 1.98% after accounting for approved budget carry forwards of £331,100.

Portfolio	Current Estimate 2008/09 £	Actual Expenditure 2008/09 £	Carry Forward 2008/09 £	Variance £
Leader	1,908,400	2,151,839	9,200	252,639
Safe & Sustainable Neighbourhoods	1,359,100	1,325,249	10,800	(23,051)
Customer Services & Efficiency	0	0	70,800	70,800
Development & Economic Regeneration	889,200	763,970	42,600	(82,630)
Direct Services & Property	5,822,500	5,479,176	42,500	(300,824)
Housing & Health	1,719,700	1,395,041	21,100	(303,559)
Leisure & Youth	3,107,000	2,673,552	37,500	(395,948)
Finance	987,700	1,360,381	96,600	469,281
Total	15,793,600	15,149,208	331,100	(313,292)

5.2.1 The outturn expenditure results in a contribution from General Fund balances of £1,026,111, compared with a revised estimate of £1,670,503. The overall available balance on the General Fund at 31 March 2009 is £2,462,301, of which £331,100 will be required to fund the revenue carry-forwards, this gives a net increase of £314,000 compared to the estimated amount. Details of the total reserves held at 31 March 2009 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 2009/10. The full list of revenue carry forwards 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.

5.2.4 Other Expenditure

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

- Fleet Management vehicle expenses £11,000
- Direct Services Landscapes - £32,000 (net)
- Increase in Bad Debts Provision - £72,000
- Community Grants NNDR Discretionary Charitable Relief - £17,600
- LSVT Legal Expenses - £30,000

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

- Vehicle Fuel saving £15,600 (£47,700 additional expenditure compared to original estimate)
- Postage saving £10,000
- Printing saving (net) £11,000
- Calverton Leisure Centre electricity - £16,000
- Homelessness Grants - £10,000
- Performance Reward Provision reduced usage - £27,000
- External Audit Fees – £10,000

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. Overall, however, central support services have underspent compared to the estimate by £248,600 (net of FRS17 adjustments) in 2008/09 with £190,900 of this being subject of carry forward requests which, if approved, will be recharged to services in 2009/10.

5.2.6 Capital Financing Charges

- There has been a change in the accounting treatment relating to Government Grants deferred which were previously credited to the Asset Management Revenue Account (AMRA) which has now been discontinued under the new Capital Accounting rules. These are now credited direct to Service Departments and appear as a debit entry under Capital Financing Charges in the Finance Portfolio.
- Entries in the Service Departments relating to amortisation charges mainly relate to the cost of Capital schemes where no asset is created and the capital expenditure is therefore charged to revenue in the year it occurs. The net cost to the General Fund is nil, as there is a corresponding credit within the Finance Portfolio. Variances may occur because of capital scheme under and overspends and carry forwards/slippage.
- Depreciation and Impairment charges are also charged to the Service Departments and reversing entries are credited within the Finance Portfolio. The net effect on the General Fund is again nil. Variances can occur due to the revaluation of assets.

5.2.7 Income – Grants and Fees and Charges

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

- Cemetery Income - £23,800
- Trade/Bulky Waste Income - £20,000
- Revenues summons/grant income - £34,000

Reductions in Income have been recorded in some areas:

- Leisure Centre Income - £58,000 (£503,000 reduction in income compared to original estimate)
- Leisure Landscape Income e.g. football pitches - £10,000
- Development Control Planning Fees - £52,000
- Land Charges - (net) £7,400 (£140,000 reduction in income compared to original estimate)

5.3 Housing Revenue Account Outturn

The Housing Revenue Account summary together with an explanation of variances will be presented at the meeting.

5.4. Members Pot Outturn

A summary of the Members Pot Outturn for 2008/09 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 and services carried out by directly by the Council. In 2008/09 the Members Pot budget was £50,000 with an additional £6,200 carried forward from 2007/08. Of this £38,916 has actually been spent, £33,966 on grants and £4,950 on works and 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, 30 spent their full allocation, 8 spent part of their allocation, 3 have committed to spend their allocations in 2009/10, and 9 spent nothing.

6. RECOMMENDATIONS

6.1 Members are asked:

- (i) To note the Performance Plan and Budget outturn figures for 2008/09.
- (ii) To **RECOMMEND** that Council approve:
 - (a) The overall method of financing of the 2008/09 capital expenditure as set out in Appendix 2 of the report.
 - (b) The capital determinations in Section 4.4.2.
- (iii) That year-end performance indicator and improvement tasks results for 2008/09 included in Appendix 1 be noted.
- (iv) That performance indicator targets for all indicators for 2009/10, 2010/11 and 2011/12 included in Appendix 6 be agreed for **RECOMMENDATION** to Council.