



Report to: Cabinet

Subject: Council Plan and Budget Outturn 2009/10

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Author: Senior Management Team

1. Purpose of the Report

- 1.1 This report presents the Council Plan and Budget Outturn for 2009/10. The Financial Outturn reports, grouped by Portfolio, are attached at Appendix 1 and the Performance Results are attached at Appendix 7.
- 1.2 Cabinet is asked to note the final outturn position and to recommend to Council the method of financing the 2009/10 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989.

2. General Fund Revenue Outturn 2009/10

- 2.1 The actual net expenditure for the General Fund for 2009/10 is detailed in Appendix 1 for each Portfolio area, together with explanations of major variances in expenditure and income.
- 2.2 The table below summarises the actual net expenditure for each of the main General Fund Portfolios in 2009/10 compared to the latest approved estimate. The latest estimate is that approved by Cabinet in February 2010, adjusted by quarter four budget amendments and virements. The table shows an overall General Fund underspending of £261,834 or 1.66% after accounting for approved budget carry forwards of £128,400 which are much lower than in previous years. Areas of budget underspend and carry forward will be examined in detail to determine if there is potential to reduce ongoing budgets in the current and future financial years.

General Fund Revenue Outturn 2009/10

Portfolio	Current Estimate 2009/10 £	Actual Expenditure 2009/10 £	Carry Forward 2009/10 £	Variance £
Leader	2,231,600	2,006,380	0	(225,220)
Safe & Sustainable Neighbourhoods	2,610,300	2,204,911	0	(405,389)
Customer & Member Services	351,200	328,579	44,500	21,879
Development & Enterprise	634,600	623,929	6,800	(3,871)
Direct Services	5,346,300	5,129,758	22,700	(193,842)
Strategic Planning	390,400	355,869	3,300	(31,231)
Leisure & Wellbeing	3,098,300	3,339,935	30,800	272,435
Finance	1,073,000	1,356,105	20,300	303,405
Total	15,735,700	15,345,466	128,400	(261,834)

2.3 The outturn expenditure results in a contribution from General Fund balances of £866,960, compared with a revised estimate of £1,257,194. The overall available balance on the General Fund at 31 March 2010 is £1,913,000, of which £128,400 will be required to fund the revenue carry-forwards, this gives a net increase of £261,800 compared to the estimated amount. This level of balances remains above the minimum required in the Council's Medium Term Financial Plan. Following closure of the Housing Revenue Account on 31 March 2010 (see paragraph 3) the remaining HRA balance of £1,441,600 is transferred to the General Fund Balance and is available to support General Fund expenditure. Details of the total reserves held at 31 March 2010 are shown at Appendix 2.

2.4 Summary of Major General Fund Variances

Major variances in excess of £10,000 are highlighted in this overview:

2.4.1 Employee Expenses

Savings on employee expenses of £301,800 have been achieved against the budgeted position after accounting for carry forward requests of £26,300. The savings have been achieved due to the reduced pay award settlement of £271,200 and the capitalisation of staff salaries engaged in the administration of private housing renovation grants of £141,900.

2.4.2 VAT Partial Exemption

Calculation of the Council's VAT Partial Exemption position for 2009/10 indicates that the Council is likely to breach the 5% limit above which input tax in respect of the delivery of VAT Exempt services becomes unrecoverable and repayable to HM Customs and Excise. This position has arisen due to a significant reduction in the total input tax reclaimed

by the Council, due to LSVT and slippage in the capital programme, upon which the 5% limit is calculated. Whilst figures have not yet been finalised and agreed with HM Customs and Excise a provision of £73,400 has been made in the accounts for the repayment of VAT.

2.4.3 Other Expenditure Areas

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

- Domestic Waste/Recycling Collection £31,500 – replacement bins purchased
- Street Cleansing Activity £11,000 – salt/dog bins, graffiti and fly tip
- Pavilion Repairs £13,600 – roof repair at Colwick
- Vehicle Parts £18,300 – increased major repairs to vehicles
- Vehicle Tyres £15,200 – new vehicles have 8 wheels instead of 6
- CCTV Repairs £11,500 – equipment breakdowns
- Housing and Council Tax Benefits £31,500 - Fewer benefit overpayments, hence reduced recoveries, and post LSVT rebate adjustments

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

- IT Virtualisation £14,300 – lower than expected hardware costs
- Council Magazine £12,100 – saving from using new distributor and changes to print and paper quality
- Housing South Notts Sanctuary Scheme £11,400 – demand led
- Waste Disposal £24,900 – reduced customers on Trade Waste and Recycling due to recession
- Reduction in Debtors Bad Debts Provision £30,700

2.4.4 Planning and Leisure Income

During 2009/10 the economic downturn and crisis in the financial services sector continued to place significant pressure on the Council's budget position and whilst income budgets are beginning to stabilise some areas are still experiencing reductions against the approved budget:

- Planning Fee income is reduced by £40,000 against the latest approved estimate. The total variance between the original estimate and final outturn for 2009/10 is a reduction of £135,000.
- Leisure Centre income was still showing signs of customer resistance during the year but the number of DNA members now appear to be stabilising and increases in membership have been experienced in the second half of the year, although these increases are offset by reductions in the number of Pay As You Play users. Final outturn shows further erosion of leisure centre income compared to quarter three budget monitoring with a further reduction in income of £56,200 which may have an ongoing

impact in the medium term. The total variance between the original estimate and final outturn for 2009/10 is a reduction of £271,900 which made up of £118,000 DNA, £153,900 Pay As You Play, and £31,000 Bar/Stock Sales. Leisure will need to increase customer usage sufficiently to generate a further £106,000 in order to achieve 2010/11 income estimates. This is a continuing challenge given the current economic climate.

2.4.5 Other Income Areas

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

- NCC Highways Grounds Maintenance £26,100 – additional works required
- Land Charges £11,500 – increase in personal searches
- Revenues and Housing Benefit Summons/Admin Grant Income £45,500 – higher volume of claimants due to economic climate and improved working practices

Reductions in Income have been recorded in some areas:

- Car Parks £29,900 – lower than estimated usage
- Trade Recycling £13,000 – reduced uptake of new scheme
- Bulk Household Waste, Glass, Textiles £13,300 – reduced customers due to recession
- Street Cleansing £14,700 – reduction in ad-hoc clients
- Grounds Maintenance at Calverton £11,400 – reduced winter maintenance due to severe weather
- Licensing Income £9,800 – reduction in applications
- Community Centres £10,400 – reduced usage at Pondhills and Brickyard

2.4.6 Reserves and Provisions

Reserves and provision requirements have been reviewed resulting in the release of £21,700 from the Leasing Reserve back to the General Fund Balance and £97,400 from the Joint Use Utility Provision back to Leisure Services.

In addition Earmarked Reserves have been increased during the year due to the uncertain timing of expenditure in some areas, for example, an Arnold Masterplan Reserve of £286,000 has been created from the 2009/10 budget underspend. The actual position on Earmarked Reserves at 31 March 2010 is £1.90m compared to the estimated position of £1.44m, an increase of £460,000. A full list of Earmarked Reserves is included in Appendix 2.

- 2.4.7 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 retirement benefits, central support and capital financing can mask the detail of performance in individual areas (see paragraphs below).

Retirement Benefits FRS 17

The 2003 Code of Practice on Local Authority Accounting requires full recognition of the Financial Reporting Standard for Retirement Benefits – FRS17. FRS17 transactions are accounting entries which do not impact upon the budget requirement and the amount due to be raised by council tax.

FRS17 requires recognition in service revenue accounts of the benefit entitlements earned by employees rather than the actual amount of employer's pension contributions payable upon which charges to council tax are based. Adjustments have been made to the service revenue Accounts total costs of services to remove the actual pension contributions payable and replace them with FRS17 benefit entitlements earned thus creating variances within the individual revenue accounts.

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 of 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 £140,400 (net of FRS17 adjustments) in 2009/10 with £79,000 of this being subject of carry forward requests which will be recharged to services in 2010/11.

Capital Financing Charges

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.

- 2.5 Overall the Council has again produced a robust financial outturn in line with the revised medium term financial plan projections for 2009/10 and which increases reserve balances and provisions in a worsening economic climate.
- 2.5 General Fund balances are reducing but 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 Housing Revenue Account Outturn 2009/10

- 3.1 Following the completion of the Large Scale Voluntary Transfer of housing stock to Gedling Homes in 2008/09 the Housing Revenue Account has remained open during 2009/10 to account for the final costs chargeable against the Housing Revenue Account balance e.g. audit fees, residual repairs contract costs. A summary of the final Housing Revenue Account together with an explanation of variances is detailed in Appendix 3.
- 3.2 The Housing Revenue Account was closed on 31 March 2010 following receipt of consent from the Secretary of State for Communities and Local Government. The closing Housing Revenue Account balance of £1,441,600 has now been transferred to the General Fund.

4. Members Pot Outturn 2009/10

- 4.1 A summary of the Members Pot Outturn for 2009/10 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 2009/10 the Members Pot budget was £25,000 with an additional £10,000 carried forward from 2008/09. Of this £24,150 has actually been spent, £19,400 on grants and £4,750 on works and services 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, 7 spent part of their allocation and 13 spent nothing.

5. Capital Outturn 2009/10

- 5.1 Capital outturn figures for 2009/10 and capital budgets to be carried forward to 2010/11 are the subject of a separate item on this agenda.
- 5.2 A summary of the capital outturn is presented in the table below. Capital outturn totals £2,281,704 compared to an approved budget of £3,174,200. This represents a net underspend of £199,096 after accounting for carry forward requests of £693,400. The main reason for the variance is an underspend on private housing renovation grants of £154,000 which is the

underspend after accounting for the capitalisation of £141,900 of salaries for staff engaged in administering the scheme. The Details of the outturn for individual schemes by Portfolio area are included at Appendix 5.

Capital Outturn 2009/10

Portfolio	Current Estimate 2009/2010 £	Final Outturn 2009/2010 £	Carry Forward £	Variation £
Leader	0	0	0	0
Safe & Sustainable Neighbourhoods	1,390,000	1,188,847	44,700	(156,453)
Customer & Member Services	135,200	88,574	46,300	(326)
Development & Enterprise	0	0	0	0
Direct Services	871,400	813,546	37,200	(20,654)
Strategic Planning	0	0	0	0
Leisure & Wellbeing	682,600	148,287	530,300	(4,013)
Finance	77,000	42,450	34,900	350
Sub Total	3,156,200	2,281,704	693,400	(181,096)
Housing Revenue Account	18,000	0	0	(18,000)
Amount Requiring Capital Financing	3,174,200	2,281,704	693,400	(199,096)

5.3 Capital Financing 2009/10

5.3.1 Appendix 6 sets out the proposed method of financing the £2,281,704 capital expenditure incurred in 2009/10.

5.4 Capital Determinations 2009/10

5.4.1 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).

- 5.4.2 (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	1,037,218
Capital contributions	20,000

- (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 £802,786.

- 5.4.3 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 the MRP policy for 2009/2010 as approved by Council on 25 February 2009 and equates to £417,000.

6. Performance Results and Future Targets

- 6.1 The Performance Information section for each Portfolio included in **Appendix 7** includes details of achievement against Improvement Actions and Performance Indicators for 2009/10.

- 6.2 This is the first full year using the new Covalent Performance Management system. The year end reports included here largely follow the format for quarterly reports previously agreed by Cabinet and by Performance Review Scrutiny Committee. For Cabinet, the reports are sorted by the Council's priority themes, to give an overview of progress towards these priorities. The main difference between these reports and quarterly reports is that reports covering indicators show both q4 results and full year results where appropriate.

The content of these cells varies according to the way the indicator is measured¹.

¹ For NIs 15, 16, 20, 157 a, b and c, 191, 192 and 195 a, b, c and d; and for LIs 18, 22, 47 and 48 we have set Covalent up to measure performance on a cumulative basis – therefore the figure for q4 is the same as the for the full year. Consideration is being given as to whether it would be more helpful in future reports to record both quarter and cumulative date for these measures.

LIs 6, 52 and 53 are gathered as 12 month rolling average figures – so here too the q4 and year-end figure are the same

NIs 152 and 156 are measures taken at a point in time, but which we have tracked throughout the year by taking spot measures at the end of each quarter. As the spot measure for q4 is taken on 31 March, the q4 and year-end figure for these measures is the same.

For other measures taken at a point in time (usually the end of q4 – 31 March), the table states not measured in quarters and records only a full year result.

As previously reported for quarterly reports, a system similar in principle to the traffic light system previously used is in place. The new approach uses symbols to indicate progress – details are explained at the front of each report – these show in colour on screen for easier viewing, retaining “traffic light” principles. Added features include a progress bars for Improvement Actions, and trend arrows for performance indicators (note that an upward arrow indicates improved performance, irrespective of whether improvement is represented by a higher or lower value).

- 6.3 To be assessed as Green at the end of the fourth quarter (i.e. end of year): -
- An Improvement Action 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.

Progress is assessed against the latest agreed target for both actions and indicators. Generally, this will be the target agreed by Council in March 2009 as part of the Council Plan, unless a target has been amended either by Cabinet or through an executive decision.

- 6.4 Explanations are included for any actions or indicators assessed at Amber or Red and for some actions and indicators at green where it is felt such explanation may help explain the performance.

- 6.5 Progress against Improvement Actions over the year has been good, with 88% (44 out of 50) completed or on target for completion and with outcomes secured. For the few Improvement Tasks assessed as Red or Amber, tasks have been rolled forward into 2010/11 (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. Progress against Performance Indicators overall is also good, with 57% (29 out of 51) with green status, with a further 8% (4 out of 51) with amber status. Of the remaining 18 indicators, results are still awaited for 7, while 11 are recorded as red.

- 6.6 A further report shown at **Appendix 8** has also been included setting out progress by priority theme and objective at the year end and including action and performance indicator results. This report uses the same data as that used in the two regular reports, but shows the Council’s “Golden Thread” linking high level priorities with day-to-day activity. This focus on a clearer “Golden Thread” is one of the improvements delivered through the new system. At this stage the analysis is a fairly crude one, as none of the actions or indicators have yet been weighted (this has the effect of understating overall achievement, in that failure to secure a target or complete a very small number of tasks skews overall performance disproportionately). Nonetheless the report does give an overview of how work is targeted at priorities and

objectives and where progress is being made. Further work will be carried out in future years to refine this report to give a more realistic picture of progress.

- 6.7 **Target setting** – While Government does not require targets to be set against National Indicators, it is clearly good practice to do so wherever practicable. In 2008/09, it was agreed that targets would be set for a three-year period, in line with what were Best Value requirements and 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.
- 6.8 Proposed Borough Council targets for these strategic performance indicators for the three years from 2010/11 to 2012/13 are attached for members' consideration at **Appendix 9**. These are proposed with due regard to targets set last year for 2010/11 and 2011/12 for continuing indicators where relevant.
- 6.9 Government has reviewed the national indicator set during 2009/10 and a number of indicators have been deleted, leaving the decision of whether these are continued to local discretion. The appended list reflects those indicators which SMT feel would usefully be continued. Of specific note is the proposal to continue with a measure of avoidable customer contact (LI78), replacing the discontinued NI14 with a more relevant local measure; the proposal to continue with a local cash-based value-for-money measure (LI79) linked to the Medium Term Financial Strategy to supplement the less useful (but still required) NI179; and a new local indicator to measure the number of accredited sports clubs in the Borough, which represents a useful measure of how the Council is contributing to child protection.
- 6.10 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). The next Place Survey is due to be carried out in Autumn 2010, but it is not clear whether the requirement will continue in its current form beyond that. For this reason, targets have only been set for the current year for all indicators derived from this survey. However, it remains extremely important for the Council to continue to measure customer satisfaction with its services and with the area overall and it is expected that some form of surveying of opinion will continue irrespective of the status of the Place Survey. Future targets will be considered and proposed once future arrangements are clearer.
- 6.11 As in recent years, 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 year-end performance digest will be made available on the Council's website in advance of the Annual Report's publication.

7. **RECOMMENDATIONS**

7.1 Members are asked:

- (i) To note the Council Plan and Budget outturn figures for 2009/10.
- (ii) To **RECOMMEND** that Council approve:
 - (a) The overall method of financing of the 2009/10 capital expenditure as set out in Appendix 6 of the report.
 - (b) The capital determinations in Section 5.4.2.
- (iii) That performance indicator targets for all indicators for 2010/11, 2011/12 and 2012/13 included in Appendix 9 be agreed for **RECOMMENDATION** to Council.