



Report to: Cabinet

Subject: Council Plan and Budget Outturn 2010/11

Date: 2nd June 2011

Author: Senior Management Team

1. Purpose of the Report

- 1.1 This report presents the Council Plan and Budget Outturn for 2010/11. The Financial Outturn reports, grouped by Portfolio, are attached at Appendix 1 and the Performance Results are attached at Appendix 6.
- 1.2 Cabinet is asked to note the final outturn position and to recommend to Council the method of financing the 2010/11 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989.

2. General Fund Revenue Outturn 2010/11

- 2.1 The actual net expenditure for the General Fund for 2010/11 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 2010/11 compared to the latest approved estimate. The latest estimate is that approved by Cabinet in February 2011, adjusted by budget amendments and virements approved in the fourth quarter. The table shows an overall General Fund underspending of £245,201 or 1.67% after accounting for approved budget carry forwards of £178,900. This is broadly in line with the previous financial year, but is some £150,000 more than expected when the 2011/12 Budget was set. These amounts will increase the Councils General Fund Balance.

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 2010/11

Portfolio	Current Estimate 2010/11 £	Actual Expenditure 2010/11 £	Carry Forward 2010/11 £	Variance £
Leader	2,086,200	2,266,125	0	179,925
Safe & Sustainable Neighbourhoods	2,288,300	2,365,548	18,200	95,448
Customer & Member Services	333,900	388,222	38,500	92,822
Development & Enterprise	603,900	564,637	16,300	(22,963)
Direct Services	3,401,600	4,913,110	71,600	1,583,110 *
Strategic Planning	470,100	468,208	0	(1,892)
Leisure & Wellbeing	4,525,300	4,419,695	34,300	(71,305)
Finance	982,100	(1,118,246)	0	(2,100,346) *
Total	14,691,400	14,267,299	178,900	(245,201)

* Variance mainly due to capital impairments relating to car parks (see section 2.4.9).

2.3 The outturn expenditure results in a contribution to General Fund balances of £544,621, compared with a revised estimate of £120,520. The overall available balance on the General Fund at 31 March 2011 is £5,262,000, of which £178,900 will be required to fund the revenue carry-forwards. This gives a net increase of £280,000 when compared to the estimated amount. This is made up of the £245,200 revenue underspend and an additional £34,800 arising from variances on non-ringfenced grants and the reclassification of earmarked reserves. This level of balances remains above the minimum required in the Council's Medium Term Financial Plan. Details of the total reserves held at 31 March 2011 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 £142,765 have been achieved against the budgeted position. The five Leisure Centres have contributed £62,000 towards this mainly through absorbing temporary vacancies or using casual staff to cover positions, and through reprogramming instructor led classes in line with demand. The remainder has been achieved across the Council through positive vacancy management and is over and above the vacancy provision target of £176,300 and the frozen post target totalling £345,000.

2.4.2 Employee Benefits Holiday Pay

With effect from 2010/11 the Council's accounts have to comply with International Financial Reporting Standards. One of the accounting changes required is an adjustment for untaken employee annual leave at the financial year end. This is to ensure the charge to the revenue account fully reflects the actual work undertaken during the year. The net impact on the revenue account for 2010/11 is a cost of £14,128.

2.4.3 VAT Partial Exemption

In 2009/10 it was identified that the Council was at risk of breaching 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 arose due to a significant reduction in the total input tax reclaimed by the Council, because of LSVT and slippage in the capital programme, upon which the 5% limit is calculated. A provision of £73,400 was made in the accounts at the time. However, following a detailed review of the calculations, Customs and Excise have confirmed that the limit has not been breached and the Council is no longer considered to be at risk. The provision has therefore been released back to the service accounts.

2.4.4 Other Expenditure Areas

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

- Increased provision for bad debts £94,300 reflecting the current economic climate
- Waste Management – overspend on replacement bins £31,400
- Calverton Leisure Centre – overspend on energy bills – restated by supplier £38,000

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

- NNDR – Backdated Revaluation Review of Pavilions £53,900
- Savings on Parks & Cemeteries Contractors due to changes to patrolling and reductions in external contracts (this partly offsets reduced income, see para. 2.4.7 below) £45,200
- Reduced waste disposal costs due to reduced tonnage collected £28,200 (this partly offsets reduced income, see section 2.4.7 below)
- Reduction in External Audit Fees £11,600
- Reduction in premises expenditure following sale of Hostel £10,900 (this partly offsets reduced income, see para 2.4.7 below)

2.4.5 Leisure Centre Income

The economic downturn placed significant pressure on the Council and budgets for the year were reduced by £207,800 from 2009/10 to 2010/11. Efforts to increase DNA membership have proved successful and the £84,200 additional income target set through the quarterly budget monitoring process was achieved. However, this has been offset by reduced income in other areas, notably a drop in sales income but also Pay as You Play income, the latter being highlighted through the quarterly budget monitoring process.

The total variance between the original estimate and final outturn for 2010/11 is therefore a reduction of only £32,517 which is made up of £10,025 Fees and Charges and £22,492 Bar/Stock Sales. This represents less than 1.5% of leisure income budgets.

2.4.6 Planning and Environment Income

The economic downturn has similarly had an impact on Planning Income and this led to reduced expectations at budget setting.

Close budget monitoring of Development Control applications identified income was above target, and an additional £50,000 of Planning Fees were reported at quarter 2 with a further £5,000 reported at quarter 3. Final outturn was £377,229, a further £22,372 above the revised estimate, and £146,393 above 2009/10 income for the year. However, this area is known to fluctuate with one-off major applications and should not necessarily be seen as a return to previous income levels.

Building Control applications appeared to reduce further in year, with a reduction of £26,400 reported at quarter 3. However there were signs of increased demand in the last quarter and the final income variance was an additional £8,829 against the revised estimate. Staffing arrangements continue to be managed to allow savings to be made to compensate for lower income levels. Although the overall original estimate was for a broadly breakeven position, reduced income resulted in a requirement to utilise funds from the Building Control Reserve, however there are sufficient funds remaining to cover the estimated requirements for 2011/12.

Land Charges income continues to be affected by the declining housing market and additional pressures have been experienced due to changes in the Council's ability to charge for Personal Searches. Total income reductions of £55,200 were reported at quarter 2. A grant received from central government to compensate for reduced Personal Search income has partially offset this. However, it should be noted that income levels will need to increase by £26,697 or 21.5% in 2011/12 to achieve income estimates for the year.

2.4.7 Other Income Areas

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

- Increased recovery rate of Benefit overpayments £32,000
- Additional Recycling credits due to increased tonnages collected £21,300

Reductions in income have been recorded in some areas:

- Waste Management Trade Collections £42,000
- Waste Management Glass Sales £13,000
- Reduced cemetery income £16,400
- Gedling Homes Grounds Maintenance contract £17,700
- Calverton Parish Grounds Maintenance contract £18,700
- Higher void rates in temporary accommodation sites £31,700
- Reduced Council Tax Summons Costs recovered in year £49,500

2.4.8 Reserves and Provisions

Reserves and provision requirements have been reviewed and a full list of Earmarked Reserves is included in Appendix 2, further details are summarised below:

- A provision of £23,532 for Land Charges Personal Searches restitutionary claims has been created from the receipt of a government grant
- The provision for unrecoverable VAT has been released back to the revenue accounts (see section 2.4.3 above)
- Responsibility for administering Concessionary Fares has transferred to Nottinghamshire County Council. It is anticipated there may be some final liabilities to settle upon transfer and so £50,000 has been retained in the reserve, with £127,700 released to General Fund Balances
- The Risk Management and Insurance Reserves have been reviewed and changed to reflect the Council's risk profile resulting in a net transfer to balances of £209,360
- Housing Benefits Reserve has been increased to ensure that there is a balance available equal to 1% of gross payments made, reflecting the increased risks as case loads continue to increase.

The actual position on Earmarked Reserves at 31 March 2011 is £2.036m compared to the estimated position of £1.651m, an increase of £385,000.

2.4.9 Detailed explanations of major variations at individual portfolio holder level are included at Appendix 1. Global changes in respect of the treatment of retirement benefits, central support and capital financing can mask the detail of performance in individual areas and these 'non controllable costs' are also highlighted separately (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

The budgets of all central support service providers have 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, central support services have underspent compared to the latest estimate by £145,400 (net of FRS17 adjustments) in 2010/11 with £63,000 of this being subject of carry forward requests to be recharged to services in 2011/12.

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.

Car Park Impairment

Following the decision to reduce the tariff and subsequent reduction in income, the value of the car park fixed assets in the balance sheet has been reviewed and revised downwards. The reduction in value has resulted in impairment charges of £1,259,400 being made to the revenue account. However these charges are not a cost to the Council Tax Payer and are reversed out within the Finance Portfolio.

- 2.5 Overall the Council has again produced a robust financial outturn in line with the revised medium term financial plan projections for 2010/11 and which increases reserve balances and provisions in a worsening economic climate.

General Fund balances remain above minimum levels and, although some individual areas will require ongoing attention in the future, the Council's financial performance remains strong.

3. Members Pot Outturn 2010/11

- 3.1 A summary of the Members Pot Outturn for 2010/11 is attached at Appendix 3. 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 2010/11 the Members Pot budget was £25,000 with an additional £7,400 carried forward from 2009/10. Of this £26,637 has actually been spent, £23,987 on grants and £2,650 on works and services completed by the Council. A full list of grants to third parties is also attached at Appendix 3. Of the Council's 50 Members, 36 spent their full allocation, 8 spent part of their allocation and 6 did not spend any of their allocation.

4. Capital Outturn 2010/11

- 4.1 A summary of the capital outturn is presented in the table below. Capital outturn totals £2,712,585 compared to an approved budget of £4,021,000. This represents a net underspend of £605,215 after accounting for carry forward requests of £703,200 which are a separate item on this agenda. The main reasons for the variances include: the cancellation of the Strategic Property Purchase scheme of £500,000 due to the withdrawal of funding from EMDA; savings from a review of the vehicle replacement programme; and savings on the Woodland Sites scheme. The Details of the outturn for individual schemes by Portfolio area are included at Appendix 4.

Capital Outturn 2010/11

Portfolio	Current Estimate 2010/2011 £	Final Outturn 2010/2011 £	Carry Forward £	Variation £
Leader	0	0	0	0
Safe & Sustainable Neighbourhoods	1,199,800	1,122,499	81,000	3699
Customer & Member Services	235,200	217,046	22,500	4346
Development & Enterprise	500,000	0	0	(500,000)
Direct Services	910,000	722,838	111,000	(76,162)
Strategic Planning	264,700	0	264,700	(0)
Leisure & Wellbeing	522,600	366,493	119,000	(37,107)
Finance	388,700	283,709	105,000	9
Amount Requiring Capital Financing	4,021,000	2,712,585	703,200	(605,215)

4.2 Capital Financing 2010/11

4.2.1 Appendix 5 sets out the proposed method of financing the £2,712,585 capital expenditure incurred in 2010/11.

4.3 Capital Determinations 2010/11

4.3.1 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).

4.3.2 (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	1,239,639
Capital contributions	57,605

(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 2010/2011. This figure is £525,143.

4.3.3 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 2010/2011 as approved by Council on 3rd March 2010 and equates to £378,160.

5. Performance Results and Future Targets

5.1 The Performance Information section included in **Appendix 6** includes details of achievement against Improvement Actions and Performance Indicators for 2010/11.

5.2 This is the second 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.

5.3 The main difference between these reports and quarterly reports is that performance indicator reports show both q4 results and full year results where appropriate. For indicators measured on an ongoing basis, there is generally a separate figure for the final quarter and for the full year - for those measured on a one-off basis at year end, only a year-end figure is included. In a limited number of cases, performance is measured on a 12 month rolling basis (for example, sickness absence performance) – in these instances the q4 and year-end performance data is the same.

5.4 As previously reported for quarterly reports, a system similar in principle to the traffic light system is in place. The 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. Progress bars show progress towards for Improvement Actions, and trend arrows show direction of travel for performance indicators (note that an upward arrow indicates improved performance, irrespective of whether improvement is represented by a higher or lower value).

5.5 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 June 2010 as part of the Council Plan, unless a target has been amended either by Cabinet or through an executive decision.

- 5.6 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.
- 5.7 Progress against Improvement Actions over the year has been good, with 84% (41 out of 49) completed or on target for completion and with outcomes secured. For the few Improvement Tasks assessed as Red, in most instances the work involved has been rolled forward and incorporated in 2011/12 Priority Actions agreed in the Council Plan. There are however three tasks for which revised target dates are proposed, as set out below.

Improvement action changes

Portfolio Area	Task	Original Target	Proposed Revised/New Target	Reason for change
Direct Services	Improve management information through greater use of Information Technology within Direct Services	31 March 2011	30 June 2011	Delay partially due to additional council joining the project late and then delays with supplier's legal team. Work in progress and implementation commenced in April and will be completed by June 2011.
Safe and Sustainable Neighbourhoods	Decrease level of fuel poverty experienced in the Borough	31 March 2010	31 March 2012	A County wide policy has been drafted and agreed by the working group. This milestone allows the release of further RIEP money to implement the policy. Given this, and the ongoing nature of the project, it is requested that this measure be carried forward to 2011/12.
Review the opportunity to increase community involvement in the planning process	Review the opportunity to increase community involvement in the planning process	31 March 2010	30 December 2011	Given the ongoing nature of this work, the start of the Newstead Front Runner Project and the likely implications of the Localism Bill, it is requested that this measure be carried forward.

- 5.8 Progress against Performance Indicators overall is good, with 81% (35 out of 43) with green status, with a further 7% (3 out of 43) with amber status. The remaining 8 indicators show red status, but in most cases actions are being taken to address the difference.

5.9 Recent feedback from members suggests that the Council should try to share more information with members about its achievements and successes. To help address this, attached at **Appendix 7** is a document setting out a selection of achievements from q4 of 2010/11. It is intended that a similar report is produced each quarter and included in future performance digests.

5.10 As in recent years, 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.

6. RECOMMENDATIONS

6.1 Members are asked:

(i) To note the Council Plan Performance and Budget outturn figures and data for 2010/11.

(ii) To **RECOMMEND** that Council approve:

(a) The overall method of financing of the 2010/11 capital expenditure as set out in Appendix 5 of the report.

(b) The capital determinations in Section 4.4.2.