

BROMSGROVE DISTRICT COUNCIL

EXECUTIVE CABINET

27th JUNE 2007

INTEGRATED PERFORMANCE AND FINANCIAL OUTTURN REPORT
2006/07

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Hugh Bennett -Assistant Chief Executive Jayne Pickering - Head of Financial Services

1. SUMMARY

- 1.1 This report aims to link the Council's strategic objectives with service delivery and to report the outturn results across a range of performance indicators that relate to service delivery and corporate priorities, to enable Members to easily identify how different areas of performance contribute to our overall strategy. In addition the report demonstrates the interrelationship between our financial position in relation to both revenue and capital expenditure and operational performance and any associated action/improvement plans that may be required.

2 RECOMMENDATIONS

- 2.1 It is recommended that:
- 2.2 Members note the considerable improvement in the Council's performance, in particular, that 38% of the Council's indicators are now above the local authority average (see Chart 4), compared to 21% in 2005/06.
- 2.3 the net revenue outturn position of £11.092 million against the Budget of £11.564 million giving an underspend of £472k be noted
- 2.4 Cabinet request that Full Council approve the list of carry forward revenue items
- 2.5 Cabinet request that Full Council approve the use of General Fund Revenue Balances and earmarked reserves
- 2.6 The capital underspend of £2.597m against the total Profiled Capital Budget be noted together with the progress made on capital schemes
- 2.7 Cabinet request that Full Council approve the additional Capital budget carry forwards totalling £345k

2.8 the financing of capital expenditure totalling £4.077m for year 2006/07 be noted.

3 **BACKGROUND**

3.1 The key priorities for 2006/07 were used as the focus for the business and financial planning for this year. The current performance indicators and financial resources have been aligned to the delivery of these priorities. The monitoring of the improvements and achievements of the performance and finances contained within this report link with the priorities of:





- Healthy, caring and socially aware communities
- Clean, safe and attractive environment
- Protect and improve our environment and promote sustainable communities
- Foster and sustain a strong and expanding economy
- Provide sustainable culture and leisure opportunities
- To be an efficient and effective Council

3.2 Members should note that these priorities have subsequently been replaced by 10 Council priorities, as set out in the Council Plan 2007/2010.

4. **PERFORMANCE SUMMARY**

4.1 The summary of performance is shown at **Appendix 1**. The full list of performance indicators (there are currently 106 reported) is set out in **Appendix 2**.

Where:-

	On Target
	Less than 10% from target
	More than 10% from target
	No target set

I	Performance is Improving
S	Performance is Stable
W	Performance is Worsening
N/a	No target set

4.3 Most of the annually reported Best Value Performance Indicators (BVPI) figures are now included; there are three which are not yet available, these will be submitted through the Performance Indicator certification process in readiness for inclusion in the Annual Report.

4.4 Pie charts of the quartile position are shown overleaf, these are

- Chart 1 – the outturn position (all BVPI's) at the end of 2005/06
- Chart 2– the position using estimated outturn figures at the end of quarter 3
- Chart 3 – quartile position using performance for the month of December only
- Chart 4 – the position using outturns for 2006/07

The first three of these pie charts were used in the report to Angela Smith, Parliamentary Under Secretary of State, Department of Communities and Local Government in January to demonstrate progress on performance

- 4.5 Comparing the outturn position at the end of 2006/07 to that at the end of 2005/06 it can be seen that there has been a considerable improvement. There are now 38% of PI's above the median, compared to 21% last year. Also the proportion in the bottom quartile has improved considerably – from 43% in 2005/06 to 26% in 2006/07.
- 4.6 Comparing the outturn position at the year end to the estimated outturn position at December the message is more mixed. While the proportion of PI's in the bottom quartile and top quartile has improved there has at the same time been a move from the second quartile to the third quartile. However some of this change can be explained by the inclusion of some PI's which are only calculated at the year end in the pie chart.
- 4.7 The fact that the spread of actual outturns is not as favourable as those calculated in the December snapshot (Chart 3) is entirely predictable as the latter is not dragged down by poorer performance at the beginning of the 2006/07 year, so no conclusions should be drawn from this.
- 4.8 It should be borne in mind that eventually our performance for 2006/07 will be judged against more up to date quartile figures, which does not become available until later in the year. There is the possibility that the spread of PI's across the quartiles will not be as good as the pie charts below, because quartile positions tend to rise each year.

Chart 1

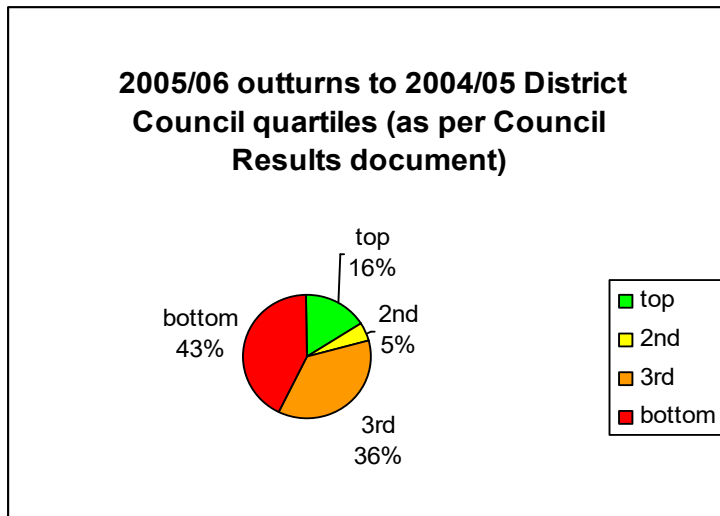


Chart 2

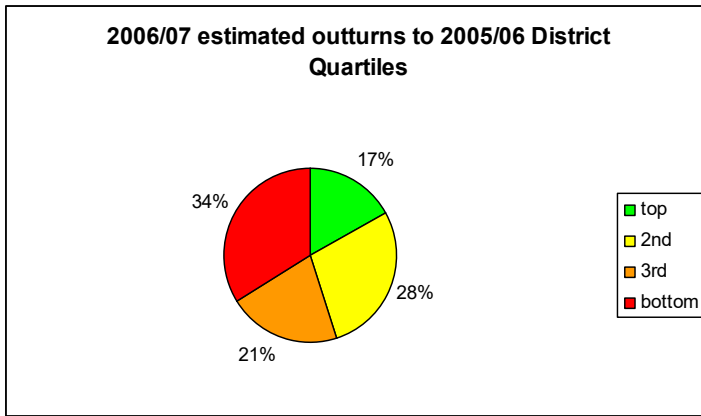


Chart 3

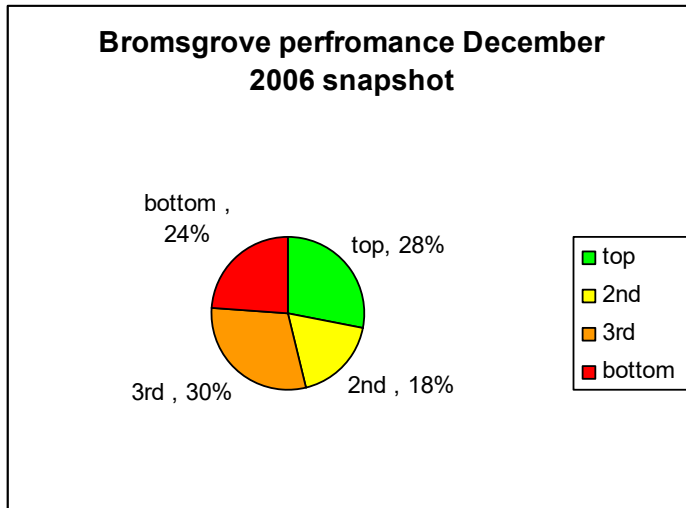
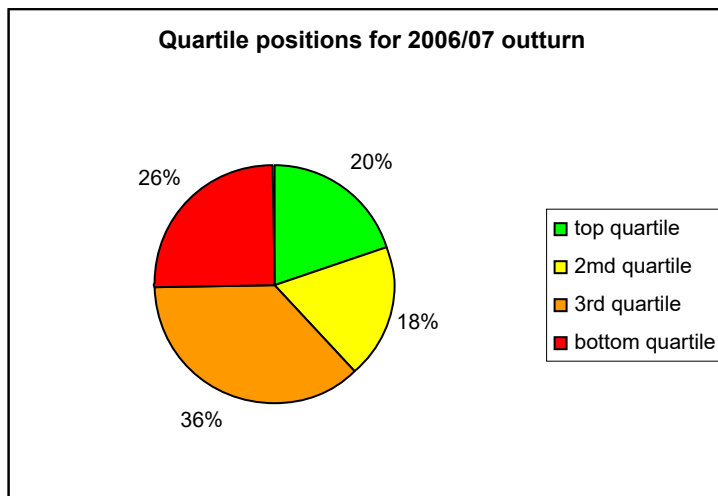
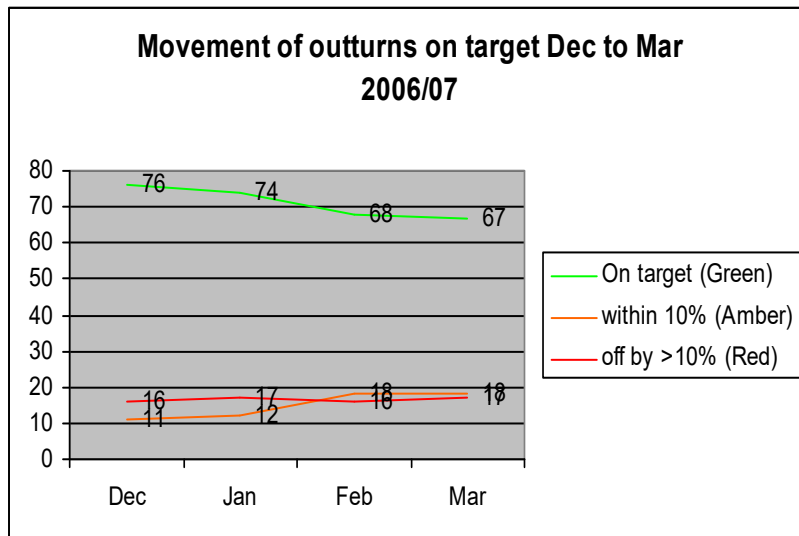


Chart 4



4.9 An analysis of predictions of estimated outturns shows that there has been a gradual decline of outturns predicted to hit target over the last four months (see chart below).



The conclusions that could be drawn from this are:

- Some targets were not realistically achievable and this became increasingly clear and was reflected in predicted outturns as the year drew to a close.
- Performance in some areas slipped back during the last few months of the year
- Efforts to turn round performance where outturn was predicted to be below target were not successful.

4.10 OVERALL CONCLUSIONS ON PERFORMANCE

4.10.1 From the above analyses it is clear that performance improvement has been achieved throughout 2006/07, however there has been a degree of falling back in achievement of performance improvement in the last quarter and there are indications that management of performance is still not robust.

4.10.2 Authorities ranked 'Fair' in the Comprehensive Performance Assessment process are expected to have more than 50 % of their BVPI's above the median. This is a key measure on which authorities are judged and is not optional. The medians tend to continue to rise therefore for performance to exceed the median the Council must not only improve performance but also ensure that the rate of performance improvement is better than others. Failure to ensure that more than half our BVPI's are above the median is likely to invalidate all/any other improvements made in terms of lifting our rating to Fair and beyond.

5 FINANCIAL PERFORMANCE - REVENUE

5.1.1 The Council approved a revenue service budget of £15.938m on 1st March 2006 including contributions to earmarked reserves. Further approvals for

transfer from balances in respect of the Improvement Plan and Members expenses have been included in the revised budget as detailed at Table 1.

5.1.2 The financial position for the revenue services for the financial year 2006/07 shows an underspend of £202k this is a change from the projected outturn overspend of £65k reported in the 3rd quarter monitoring report. This underspend together with additional investment income of £232k and additional charges to capital of £54k gives a net underspend of £488k.

5.1.3 The summary by Service Area is shown at **Table 1** below with further detail at **Appendices 1 to 8**. The actual outturn includes all cost attributable to the Services as required under proper accounting practice. This includes recharges and capital charges over which the Heads of Services receiving the charge do not have direct control. The variance has been therefore been analysed between Direct income and expenditure for which Heads of Service are directly responsible and variances on capital charges and recharges.

TABLE 1

Service Area	Revised Budget 2006/07 £'000	Actual Outturn 2006/07 £'000	Variance 2006/07 £'000	Capital/ Recharge Variances £'000	Direct Income and Expenditure Variance 2006/07 £'000
Corporate Services	1,231	833	-398	-280	-118
Culture & Community	2,689	2,662	-27	-103	76
E-Government & Customer Services	-6	40	46	115	-69
Financial Service	1,836	1,469	-367	-237	-130
Legal & Democratic Services	786	898	112	135	-23
Organisational Development & Human Resources	33	0	-33	93	-126
Planning & Environment Services	4,504	2,859	-1,645	-1,402	-243
Street Scene & Waste Management	4,616	4,805	189	-242	431
TOTAL SERVICES	15,689	13,566	-2,123	-1,921	-202
Less:					
Asset Management	-3,287	-1,420	1,867	1,867	0
Investment Income	-838	-1,070	-236	0	-232
Amount to be met from Government Grants & Local Taxpayers	11,564	11,076	-488	-54	-434
Prior Year surplus on Collection Fund	-190	-190	0		
Contribution to/from Balances	-919	-406	513		
Revenue Support Grant	-746	-784	-38		
Distribution from Non Domestic Rate Pool	-3,862	-3,849	13		
BDC Precept on Collection Fund	-5,847	-5,847	0		

- 5.2 Appendices 1-8 show the details of the services with the performance and the financial outturn position 2006/07. Due to roundings the figures in the Appendices may not match exactly to Table1 above.
- 5.3 Throughout 2006/07, Budget Holders met on a monthly basis with their accountants to discuss financial performance and to highlight areas of concern and where relevant prepare action plans to bring expenditure in line with the approved budget.
- 5.4 In summary the major variances for 2006/07 are due to;
- 5.4.1 Corporate Services underspend of £118k is mainly due to an underspend of £100k on the corporate projects of the Town centre and Longbridge site developments. Officer time has been invested in preliminary work on these project but due to the complex nature and number of stakeholders involved in both projects it has not yet been necessary to use additional resources. This budget has been requested to be carried forward into 2007/08.
- 5.4.2 Culture and Communities overspend £76k is mainly due to £100k shortfall in income generated from the leisure centre due to poor attendance for health and fitness activities and additional expenditure within Community safety offset with saving due to staff vacancies. The shortfall in leisure centre income was highlighted within the first quarter and has been monitored throughout the year and action taken to mitigate the effects such as increased marketing and promotion activity across the service, programme revision at sports centre's, increased delivery with in sport development and ensuring expenditure is minimized.
- 5.4.2 An overspend of £91k in respect of gas and electric charges at the Council Offices, Dolphin Centre and Depot. The utility budget was increased by 10% however the actual charges are significantly higher than that estimated.
- 5.4.3 Planning and Environment underspend of £243k is mainly due to staff vacancies and underspending on consultants fees in respect of Local Planning enquiry. This was offset by a shortfall of £198k on budgeted income for building regulation fees, planning applications and land charges. This is due to the planning moratorium and the slight decrease in the housing market during 2006/07. It is anticipated that this trend will continue during 2007/08.
- 5.4.4 Street Scene and Waste Management overspend of £431k. A shortfall of £110k in the income generated from car parking charges in the district. The budget was set using an average increase per ticket however due to the profile of actual ticket sales the budgeted increase has not been achieved. The outturn is however better than expected as a shortfall of £140k was projected in the Quarter 3 monitoring report.
- 5.4.5 Refuse collection has a overspend for the year of £366k. This is due to overspendings on fuel (£120k), hire costs of trade waste and recycling vehicles and increased running costs of the fleet (£126k). The extra tipping

costs of £35k associated with the Faun vehicles are still being negotiated but are unlikely to be refunded against the revenue cost.

- 5.5 Further details on the financial position and commentary for each service can be found in Appendices 1-8
- 5.6 Where services have underspent in a financial year there is no automatic right for the underspend to be carried forward. Financial Regulations state that *“Executive Cabinet may approve the carry forward of underspends carried forward for one off items of required funding. These decisions will be taken in the context of the Council’s overall net expenditure outturn position, the existing policies and priorities of the Council and Medium Term Financial Plan.”* Following discussions with Heads of Service a total of £363k is requested to be carried forward into 2007/08 and is detailed in Appendix 9. Of this £274k is in respect of one off items which have previously been approved to be funded from balances but not spent in 2006/07. This expenditure has been taken in to account when calculating the level of balance for budget purposes.

6 FINANCIAL PERFORMANCE – CAPITAL

- 6.1 Council approved the original Capital Programme for 2006/07 of £5.726 million.
- 6.2 After adding the approved budget carry forwards and the approved changes to the original Capital Programme the Revised Capital Budget for 2006/07 at the year end totalled £6.674 million. The actual expenditure for 2006/07 totals £4.077m, an underspend of £2.597m.
- 6.3 Executive Cabinet has previously approved budget carry forwards of £2.466 based on estimated figures. Following the closure of the accounts for 2006/07 a net additional budget carry forward of £344k is also requested. This is detailed in Appendix 10.

- 6.4 Table 2 shows the summary position on the Capital Programme for the Council.

TABLE 2

CAPITAL PROGRAMME	Original Budget 2006/07	Revised Budget 2006/07	Outturn 2006/07	Variance 2006/07	Share of Support Service Recharges	Direct Variance 2006/07
Service Area	£'000	£'000	£'000	£'000	£'000	£'000
Culture & Community	2,277	1,552	1,127	-425	35	-460
E-Government & Customer Services	537	1,517	942	-575	30	-605
Financial Service	197	197	152	-45	4	-49
Legal & Democratic Services	86	97	107	10	3	7
Organisational Development & Human Resources	30	30	0	-30	0	-30
Planning & Environment Services	1,572	1,935	878	-1,057	27	-1,084
Street Scene & Waste Management	1,027	1,346	871	-475	26	-500
TOTAL SERVICES	5,726	6,674	4,077	-2,597	125	-2,722

Further details of capital programme position for each Service Area can be found at appendices 1 – 8.

The main reasons for the underspend to budget are:

- 6.4.1 An underspend of £193k on play area schemes (to be funded by S106 resources) is due to the award of the Play Framework contract, which fall under European procurement regulations, taking longer than originally anticipated.
- 6.4.3 The Spatial IT project has commenced, however because of the late start in the financial year a proportion of the funding will not be spent by the end of 2006/07 (£388k).
- 6.4.4 The scheme to replace the Academy Revenues & Benefits IT System (£400k) will not proceed because of the developments related to Shared Services for Revenues within Worcestershire. The contract has been extended for a further year to enable alternative methods of service delivery to be assessed.
- 6.4.5 There has been no expenditure on new affordable housing schemes during the year (underspend of £485k) as the schemes were being developed during the year.
- 6.4.6 An underspend of £429k on the purchasing new vehicles and equipment is due to the timescale required to order and obtain delivery of

custom/specially items which has impacted on the ability to spend the capital funds within 2006/07. A number of items have been ordered but will not be delivered until 2007/08.

6.5 Financing of Capital Outturn

6.5.1 The financing arrangements in respect of the actual payments in 2006/07 are summarised below in **Table 3**:

TABLE 3 – CAPITAL FINANCING

Financing 2006/07	Available Capital Resources 01/04/06 £'000	Resources Received in 2006/07 £'000	Used for Financing in 2006/07 £'000	S106 Paid Over to WCC in 2006/07 £'000	Balance Available as at 31/03/07 £'000
Section 106 Agreements	1,799	300	615	**43	1,441
Government Grants	379	160	272	0	267
Capital Receipts	17,495	440	2,935	0	15,000
External Contributions	1	57	17	0	41
Direct Revenue Financing	0	7	7	0	0
*Specified Capital Grant (SCG)	0	231	231	0	0
Total	19,674	1,195	4,077	43	16,749

* Specified Capital Grant is the 60% grant provided by Central Government towards the cost of Mandatory Disabled Facilities Grants.

** Section 106 monies received for highways and education purposes are sent on to Worcestershire County Council for the financing of suitable schemes.

7.0 TREASURY MANAGEMENT

7.1 Investment Interest

7.1.1 For the year to 31st March 2007 the Council received net investment income amounting to £1,074k against a revised budget of £838k. This income is a combination of interest earned on in-house managed funds (cash currently surplus to cash flow requirements that is placed on short-term deposit) and the investment income arising on the externally managed funds (Invesco and HSBC fund managers). The increased interest has arisen due to slippage on the capital programme which made additional surplus cash available for deposit in the first half of the year.

7.1.2 The outturn is a slight reduction on the projected figure of £1,097k reported to Performance Management Board on 16th February 2007. This change is due to a higher than anticipated cash requirement for monies expended on the capital programme in the latter part of the year. However

the reduced cash available benefited from higher returns following the base rate increases.

7.1.3 Details on the individual fund managers' performance are detailed below.

7.2 INVESCO

7.2.1 Investment Objectives

To optimise returns commensurate with the containment of risk and to achieve a target return of 110% of the benchmark, net of fees, over a 3 year rolling period.

7.2.2 Portfolio Performance

At 1 April 2006 the Council's investment was valued at £14.38 million. In the year to 31 March 2007 the investment earned income amounting to £603k and the Council withdrew funds totalling £4.0million. Management fees applied to the portfolio for the period totalled £27k excluding VAT. Capital decline in the period amounted to £72k and this has been charged against the revenue account in line with proper accounting practices. The market value of the funds invested with Invesco was £10.89million as at 31 March 2007.

7.3 HSBC

7.3.1 Investment Objectives/Level of Risk

The investment objective is set out in the Client Agreement with HSBC with a portfolio mandate of short maturity with a medium level of risk.

7.3.2 Portfolio Performance

At 1 April 2006 the Council's investment was valued at £10.17 million. In the year to 31 March 2007 the investment earned income amounting to £477k. Management fees applied to the portfolio for the period totalled £48k excluding VAT. Capital decline in the period amounted to £164k and this has been charged against the revenue account in line with proper accounting practices. The market value of the funds invested with HSBC was £10.42 million as at 31 March 2007.

8 USE OF GENERAL FUND BALANCES AND EARMARKED RESERVES

8.1 The Council had Revenue balances of £2.282m as at 31st March 2006. Within the Medium Term Financial Plan 2006/07-2008/09 it has already been approved that £334k and £500k of balances will be used in 2006/07 and 2007/08 respectively. Further uses of balances of £350k in respect of the Improvement Plan and £38k for member's expenses were approved during 2006/07. This gave estimated balance of £1.560m at 31st March 2007.

8.2 The actual balance as at 31st March 2007 is £1.874m which is £314k higher than anticipated. This is due to a net overall underspend on

services in 2006/07 of £127k and an underspend of £384k on items originally budgeted to be funded from balances offset by funding of projects carried forward from 2005/06 of £197k.

- 8.3 It is requested that the approval be given for £274k of the £384k underspend be carried forward into 2007/08 and these are shown in Appendix 9. If the all the requests for carry forward items are granted this would equate to an additional call on balances in 2007/08 of £89k. The estimated level of balances as at 31st March 2008 would be £1.203m. The Medium Term Financial Plan estimated the balance to be £1.126m as at 31st March 2008. The following table shows the position on balances if the carry forwards are agreed:

TABLE 4

	Balances £000
Original Balance as at 31 st March 2007	-1,560
Net Impact of underspends 2006/07	-314
Balance as at 31st March 2007	-1,874
Use in 2007/08 as per MTFP approved March 2006	308
Release of balances to fund items approved in prior years	274
Release to fund c/fwd requests	89
Balance as at 31st March 2008	-1,203
Use in 2008/09 as per MTFP approved March 2006	463
Balance as at 31st March 2009	-740
Use in 2009/10 as per MTFP approved March 2006	-416
Balance as at 31st March 2010	-1,156

- 8.4 The balance of the Planning Delivery Grant was £276k at 31st March 2006. It is anticipated that £149k will be utilised during 2006/07 to fund approved posts within the department. To date £121k has been received. The balance to carry forward will therefore equate to £248k.

9 FINANCIAL IMPLICATIONS

- 9.1 None other than those included in the report.

10. LEGAL IMPLICATIONS

- 10.1 No legal implications to the report

11. CORPORATE OBJECTIVES

- 11.1 The integration of financial and performance management is a key area within the improvement of the Council and the focus on the delivery of quality services to the customer.

7. Risk Management

- 7.1 The main risks associated with the details included in this report are:

- 7.1.1 Poor Financial Management

7.1.2 Ineffective Performance Management

7.2 These risks are being managed as follows:

7.2.1 Poor Financial Management

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

7.2.2 Ineffective Performance Management

Risk Register: Corporate

Key Objective Ref.: 19

Key Objective: Effective Business and Performance Management

7.3 Key actions and controls to manage these risks include:

- Detailed timetable in place to monitor actions for final accounts closedown
- Allocation of qualified and professional staff to focus on closure of accounts
- Action plan in place to address Use of Resources issues
- Financial Training for budget holders to ensure awareness of financial regulations and management
- Regular monitoring of BVPIs at Departmental and Corporate Management Team meetings
- Regular review of BVPIs by Members.

13. **CUSTOMER IMPLICATIONS**

13.1 The improvements to performance have a direct impact on the customer as they demonstrate that the Council is achieving the targets set.

14. **OTHER IMPLICATIONS**

Procurement Issues N/A
Personnel Implications N/A
Governance/Performance Management See section 4 of report
Community Safety including Section 17 of Crime and Disorder Act 1998 N/A
Policy See Section 3 of report
Environmental

N/A
Equalities and Diversity
N/A

15. OTHERS CONSULTED ON THE REPORT

Please include the following table and indicate 'Yes' or 'No' as appropriate. Delete the words in italics.

Portfolio Holder	
Acting Chief Executive	Yes
Corporate Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal & Democratic Services	Yes
Head of Organisational Development & HR	Yes
Corporate Procurement Team	

16. APPENDICES

Appendix 1 - 8 Performance Indicators and Financial Outturn 2006/07 - Service Areas.

Appendix 9 – Revenue Budget Carry Forward Requests

Appendix 10 – Capital Budgets Carry Forward Requests

17. BACKGROUND PAPERS

Monitoring statements April- March
Performance Management information

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