

## STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

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Agenda Item 5

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#### Review of Performance against the Financial Strategy 2010/11

#### 1. Purpose of Report

- 1.1. To provide Members with the opportunity to scrutinise the Council's financial performance against the revised budget 2010/11, and the financial performance against previous years, particularly to assess the performance of specific services which represent a higher risk to the Council by reviewing trends in income, expenditure and cost to the Council.
- 1.2. To provide the views of Members from this Committee to Cabinet at its meeting of 6<sup>th</sup> September 2011, when Cabinet will be receiving the report.

#### 2. Background

- 2.1 As part of leading the organisation, managers have to account to Members for their management of the financial resources and for the performance of the organisation against what the Council has agreed.
- 2.2 The Strategic Plan 2010/14 sets out the ambition, focus and priorities for 4 years. Each year we produce a delivery plan which sets out the specific actions for the year. 2010/11 is the 3<sup>rd</sup> year of the Strategic Plan, and performance against the delivery plan was scrutinised by this Committee in June 2011.
- 2.3 The Medium Term Financial Strategy sets out the allocation of resources and the policies and parameters within which Managers are required to operate. We are required by law to set a 3-year balanced budget. The Strategy covers revenue and capital expenditure and was approved in February 2011, covering the period 2010/14.
- 2.4 This report covers the financial performance for the financial year 2010/11 and measures performance against the Financial Strategy as well as year on year.

#### 3. Community Benefits

- 3.1 The reporting of timely budget performance statements enables Members to critique and scrutinise performance for the efficient and effective use of resources, in the interest of the community, for the delivery of services and key priorities, as set out in the Strategic Plan.
- 3.2 Overall the financial performance has resulted in less money being required from reserves to support services, so that our reserves will last a longer time. This has been achieved through stringent cost controls.
- 3.3 The report also provides an analysis of the impact of the recession on those services which rely on substantial income levels.
- 3.4 Expenditure Review 2010 achieved significant savings in a cost effective way. It has been necessary to implement a further Budget Reduction Programme in the light of the significant reduction in Government grant.

#### 4. Financial Implications

- 4.1 Overall there is a contribution *to* general reserves of **£84K**, compared with a budgeted contribution *from* general reserves of **£331K**.

This is as a result of a favourable variance or underspend against budget for the 2010/11 financial performance of **£415K**.

This occurred because of the focus on controlling costs, maintaining/generating income and introducing new ways of providing services, which is detailed in the report. The underspend was achieved in a financially uncertain and difficult period.

Overall the underspend contributes to an improved general reserves position compared to the expectations in February 2011 when the Medium Term Financial Strategy was set by Council.

#### 5. Risk Management Issues

Risk	Likelihood/ Impact	Risk Category	Counter measure	Responsibility
Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council's priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate.	Medium/High	Financial	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy changes, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Tight project management of projects.	Leadership team

#### Background Documents:

Strategic Plan 2008/12

Medium Term Financial Forecast 2010/14

## OUR REVIEW OF 2010/11 PERFORMANCE AGAINST THE FINANCIAL STRATEGY

### 1 Delivering our Priorities: financial performance for 2010/11

- 1.1 Being *absolutely customer focused* means that we want more of our resources to be focused on those areas which are important to our residents.
- 1.2 Being *performance driven* means that we want to constantly align resources to areas where we want to deliver to a higher standard.
- 1.3 Getting *more for less* has been a key driver for us in each year of our Strategic Plan. Year on year we have faced higher costs on some areas of spend like fuel and utilities.
- 1.4 Year on year we have had to make significant reductions in spend levels, to afford the cost increases and live within our available financial resources.
- 1.5 With the economy still in a relatively volatile state with both negative and positive growth on a monthly basis during the year, our income and costs have been significantly affected, as has been some of the progress on our top priorities which are funded through our capital investment. This impact is common across the country for other Councils.
- 1.6 In this report we show progress on our cost reduction programmes to date and account for our financial performance for the full year up to March 2011. We also quantify the ongoing impact of the economic environment for the year; the performance in key business risk areas; the overall performance on the Bottom Line, and the performance on the aspects of our priorities which are funded through capital investment.

### 2 The context for our financial performance

- 2.1 We reported to Council on 22<sup>nd</sup> February 2011, that our estimated funding gap for 2012/13 and 2013/14 was **£4.77m**.
- 2.2 A comprehensive budget reduction programme has been in progress during 2010/11, with detailed work being undertaken to look at what budgets could be reduced, income could be raised, changes could be made to service delivery and efficiencies pursued, whilst delivering on year 3 of the Strategic Plan.
- 2.3 The *Budget Reduction Programme for 2011-14* presented to Strategic Overview & Scrutiny Committee in June 2011 showed that we had generated **£3.3m** towards the **£4.77m** funding gap.
- 2.4 Of this, **£1.1m** will take effect in **2011/12**, a year ahead of schedule.
- 2.5 The **£3.3m** budget reductions are in the process of being implemented. They combine **£1.714m** of efficiency and additional income savings, with **£0.595m** of reduction in activity savings, **£0.205m** from shared services and **£0.785m** from new initiatives.
- 2.6 Over the life of the existing Strategic Plan 2008-12 and the Financial Strategy (which is up to 2013/14), the Council has identified to date a total of **£11.329M**, as shown in the table below.

Total Savings	Amount taken out of the budget during Savings Reviews 2007-11						
	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	Total 2008 to 2014 £m
Reflected in Base Budget up to Expenditure Review 2010							
<b>Budget Reduction Programme 2011:</b> Progress as reported to Overview & Scrutiny 21 <sup>st</sup> June 2011.			This will be £ from the out-turn underspend	£1.115	£1.038	£1.145	<b>3.299</b>
Expenditure Review 2010 Savings			1.068	1.030	1.156	Built into the base budget	<b>3.254</b>
Expenditure Review 2009 Savings	0.80	0.822	1.236	1.253	Built into the base budget	Built into the base budget	<b>3.391</b>
Expenditure Review 2008 Savings	0.372	0.463	0.550	Built into the base budget	Built into the base budget	Built into the base budget	<b>1.385</b>
<b>Total Cumulative Savings</b>	<b>£0.452</b>	<b>£1.285</b>	<b>£2.854</b>	<b>£3.398</b>	<b>£2.194</b>	<b>£1.145</b>	<b>£11.329m</b>

### 3 Impact of the current economic climate on the Council's financial position

- 3.1 The downturn in the economic climate has had and continues to have a significant impact on the District Council's finances.
- 3.2 The risks to funding have been reflected in our most recent Medium Term Financial Strategy and continue to impact on the Council's finances for 2011/12. Where possible, the predictions of the impact of the recession were taken into account in our base budget for 2010/11, in order to determine as accurately as possible the financial risk to the Council's finances, so that we could take mitigating actions.
- 3.3 We have monitored the ongoing impact of the economic climate since the budget of 2008/9 when the 'credit crunch' first hit.
- 3.4 For **2010/11** the impact was estimated to be **£1.136m**.
- 3.5 The actual result was worse - **£0.204m**, as shown in the table below, where for example, we can see that Car Park Income was more adversely impacted than anticipated.
- 3.6 However, the economic climate is impacting differently in different areas – planning fee income increased significantly this year, as a result of an up-turn in planning applications, whereas the level our investments earn saw another drop, with the amount lost to the Council since the recession hit now over **£900k**.
- 3.7 It was not possible to forecast the impact of the recession on the Garrick, and a figure is not included here, but recent analysis reported to the Garrick Panel on 28th July 2011 shows that the rise in income level has slowed since the start of the recession, so the impact of the recession on the Council is larger than stated in the table.

The Table below sets out the impact of the Economic Climate on the Council's finances for 2010/11:

Impact of the Economic Environment on District Council's Finances	2010/11		
	Estimate of Impact on Budgets before recession hit <sup>1</sup>	Impact up to 31 <sup>st</sup> March 2011	Variation
	£m	£m	£m
<b>Changes in Net Expenditure</b>			
Leisure Centres	0.230	0.179	(0.051)
Planning Fees	0.079	(0.043)	(0.122)
Car Parking Fees	0.291	0.493	0.202
<b>Reduction in Income</b>			
Commercial Rents	0.025	(0.011)	(0.036)
Local Land Charges	0.081	0.087	0.006
Interest on Balances	0.404	0.609	0.205
Council Tax Base	0.026	0.026	-
<b>Total Impact for 2010/11</b>	<b>£1.136m</b>	<b>£1.340m</b>	<b>£0.204m</b>

<sup>1</sup> Based on original Budgets set in February 2008/9

### 4 Focus on key business risk areas

- 4.1 Our key business risk areas are the subject of close management focus, because they rely on significant income generation. Small changes in the business within these areas can have a significant impact on the *Bottom Line* for the Council.
- 4.2 For example, Leisure Centres achieved **£2.1m** in income in 2010/11 and the Lichfield Garrick **£1.9m**. So together our cultural and recreational services achieved circa **£4m** in commercial income.
- 4.3 Our other key business areas are Car Parks, achieving an income of **£1.7m**, and we have Commercial Rents achieving just under **£800k**, Planning Fee income of circa **£620k**, and Treasury Management interest just over **£200k**.
- 4.4 In total this means that we achieved over **£7m** of income, which are affected by a range of variables specific to their business areas including external factors, like the economic climate.
- 4.5 Here we report on the financial performance for the key business risk areas.
- 4.6 In the table overleaf we look at *the trend* in the financial performance for each of the areas – **how they compared to previous years**, alongside their **performance against budget for this year**.

## Summary of performance on our key business risk areas for the year 2010/11

Area	Year on year financial performance (comparing performance to 2009/10)	Position on budget (comparing performance to budget for 2010/11)
Leisure Centres	<p><b>Income:</b> was up by <b>1.5%</b> on the previous year and including a business rate refund reached just over <b>£2.1m</b></p> <p><b>Direct costs:</b> were down by <b>£87k</b> or <b>3%</b> on last year.</p> <p>Overall this means the Leisure Centres cost the Council <b>£114k</b> or <b>14%</b> less than 2009/10.</p>	<p><b>Income:</b> up by <b>£42k</b> (just under <b>2%</b>).</p> <p><b>Direct costs:</b> were <b>£106k</b> (<b>5%</b>) better than Budget.</p> <p>This means overall the Leisure Centres have performed better than Budget by <b>£148k</b>.</p>
Recycling and waste management	<p>The new Shared Service was introduced in July 2010, and comparisons year on year are therefore difficult as this was the transition year. The cost of the service was <b>£216k</b> lower than in 2009/10.</p>	<p>The performance in 2010/11 for the waste service was better than expected. Savings for the year were <b>£127k</b>. This is <b>£45k</b> better than forecast at Q3.</p>
Car parks	<p><b>Income:</b> as anticipated, income was down <b>£247k (13%)</b> compared to last year.</p> <p><b>Expenditure:</b> was also down, by <b>£59k (13%)</b>, through tightly controlling costs.</p> <p>The car parks contributed <b>£1.3m</b> to the Council's bottom line, <b>£188k</b> less than the previous year, and this was better than we expected.</p>	<p><b>Income:</b> we anticipated the drop in income on last year, but we exceeded our expectation by <b>£44k</b> on budget, achieving <b>£1.7m</b></p> <p><b>Costs:</b> were <b>7%</b> below budget, at <b>£389k</b>.</p> <p>The contribution of the car parks to the Council's bottom line was therefore <b>£73k</b> more than budget.</p>
Planning fees	<p><b>Income:</b> improved by <b>£254k</b> compared to last year, with planning applications up by <b>3.5%</b>.</p> <p><b>Costs:</b> were <b>£34k</b> or <b>6%</b> below the previous year.</p> <p>The planning service <i>contributed</i> <b>£121k</b> to the Council's bottom line, compared to a <i>cost</i> of <b>£167k</b> last year.</p>	<p>Planning fee <b>income</b> is <b>£13k (2%)</b> less than the budget for 2010/11 of <b>£632k</b>.</p> <p><b>Costs</b> are <b>£23k (4%)</b> lower than budget.</p> <p>The surplus made by the service was <b>£11k</b> better than that budgeted.</p>
Local Land Charges	<p><b>Income:</b> A <b>13%</b> reduction in the number of searches has contributed to income being just over <b>2%</b> down on 2009/10 at <b>£170k</b></p> <p><b>Costs:</b> are <b>£25k</b> up on last year reflecting additional costs incurred to prevent the loss of income being greater.</p> <p>The service is a net contributor to the Council's bottom line, and for 2010/11 the service contributed <b>£64k</b> compared to <b>£93k</b> last year.</p>	<p><b>Income</b> – up by <b>£14k</b> on budget.</p> <p><b>Costs:</b> were up by <b>£18k</b> or <b>20%</b> on budget.</p> <p>We lost <b>£18k</b> income because of the revocation of the statutory fee for personal searches, and the extra costs were incurred to optimise our income on other areas. As a result the net surplus was just <b>£4k</b> below budget at <b>£64k</b>.</p>
Commercial Rents	<p><b>Income:</b> Rental income was up by <b>£36k</b> on last year, largely due to re-letting a vacant property (which was vacant in 2009/10).</p>	<p>Rental income was <b>£12k</b> below budget at <b>£778k</b>, substantially due to down pressure on rent levels.</p>
The Lichfield Garrick	<p><b>Income:</b> at <b>£1.9m</b> is down by <b>£40k</b> or <b>2%</b> compared to the previous year mainly due to lower Bar &amp; Catering Income.</p> <p><b>Direct costs:</b> Costs were down by <b>£81k</b> or <b>3.2%</b> compared to last year, achieved by tight cost control. This is the first time direct costs have lowered.</p> <p>The Garrick's Net Direct Cost was <b>£41k</b> better than last year i.e. the Garrick cost the Council less for 2010/11 than the previous year.</p>	<p>Overall the total cost to the Council is <b>£102k (5%)</b> higher than the Revised Budget.</p> <p>This was in large part due to overestimating the <b>income</b> from productions for the last quarter. Analysis of actual ticket sales for the 4<sup>th</sup> quarter shows a <b>61%</b> increase on 2009/10, but the budget required double that.</p> <p><b>Direct Costs</b> were in line with budget. So the performance against budget masks a good performance for 2010/11, as shown in the more detailed analysis provided.</p>
Treasury Management	<p>The Council's average annual returns and investment income achieved have been:</p> <ol style="list-style-type: none"> <li>1. 2010/11 <b>0.85%</b>; <b>£203k</b></li> <li>2. 2009/10 <b>0.96%</b>; <b>£383k</b></li> <li>3. 2008/09 <b>4.90%</b>; <b>£1,105k</b></li> </ol> <p>The loss of income since the recession hit is just over <b>£900k</b></p>	<p>Net interest receipts achieved were <b>£203k</b> compared to a Budget of <b>£191k</b>, largely due to more funds being available for investment.</p>

## 5 Our Leisure Centres, Parks and Play

### Leisure Centres:

Net direct expenditure	Actual 10/11	Actual 9/10	Budget 10/11
	£705k	£819k	£853k

- 5.1 The Net direct expenditure for 2010/11 for our Leisure Centres was **£114k** or **14%** lower than last year, i.e. the Leisure Centres cost the Council less in 2010/11 than in 2009/10.
- 5.2 Direct costs dropped by **3%** or **£87k**, and income was up by **1.5%** at **£1.86m**, and together with the one off refund of Business Rates of **£312, 550**, achieved **£2.1m**.
- 5.3 Against budget, income at the Leisure Centres was up by **£42k**, and direct costs were **£106k (5%)** lower. This means overall the Leisure Centres have performed better than Budget by **£148k**.
- 5.4 The improved result was largely as a result of actions taken and reported in previous Expenditure Reviews and the current Budget Reduction Programme – the emphasis of which has been to reduce costs but also to maintain income. The improvement was across each of the Leisure Centres:-
- ❖ Friary Grange cost the Council **£20k** less than 2009/10, with costs down and income up. (Net direct Expenditure of **£140k**).
  - ❖ King Edward VI cost the Council **£64k** less than the previous year, with costs down and income up, including catering turning a loss of **£2.5k** into a surplus of **£2k**. (Net direct Expenditure of **£125k**)
  - ❖ Burntwood Leisure Centre cost the Council **£30k** less than 2009/10, with income up and costs roughly the same as last year. (Net direct Expenditure of **£440k**)
- 5.5 The performance was primarily due to increased sales of gym memberships, synthetic pitch hire and swimming at Burntwood. The improvement was also despite the temporary closure of the sports hall at Friary Grange, the severe winter weather before Christmas, and a difficult economic climate.

### Play, sports development activities:

Net direct expenditure	Actual 10/11	Actual 9/10	Budget 10/11
	£110k	£133k	£135k

This includes play, mobile leisure, sports development, Positive Futures and the Aspire schemes.

- 5.6 The net direct expenditure for 2010/11 for our Play and other Sports Development activities was **£23k** or **17%** lower than last year, i.e. our play and other activities cost the Council less in 2010/11 than in 2009/10.
- 5.7 Play, mobile leisure and sports development activities were **£25k** below budget and this was achieved by maximising take-up of playscheme and mobile leisure places, minimising staffing costs, relocating offices to King Edward VI Leisure Centre, reducing the vehicle fleet and securing additional grant funding from organisations including Sport England and the Primary Care Trust.

### Parks, greens and open spaces:

Net direct expenditure	Actual 10/11	Actual 9/10	Budget 10/11
	£1.116m	£937k	£1.078m

- 5.8 The Net direct expenditure for 2010/11 for our Parks was **£179k** or **19%** higher than the previous year.
- 5.9 **£73k** of the increased cost was due to Chasewater, reflecting the income we had to forego because of the engineering works to the Reservoir, from rental from the water-sports clubs because of the low water level, higher staffing costs associated with ensuring that visitors to the park remained safe during the works to the dam, the settlement of insurance claims and the payment of backdated rent to our landlords following a rent review. The net direct cost of providing Chasewater Country Park was **£200k**.
- 5.10 Costs of running our Burntwood Parks were **£38k** higher than in 2009/10, with a net direct expenditure of **£177k**. Additional costs were incurred in opening and locking Burntwood Park and charges were applied for the maintenance of the closed churchyards in the town. We also spent more in the management of the tree stock – which had been postponed from the previous year.
- 5.11 Beacon Park cost circa **£21k** more to run in 2010/11 than in 2009/10, with a net direct expenditure of **£342k**. The restoration of the Park during 2010/11 meant that large parts of the Park were inaccessible at times, which hampered our ability to generate income. Our income from golf and other attractions was reduced by **£10k**, and the closure of the play area meant that the catering operation traded at a loss of **£14k**. The operation was wound up in September to prevent further losses. We also incurred additional costs replacing the lead stolen from the pavilion roof and there were higher utilities costs. We carried out more works on the tree stock in our ownership, which had been deferred from the previous year.
- 5.12 Elsewhere we spent **£14k** more on our playing fields, greens and open spaces, primarily because we carried out works to council owned trees that had been deferred from the previous year.
- 5.13 Looking at performance against budget, our Parks were **£38k** above budget, of which circa **£19k** was due to Chasewater, primarily because of additional rent and insurance claims payable and **£19k** to Burntwood Parks because we started to lock Burntwood Park and met the costs of maintaining the three closed churchyards.

## Leisure, Parks & Play overall:

Net direct expenditure	Actual 10/11	Actual 9/10	Budget 10/11
	£1.84m	£1.87m	£1.97m

- 5.14 The Net direct expenditure for 2010/11 for our Leisure, Parks and Play services as a whole was **£29k** or **1.5%** lower than in 2009/10, i.e. our leisure, parks and play services cost the Council less in 2010/11 than in 2009/10.
- 5.15 Against budget, Leisure, Parks and Play as a whole came in under its budgeted level of net expenditure by **£148k**, primarily because costs were controlled and more income was achieved at the Leisure Centres in the final quarter of the year than expected. We were prepared for an overspend as a result of additional costs incurred and reduced income in Beacon Park during the restoration works, the cold weather in November and December, the prolonged unavailability of the sports hall at Friary Grange Leisure Centre due to repairs to its roof and the VAT increase. However, a stronger trading performance in January to March resulted in a satisfactory end of year performance against budget.
- 5.16 After using specific earmarked reserves on Parks works, the service will need to retain a portion of the underspend achieved against budget. **£20k** is required to maintain some of the work undertaken by Aspire and **£50k** is required to contribute to a much-needed refurbishment of the wetside changing rooms at Friary Grange Leisure Centre subject to the Council and school renewing the operating agreement. The Council has previously allocated **£50k** of Section 106 money to this project, however this will be insufficient to complete the works.

## 6 Recycling and Waste Management

Net direct expenditure	Actual 10/11	Actual 9/10	Budget 10/11
	£1.669m	£1.885m	£1.714m*

\*The new Shared Service was introduced in July 2010, and comparisons year on year are therefore difficult as 2010/11 was the transition year. Some one-off set up costs have been netted off the budget figure to enable a real trading comparison on performance.

- 6.1 The Net direct expenditure for 2010/11 for our Recycling and waste management services was **£216k** or **11%** lower than the previous year, i.e. recycling and waste collections the cost the Council less in 2010/11 than in 2009/10.
- 6.2 The year end position against budget was a net savings of **£127K** for 2010/11. This was **£45k** better than predicted for performance against budget at Q3, and was mainly due to additional income from recycling credits as dry recycling tonnages were higher than originally anticipated.
- 6.3 Our focus on this top priority service is to stay a top performing recycler and to lower the cost of doing so – to do more with less.
- 6.4 Additional savings were achieved by leasing refuse vehicles to other authorities and replacing them with cheaper and more suitable vehicles generating **£95k** of income. An area of potential concern is the rising cost of fuel, with fuel prices increased by **15%** during 2010/11, so our Medium Term Financial Strategy for 2010-14 assumes **7%** inflation for Fuel Prices.
- 6.5 One of the measures we use to monitor the cost is to calculate the cost per household:- .

Cost per household for domestic refuse and recycling							
2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
£57.61	£68.84	£59.71	£55.89	£46.34	£44.25	£41.88	£39.26

- 6.6 The cost per household for waste collection has been falling over the last few years. The introduction of the blue bins and the move to fortnightly collections for dry recycling contributed to this. However, the main reason has been the Shared Waste Service. The service has just begun its 2nd year of operation, and the predicted cost per household for 2011/12 is **£39.26**.

## 7 Car Parks

Net direct contribution	Actual 10/11	Actual 9/10	Budget 10/11
	(£1.314m)	(£1.502m)	(£1.241m)

- 7.1 The Car Park service is a net contributor to the Council's bottom line, contributing **£1.3m** in 2010/11.
- 7.2 Car parking usage and income is impacted by the economic climate, and because of this we have held car park charges at the level set in April 2008 (prior to this there were year on year increases to at least keep pace with inflation), so there have been no increases for 3 years.
- 7.3 In addition, in 2010/11 we ran the 'Free after 3' offer for Lombard St car park in order to help stimulate the local economy and the take-up of car park spaces, and we also absorbed the VAT increase introduced in January 2011.

7.4 In setting the budget for 2010/11 we anticipated that occupancy and income would be down on the previous year, based on trends seen both here and in other town centre car parks sub regionally and nationally. As the recession took hold, we saw, amongst other things, consumers having less disposable income on average, higher (and volatile) fuel costs dissuading people from driving and a shift to bus usage.

7.5 We also took account of our local circumstances, including the loss of the multi-storey car park (which closed just prior to Xmas 2009 and is the most convenient car park for many users), and the effect of the Tesco car park reopening, which is used by shoppers visiting the city centre as well as the store.

7.6 The budget for 2010/11 and actual out-turn was as follows:-

2010/11	Budget	Actual	difference	2009/10 actual	9/10 vs 10/11 actuals
Income	£1.659m	£1,703m	+£44k	£1.95m	-£247k
Direct costs	£418k	£389k	-£29k	£448k	-£59k
Net contribution	(£1.241m)	(£1.314m)	+£73k	(£1.502m)	-£188k

7.7 The **£29k(7%)** lower direct costs was as a result of tight cost control, and the **£44k(3%)** improvement in income was partly due to a business rate refund of **£25k** but also an improvement in income performance against budget in the last quarter, which followed severe weather in December.

7.8 As a result the contribution of the car parking service to the Council's bottom line was **£73k** better than budget, at **£1.3m**.

7.9 Comparing performance to the previous year, income was **£247k(13%)** less, which was a lower drop than we had expected. Because costs were controlled and were lower by **£59k(13%)** on those for 2009/10, the net contribution to the Council's bottom line was **£188k** less than in 2009/10, at **£1.3m**, rather than the **£260k** drop we anticipated. Usage was down by **7%**, from **78%** in 2009/10.

7.10 Year on year forecasting for car parks is difficult because of the variables involved, many of which are external. The 2011/12 budget has been set using the trends in 2010/11.

## 8 Planning Fees and Local Land Charges

### Planning fees:

Net direct contribution (note was a cost in 9/10)	Actual 10/11	Actual 9/10	Budget 10/11
	<b>(£121k)</b>	<b>£167k</b>	<b>(£110k)</b>

8.1 Planning Fee income fees come from routine planning applications and major applications, together with any costs recovered. In 2010/11 we received **937** planning applications, compared with **905** for the same period last year, an increase of **32(3.5%)**.

8.2 Overall a net *cost* of **£167k** for last year was converted into a net *contribution* of **£121k**, which was also **£11k** higher than budgeted.

8.3 Here we show income and direct costs compared to budget and the previous year.

2010/11	Budget	Actual	difference	2009/10	2009/10 actual	9/10 vs 10/11 actuals
Income	£631k	£619k	-£12k		£365k	+£254k
Direct costs	£521k	£498k	-£23k		£532k	-£34k
Net contribution	(£110k)	(£121k)	+£11k	9/10 net direct cost ⇒	£167k	+£288k

8.4 At **£619k**, income was up by **£254k** on the previous year, although **£12k** below budget. **£236k** of the increased income came from major applications.

8.5 Direct costs were **£34k** lower than last year at **£498k**, and **£23k** lower than budget. This means the service did more for less than last year, and reflects costs which were taken out as part of Expenditure Review 2010.

8.6 The service was a net contributor to the Council's bottom line.

### Local Land Charges:

Net direct contribution	Actual 10/11	Actual 9/10	Budget 10/11
	<b>(£64k)</b>	<b>(£93k)</b>	<b>(£68k)</b>

8.7 The service is a net contributor to the Council's bottom line, and contributed **£64k** in 2010/11.

8.8 We achieved **£170k** in income, and direct costs were **£106k**.

8.9 We received **2,196** searches in 2010/11, **13%** less than last year. The lower numbers of searches contributed to **£4K(2%)** drop in income compared to that achieved in 2009/10.

8.10 Following a court ruling, which applied to all Councils, the statutory charge for personal searches was revoked on 27<sup>th</sup> July 2010. The impact of this change resulted in a reduction in income of **£18k** for 2010/11. To mitigate this and remain competitive in this market we reduced our fees, improved our customer service, invested in new technology and carried out a marketing campaign.



- 8.11 Overall, this reduced the impact of the loss of statutory charge income, and the final income figure achieved compared well to 2009/10's performance.
- 8.12 Comparing performance to budget our income was up by **£14k**, but direct costs were higher by **£18k**, so that the net direct *contribution* to the Council's bottom line of **£64k** was just under the budget by **£4k**.

## 9 Commercial Property

Income	Actual 10/11	Actual 9/10	Budget 10/11
	(£778k)	(£742k)	(£790k)

- 9.1 We achieved **£778k** income from rent of Shops, Land and Industrial Units in 2010/11, which was **£36k** up on the income achieved in 2009/10, although **£12k** less than budget.
- 9.2 Shop and industrial unit rents have been under downward pressure as the impact of the economic climate affected the property market. The table below shows we experienced a large drop in rental income between 2009/10 and 2008/9.

Commercial rents income year on year				
2006/7**	2007/8	2008/9	2009/10	2010/11
£994k	£889k	£889k	£742k	£778k

\*\*The income figure for 2006/7 was exceptionally high due to a back payment of rental income of **£0.102m** in that year.

- 9.3 The vacancy rate in 2010/11 for our properties was lower than the previous year, with only 1 business unit vacant at the year end, but we did experience a downward pressure on rent levels.

## 10 The Lichfield Garrick

Net direct expenditure	Actual 10/11	Actual 9/10	Budget 10/11
	£526k	£567k	£424k

- 10.1 Net direct expenditure for 2010/11 for the Garrick was **7% (£41k)** lower than that for 2009/10 i.e. the Garrick cost the Council less in 2010/11 than in 2009/10.
- 10.2 Paradoxically, performance against budget shows an underperformance of **£102k**. This was in large part due to overestimating the income from productions for the last quarter, as we were in line with budget up for the first 3 quarters of the year. Analysis of actual ticket sales for the 4<sup>th</sup> quarter shows a **61%** increase on 2009/10 was achieved, but the budget required double that. Costs achieved were in line with budget. So the performance against budget masks a good performance for 2010/11.
- 10.3 The Theatre performed particularly well, costing the Council **£63k** less than the last year, but Bar and Catering yielded **£22k** less than in 2009/10, contributing **£28k** to the bottom line.
- 10.4 Income after ticket sales from hires and payments to producers/artists have been accounted for improved by **£133k** over 2009/10, or **20%**.
- 10.5 Performance on productions was **£43k** better than in 2009/10, an improvement of **24%**. With income up by **£26k** and costs of production down by **£17k**, the ratio of income achieved for every £1 of expenditure was **£1.28p**. This was largely due to the Pantomime which outperformed all previous years.

The Christmas production of *Peter Pan* exceeded expectations with **27,100** tickets sold with a sales value after VAT of **£321,300**. This compares with **23,795** tickets sold for the previous year's production of *Aladdin* with a sales value of **£245,370**. **£75,930** more income was earned.

- 10.6 The Bar and Catering income was impacted by the closure of the multi-storey car park and to an extent, the recession, and was down by **£45k** on 2009/10, with day time income (which is mainly for Catering) picking up better than Bar income after the car park re-opened. Gross profit margin was just over **58%** compared to **62%** for the previous year, and net profit margin was **10.6%** compared to an all time high of **16.2%** for 2009/10.
- 10.7 Direct costs for the venue as a whole were down by just over **£81k(3%)** on 2009/10, and this was achieved through reducing staff costs and controlling production costs. This is the first year direct costs have reduced on the previous year.
- 10.8 An assessment of the impact of the Garrick on the local economy shows that for every **£1** the Council spent on the Garrick in 2010-11, circa **£15** was generated within the district. Around **110,000** people came to the Theatre in 2010, slightly less than in 2009/10.

## 11 Treasury Management - the investment income we received and our cost of borrowing

Interest earned	Actual 10/11 (£203k)	Actual 9/10 (£383k)	Budget 10/11 (£191k)	Actual 2008/9 (£1,105k)
Average % rate	0.85%	0.96%		4.9%

- 11.1 Net interest receipts achieved was £180k lower than last year and just over £900k on that achieved in 2008/9. The average annual return achieved was lower than last year.
- 11.2 The amount achieved this year was higher than budget because there was additional cash available due to under-spending in both capital and revenue. Further details can be found in the Treasury Management Annual Report which is elsewhere on this agenda.
- 11.3 The performance for 2010/11 was a direct result of the changes in the banking sector and the prevailing conditions in the financial markets. Interest rates have significantly reduced and there are far fewer financial institutions available to the Council to place its investments.
- 11.4 The performance of the Treasury Management function needs to be measured against the investment objectives of *security* (the safe return of our monies), *liquidity* (making sure we had sufficient money to pay for our services) and *yield* (the return on our investments).

### Security

- 11.5 Our aim for the risk status of our portfolio was **A+** utilising the lowest rating from the three credit rating agencies.
- 11.6 The investments outstanding at the 31<sup>st</sup> March 2011 had a risk status of **AA-** based on the length of the investment and **AA-** based on the value of the investment, which is a more secure risk status, and this is both compliant with our aim and the recommendations from our Treasury Management advisors.
- 11.7 In addition, we keep the length of our investments relatively short term to ensure that we can easily react to changes in counterparty credit risk. Our Treasury Management advisors have recommended investments should be for no longer than **1 year** in duration to manage counterparty credit risk. However, an exception has been made with Barclays and HSBC Banks where we were able to undertake investments up to **2 years**. We also maintained balances in Money Market Funds and Instant Access Accounts to provide for unforeseen cash flow requirements.
- 11.8 The average length of investments made in 2010/11 was **72 days**.

### Liquidity

- 11.9 Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to externally borrow on a temporary basis during the financial year. In 2010/11 we did not need to borrow externally.

### Yield

- 11.10 In 2010/11 an average interest rate of **0.85%** was achieved. This compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate of **0.43%**. The 1-month rate was **0.50%**, the 3-month rate was **0.67%** and the 6-month rate was **0.98%**.
- 11.11 Net Investment Income included Investment Income receipts (excluding Car Loan Interest) and Interest Payments. The projected overall net Treasury Management position compared with budget is shown in the following table :

Details	2010/11 Original Budget	2010/11 Revised Budget	2010/11 Actual
Average Amount we had available to Invest (£m)	16.09	15.24	17.95
Average Interest Rate (%)	0.60	0.95	0.85
Interest Receipts	(£171,770)	(£196,740)	(£206,157)
Borrowing Costs – Minimum Revenue Provision	£94,000	£0	£0
Borrowing Costs – External Interest	£160,000	£0	£0
Interest Paid	£6,000	£6,190	£2,912
<b>Net Investment Income (£)</b>	<b>£88,230</b>	<b>(£190,550)</b>	<b>(£203,245)</b>

## 12 The Bottom Line

12.1 Here we look at the spend by the categories we are required to use in our **Statements of Accounts**, and we focus on the projected outturn compared to the approved budget and the bottom line.

	Approved Budget	Actual Outturn	Variation
	£m	£m	£m
<b>What we plan to spend the money on</b>			
Central services incl. finance, revenue collection, personnel, emergency planning	1.789	1.017	(0.772)
Cultural, environmental and planning services, incl culture and heritage, leisure, waste, planning,	9.627	9.272	(0.355)
Housing Services, Housing & Council Tax Benefits	0.879	0.980	0.101
Highways, roads and transport, incl car parking concessionary fares	(0.300)	(0.186)	0.114
Corporate and democratic core services incl. democratic representation, corporate management	2.335	2.234	(0.101)
Non-distributed costs	0.176	0.246	0.070
<b>Net cost of Services</b>	<b>14.506</b>	<b>13.563</b>	<b>(0.943)</b>
Less - transferred from capital and pension	(2.382)	(1.563)	0.819
Less - income from cash investments	(0.197)	(0.206)	(0.009)
Add - interest Payments	0.006	0.095	0.089
<b>Net revenue expenditure</b>	<b>11.933</b>	<b>11.889</b>	<b>(0.044)</b>
Less-transferred from earmarked reserve	(0.172)	(0.535)	(0.363)
<b>Cost of local services met by local and national taxes</b>	<b>11.761</b>	<b>11.354</b>	<b>(0.407)</b>
<b>How we plan to fund this</b>			
Local taxes - Council Tax	(5.384)	(5.384)	0.000
National Taxes - Formula Grant	(0.770)	(0.770)	0.000
Business Rates	(5.301)	(5.301)	0.000
Collection Fund Deficit	0.060	0.060	0.000
Area Based Grant	(0.035)	(0.043)	(0.008)
<b>Sub Total</b>	<b>(11.430)</b>	<b>(11.438)</b>	<b>(0.008)</b>
<b>Revenue Account Deficit to be met by a Contribution from/(to) General Reserve</b>	<b>0.331</b>	<b>(0.084)</b>	<b>(0.415)</b>

### 12.2 What is the performance telling us?

- Overall, the Council has utilised **£415k** less Reserves than it anticipated in the Revised Estimate. This is because of the focus on controlling costs, generating income and introducing new ways of providing services. This was achieved in a financially uncertain period.
- Earmarked Reserves used during the year were **£363k** more than Revised Estimate. This includes a **£575k** contribution from the Car Park renewals sinking fund to support the capital spend on Multi-Storey structural repairs and overall nets to a £nil impact on the Revenue Budget.
- The Net Cost of Service variance of **£943k** is partly offset by reserve transfers from capital and therefore the 'real' variance on the cost of local services met by taxes is **£407k**.
- The improvement in performance is due to various trading factors explained overleaf.

### 12.3 Key Business Risk Areas:

**£0.175m Net Improvement**

Performance on the key business risk areas have been explained earlier in the report.

### 12.4 Other Variations:

**£0.240m Net Improvement**

#### Cost of Local Services:

- **£(0.063m)** additional Housing Benefits clawed back from residents in the area. This was due to continued efforts to ensure income is recovered where possible and brought back into the authority to be re-used for services
- **£(0.032m)** savings as a result of holding down costs in Organisational Development
- **£(0.058m)** delayed Pension contributions to the West Midlands' Council (WMC), represented by 33 Councils.
- **£(0.016m)** savings on reduced hours worked for employees in Democratic and Legal services
- **£(0.026m)** additional ad hoc income for outside contract Grounds Maintenance services
- **£(0.021m)** reallocation of revenue costs to Capital Projects
- **£(0.015m)** net cost saving due to Heritage Lottery and Beacon Park project delays
  - **£(0.012m)** reduction in Members allowances and training costs
  - **£0.012m** the remaining variance being due to the total of smaller items

#### Grant Income:

- **£(0.008m)** additional Area Based Grant (provided by Government).

### 12.5 Concessionary Fares

- From 1 April 2011 the administration, costs and Government Grant in respect of concessionary Travel was transferred to Staffordshire County Council.
- The net direct expenditure for concessionary fares for 2010/11 was **£512k**, and this compared to **£423k** in 2009/10.
- The number, length and type of concessionary journeys made in 2010/11 increased by **26%** and the average fare increased by **7.5%**. This resulted in an overspend against budget of **£46k**.
- Residents of our District can still receive their bus passes through the Council's Customer Services Team, following negotiations with the County Council, and their agreement to pay a modest fee per transaction. This enables our residents to receive a range of services in one place.

### 12.6 Working Balance, Reserves and Provisions

- The Council had General Reserves of **£(3.322)m** as at 31<sup>st</sup> March 2010.
- The Council is required to maintain an adequate Minimum Level of Reserves to ensure they represent an appropriately robust 'safety net' that adequately protects the Council against potential unbudgeted costs. For 2010/11 this was maintained at **£1m** representing **8.5%** of the cost of local services.
- The actual 2010/11 contribution to general reserves is **£(0.084m)**. After taking account of the minimum level of reserves of **£1m** this will leave a balance of **£(2.406m)** to assist with the Medium Term Financial Strategy going forward.

#### Glossary: Description of functional areas in the Table above

**Central services** include >> Revenue collection • Emergency planning • Financial Services and more.

**Cultural, environmental and planning services** include >> Culture and heritage • Sports • Parks and open spaces • Waste collection • Planning • Street cleansing • Community safety • Public conveniences • Environmental health and licensing • Economic development and more.

**Housing services** include >> Preventing homelessness • Housing and council tax benefits • Housing services

**Highways, roads and transport services** include >> Car parking • Concessionary fares and more.

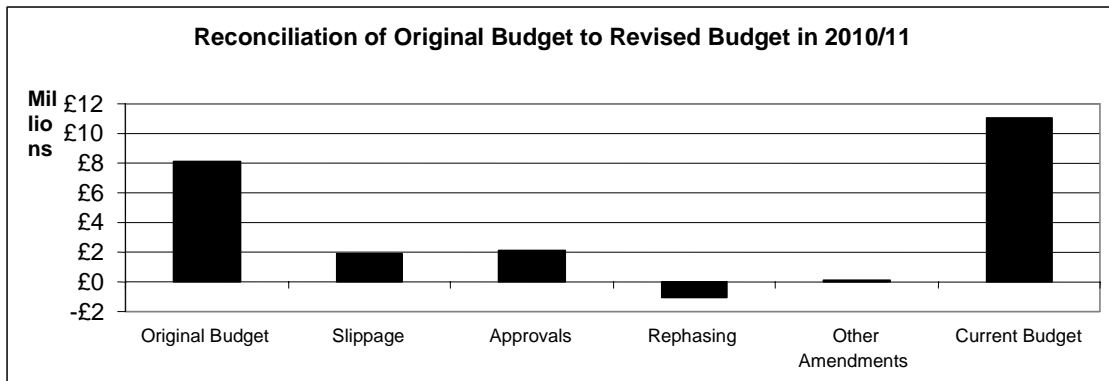
**Corporate and democratic core** include >> Democratic representation • Corporate management

**Non distributed costs include** >> Retirement benefits • Capital charges non-operational assets.

### 13 Investing in our Priorities – Capital

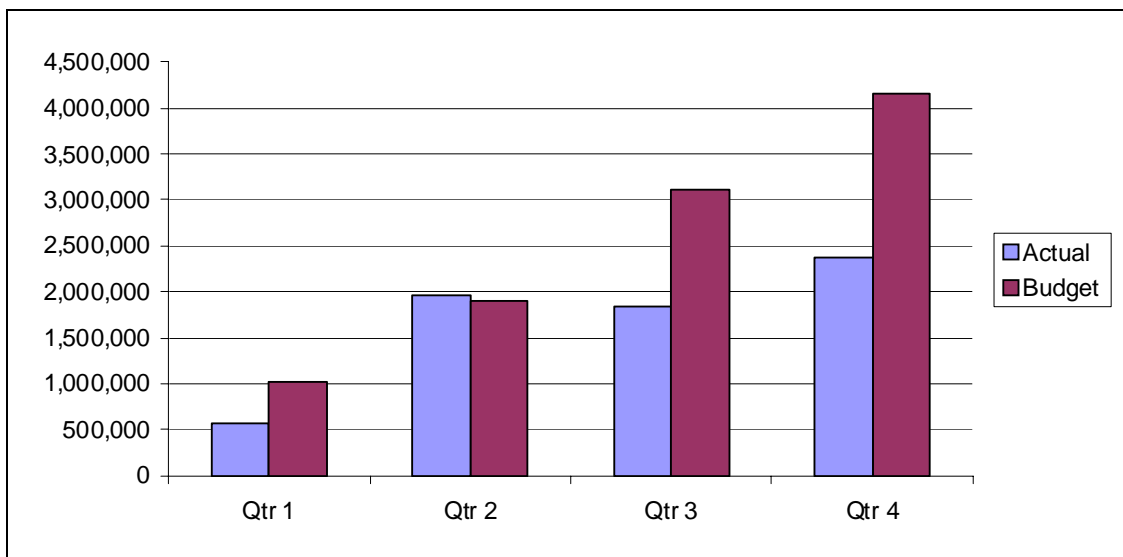
#### Management of the Capital Programme in 2010/11

- 13.1 The Council on the 23 February 2010 approved an Original Budget for 2010/11 of **£8.090m**.
- 13.2 The Cabinet on 29 June 2010 approved slippage of **£1.879m** in the Capital Programme in 2009/10 being carried forward to 2010/11 and this has resulted in an Approved Budget for 2010/11 of **£9.969m**.
- 13.3 In addition, the Cabinet has approved several reports, and there have been some other minor changes such as re-phasing under delegation that increased the budget by a further **£0.212m**. Therefore, the Revised Budget for 2010/11 was **£10.181m**.
- 13.4 The reconciliation of the Original Budget to the Revised Budget is also shown in the graph below:



#### How are we performing in 2010/11

- 13.5 Below we show spend quarter by quarter in 2010/11 using performance against our Revised Budget.



13.6 Below we look at spend by top priority for 2010/11 Financial Year focussing on the actual position for the year compared with the Revised Budget.

Top Priority	Projected Outturn (Quarter 3)	Revised Budget	Actual	Variance	Note Ref
	£m	£m	£m	£m	
Create safe, strong and proud communities	0	0	0	0	<input checked="" type="checkbox"/>
Improve people's health and well being	239	202	105	(97)	<input checked="" type="checkbox"/>
Help people realise their potential	0	0	0	0	<input checked="" type="checkbox"/>
Involve local people and partners	0	0	0	0	<input checked="" type="checkbox"/>
Help people access a home that's right for them and to live independently	1,042	595	559	(36)	<input checked="" type="checkbox"/>
Vibrant towns and villages	5,903	5,942	3,920	(2,022)	1 <input type="checkbox"/>
Protect and enhance our environment for future generations	3,073	3,115	1,842	(1,273)	2 <input type="checkbox"/>
Attract even more investment into our District	12	12	0	(12)	<input checked="" type="checkbox"/>
Provide great value services centred on customer's needs	301	315	321	6	<input checked="" type="checkbox"/>
<b>Total Capital Expenditure</b>	<b>10,570</b>	<b>10,181</b>	<b>6,747</b>	<b>(3,434)</b>	

KEY:

Actual within £0.1m of our final budget ● Actual not within £0.1m of our final budget

13.7 The actual outturn for two of our strategic priorities significantly varies from the final budget. The main reasons for this are:

**Note 1 : Vibrant Towns and Villages**

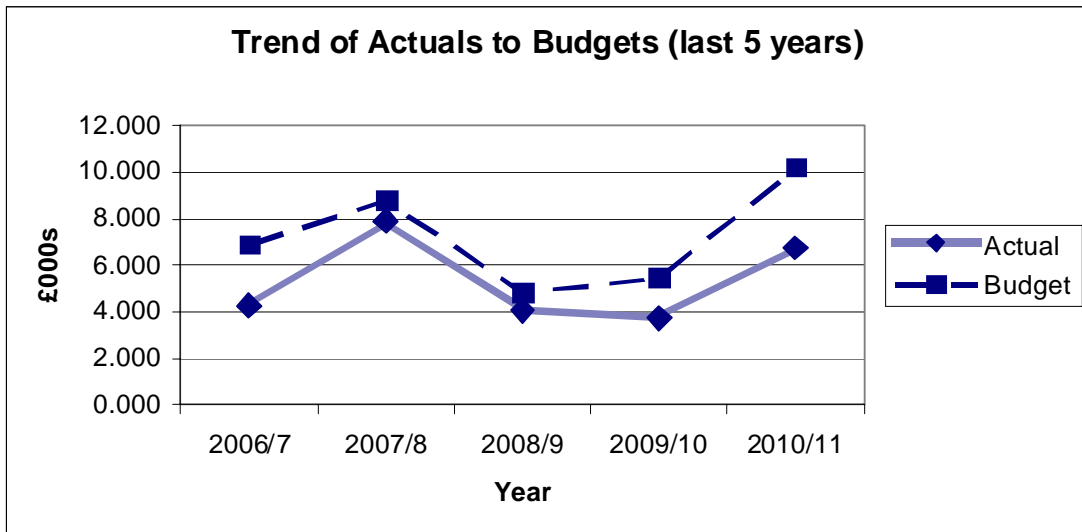
- **City Centre Enhancements (£207k)** – the final account for this project with the main contractor has been settled and this has meant that a number of provisions that had been established to potentially fund contractual risks are now available for completion of the project works.
- **Heritage Lottery Fund Lichfield Parks (£1,193k)** – the restoration of the Parks has progressed more slowly than originally anticipated because of factors like the severe winter weather and design changes which means that actual spend in 2010/11 has lagged behind forecast. The spend will now be undertaken in the 2011/12 financial year.
- **Youth Building at Fradley (£180k - S106 contribution)** – with the assistance of the District Council, a number of the issues related to the delivery of this project have now been resolved. A start on site has now been made which means that the spend anticipated for 2010/2011 will now take place in 2011/12.

**Note 2 : Protect and Enhance our Environment for Future Generations**

- **Chasewater Dam (£1,554k)** – although the project progressed more slowly in 2010/11 than anticipated because of the severe winter weather and design changes, Chasewater Country Park was transferred to Staffordshire County Council early in 2011/12. Heads of terms were agreed in March 2011, and the transfer was completed on 18<sup>th</sup> April 2011. This means that the District Council will not be required to fund the completion of these works and will be reimbursed for our expenditure incurred to date.

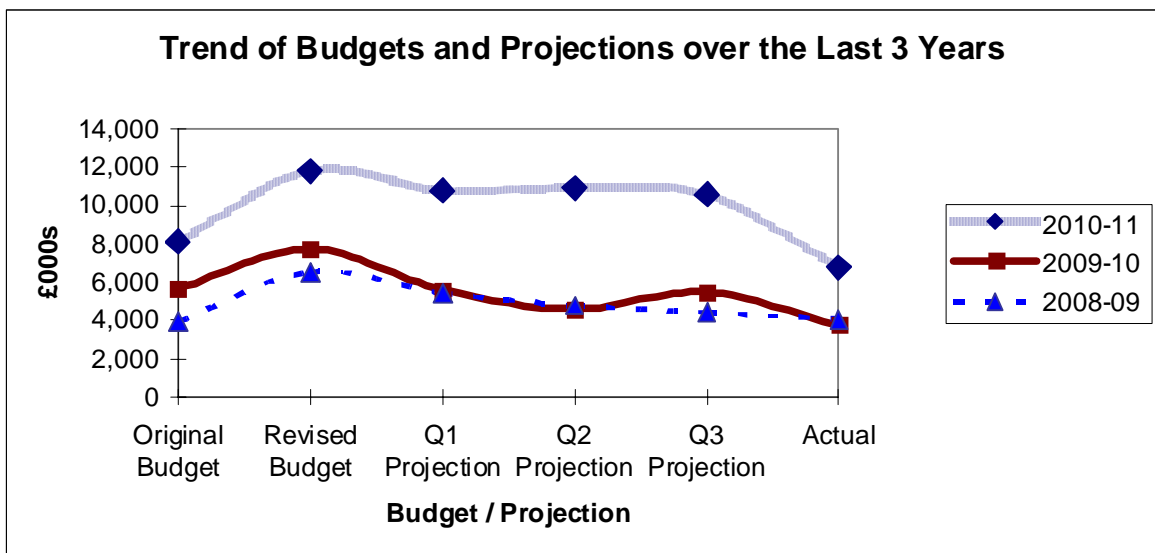
**How does this year's performance compare to previous years?**

13.8 The graph below compares actual capital spend with the budget for a 5-year period.



13.9 Previously the Council has underspent its Capital Programme by between **10%** and **38%** compared to the final. In 2010/11 the gap was **34%** due to the two major projects within the Capital Programme related to the Chasewater Dam and the Heritage Lottery Parks project under spending (as detailed previously in this report).

13.10 It is also useful to analyse the trend of budgets, projections and the actual spend in a financial year to see if we can identify a trend to enable us to project our capital spend more accurately. The trend analysis shown in the graph below shows budget, projections and actual spend in the recent 3 financial years and this identifies areas we can manage our performance more effectively in terms of capital spend. We can see the trend is similar for all four years and our Revised Budget is higher than our original Budget (due to slippage) and our projections for capital spend reduce throughout the financial year.



## Capital Investment at Burntwood Leisure Centre

- 13.11 The Council is required, under the terms of the funding agreement with the National Lottery in relation to the Burntwood Leisure Centre, to set aside resources to be used for the future repair and renewal of the centre in a 'sinking fund'. Both the level of investment and the centre in terms of the District Council's leisure provision is significant, therefore monitoring information is provided in the table below for all approved projects in 2010/11.

Project Name	Annual Spend in 2010/11		
	Final Budget	Actual	Variance
	£k	£k	£k
Planned Enhancements	43	40	(3)
Reception Refurbishment	20	0	(20)
Replacement of Inspire Gym Equipment	3	0	(3)
Chip and Pin Upgrade	2	0	(2)
Inspire Studio 2 Conversion	2	0	(2)
SCUBA Consolidation	3	0	(3)
Third Senior Grass Pitch	22	0	(22)
New Fire Alarms	22	22	0
Swimming Pool Chemistry and Controllers	37	0	(37)
Poolside Safety Barrier	7	7	0
Regrouting Programme	3	3	0
Replacement Sauna Equipment	2	2	0
Other Burntwood Leisure Centre Projects	36	0	(36)
<b>TOTAL</b>	<b>202</b>	<b>74</b>	<b>(128)</b>