STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

26th November 2012

Agenda Item 5

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SUBMISSION BY CLLR MJ WILCOX, THE LEADER OF THE COUNCIL & THE CABINET MEMBER FOR FINANCE, REVENUES & BENEFITS

Half Year Review of Performance against the Financial Strategy 2012/13

1. Purpose of Report

1.1. To provide Members with the opportunity to scrutinise the Council's financial performance to 30th September 2012, with a particular focus on the parts of our services/businesses which represent a higher risk to the Council by reviewing trends in income, expenditure and costs.

1.2. To provide the views of Members from this Committee to Cabinet at its meeting of 15th January 2013, 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 Plan for the District 2012-16 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. 2012/13 is the 1st year of the Plan for the District, and performance against the delivery plan is reported to this meeting for scrutiny.

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 2012, covering the period 2012-15.

2.4 This report covers the financial performance for the half year period up to September for the financial year 2012/13 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 The report also provides an analysis of the impact of the recession on those services which rely on substantial income levels.

3.3 Budget Reduction Programme 2011 to date has identified total reductions of **£4.456m** over 3 years 2011-14. In 2012/13 reductions of **£0.879m** have been achieved and these reductions reduce the Net Cost of Local Services.

4. Financial Implications

4.1 At this stage in the year for the period up to September 2012, we forecast that a further **£0.391m** contribution from General Reserves will be required, against a budgeted contribution of **£0.581m.** This means a transfer of **£0.972m** from General Reserves is estimated to be needed to support the costs of activities and services for this financial year.

4.2 Further detailed analysis on the Financial Performance up to September 2012 is shown in Appendix (i) attached.

4.3 The Council's overall budget, revenue and capital, will be monitored over the next 3 months when we will report to Strategic Overview & Scrutiny Committee on 5th February 2013. This will have the final forecast position for 2012/13, together with the final position for Budget Reduction Programme 2011 which will be included in the Medium Term Financial Strategy (Revenue and Capital) 2012-2015.

5. Risk Management Issues

Risk Description	Likelihood/ Impact	Risk Category	How are the risks being managed?	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. Project management of projects.	Leadership team
Planned Capital receipts are not received.	Medium/High	Financial	The budget for Capital receipts is monitored as part of the Council's normal budget monitoring procedures.	Leadership team
The Recession	High/High	Financial/ Economic/ Environmental/ Social/Legal	Close monitoring of the higher risk key business areas and those areas affected by the downturn. Managers continuously gather and analyse information and are taking action where it is possible to do so.	Leadership team

Background Documents:
Report to Cabinet 14th February 2012 - The 3 year Medium Term Financial Strategy 2012/13 – 2014/15.
Council 21st February 2012 – A Plan for Lichfield District 2012-16.
Report to Cabinet 4th September 2012 - 2012/13 Review of Performance against the Financial Strategy.

OUR REVIEW OF PERFORMANCE AGAINST THE FINANCIAL STRATEGY 2012/13 – April to September 2012 (Half Year)

1 Delivering our Priorities: financial performance for 2012/13

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. Year on year we face higher costs on some areas of spend like fuel and utilities.

1.4 Year on year we have had to make savings and efficiencies, cutting other costs to afford these increases and achieve the savings.

1.5 The global economy is still relatively volatile, with the UK currently in the 2nd dip of the 'double dip Recession'.

1.6 September 2012's inflation at 2.2% CPI compares to 5.2% for September 2011.

1.7 With the banking sector still presenting surprises, for example the alleged LIBOR fixing, the volatility is set to continue.

1.8 The economy has affected some of the progress on our top priorities which are funded through our capital investment, as well as our income. This is widespread across the local government sector.

1.9 In this report we account for the financial performance for the period up to 30th September 2012. We also estimate the financial impact of the Recession for the year; the performance in key business risk areas; the overall performance of the Council's Bottom Line, and the performance on the aspects of our priorities which are funded through capital investment.

2 Context for our financial performance

2.1 We reported to Council on 14th February 2012, that our estimated funding gap for 2014/15 was **£0.939m**. This arises in Year 3 of our Medium Term Financial Strategy.

2.2 Whilst this estimate is not without risk, it represents a significant improvement on larger funding gaps in previous years. Importantly it shows the sustainable savings made by our 2011 Budget Reduction Programme in securing a relatively more stable position over the next 2 years.

2.3 The results of the *Budget Reduction Programme for 2011-14* presented to Strategic Overview & Scrutiny Committee in February 2012 showed that we generated **£4.45m.**

2.4 The uncertainty we face in financial planning our future is the Government's Resource Review which includes changes to Business Rates and Revenue Support Grant which will radically change the way we are funded. Our Medium Term Financial Strategy includes a prudent estimate on the impact of this for the next 3 years.

2.5 We expect to know further details on the funding impact in December 2012; in the meantime we are using all available national guidance to interpret the new framework.

2.6 Since 2008, the Financial Strategy has identified savings up to 2013/14, of **£12.486m,** as shown in the table below.

Total Savings Reflected in Base Budget	**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**
Budget Reduction Programme 2011			0.013	0.887	1.766	1.790	4.456
Expenditure Review 2010 Savings			£1.068	1.030	1.156	Built into the base budget	3.254
Expenditure Review 2009 Savings	0.800	0.822	1.236	1.253	Built into the base budget	Built into the base budget	3.391
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	1.385
Total Cumulative Savings	£0.452m	£1.285m	£2.867m	£3.170m	£2.922m	£1.790m	£12.486m

3 Impact of the Economic Environment on the Council's financial position

3.1 The economic environment has had a significant impact on the District Council's finances. The global and national economic environment has been and still remains difficult to accurately predict and the effects of operating in such an environment are being closely monitored.

3.2 The Recession first hit during 2008 and has impacted our year on year income since then: a period of at least 3 years.

3.3 To estimate the impact of the downturn, income generation in our key business areas is the most sensitive to economic factors. For example, Leisure activity demand and price is likely to be influenced by a family's disposable income; Investment Income is dependant on interest rates and Car Parking Fees are influenced by fuel prices as well as changing patterns of consumer behaviour on shopping and leisure.

3.4 In the table below we have used income earned in our Key Business Areas in 2008/09 (Pre-Recession) to estimate what we would expect these areas to be generating now (3 years later) given normal levels of inflation. We compare this to 2011/12 actual earnings to assess the likely economic impact.

3.5 As reported in our Quarter 1 report to Cabinet 4 September 2012, the maximum estimated impact is nearly **£1.3m**. Almost half of this **(£0.6m)** is due to lower interest rates (reduced by nearly 4 percentage points). Car Parking fees have not been increased since 2008 due to the economic environment which has impacted annual income by over **£0.4m**. Leisure Centres, the Garrick and Commercial Rents continue to see the impact on their income.

3.6 In the current financial year 2012/13 we estimate a larger impact on our key business area revenue. Multi-Storey car park usage is down for the first half of the year and Leisure Centre income is being affected not only by the economic climate but also the inclement weather we have experienced in summer 2012 so far. Garrick Theatre Income has been impacted by a general downturn in consumer spend, that appears to be a Theatre sector trend. Efforts are being made to recover these forecasts in the second half of the year.

3.7 Specific reasons, not necessarily related to the economic environment are also likely to be factors in the reduced levels of income; however, this is a reasonable estimate of the maximum economic impact on the Council's commercial revenue sources.

Impact of the Economic Downturn on District Council's Finances	**2008/09 Actual Income**	**2011/12 Estimated Income[1]**	**2011/12 Actual Income**	**Estimated vs Actual Income**	**2012/13 Quarter 2 Estimate**
	£m	£m	£m	**£m**	£m
Leisure Centres	1.9	2.046	1.880	**(0.166)**	1.921
Planning Fees[2]	0.359	0.359	0.503	**0.144**	0.506
Car Parking Fees	1.901	2.047	1.627	**(0.430)**	1.488
Commercial Rents	0.887	0.887	0.811	**(0.076)**	0.535
Local Land Charges[2]	0.160	0.160	0.156	**(0.004)**	0.152
Interest on Balances	1.105	0.764	0.165	**(0.599)**	0.095
Garrick Theatre & Bar/Catering	1.513	1.629	1.444	**(0.185)**	1.336
Income sensitive to Economy	**£7.825m**	**£8.234m**	**£6.586m**	**£(1.307m)**	**£6.033m**

1 Source 2008/9 Income levels inflated by 2.5% per annum as a measure of inflation. ONS CPI tracker suggests 2.5% average inflation from 2005-2008 pre Recession (CPI represents RPI excluding the impact of house prices – ie consumer price inflation).

2 These Key Business risk areas are not inflated as these areas are subject to regulation and statutory changes. However, demand for the service is still influenced by the economy.

4 Focus on key business risk areas

4.1 Our key business risk areas are the subject of close management focus, as 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 Here we advise on the financial performance up to September 2012 of the key business risk areas.

4.3 In the table over the page we look at *the trend* in the financial performance for each of the areas – **how they did compare to previous years**, alongside their **performance against this year's budget.**

Summary of performance on our key business risk areas for Quarter 2 - Half Year to 30th Sept 2012

Area	Trend on financial performance (comparing to the same time last year)	Position on budget (comparing performance to the profiled budget for 2012/13)
Leisure Centres	**Income**: Compared with last year the Leisure Centres are **£21K** up **(4%)**. Much of this variance is due to improved membership and swimming income. **Direct costs**: Year to date expenditure for the Leisure Centres is **£38K** less than last year **(3%)**, **£15K** is due to lower employee costs and the remaining variance is mainly due lower insurance premiums and the timing of equipment rental payments. Compared to the same time last year the Leisure Centres have performed **£59K** better overall, some of which will unwind by the year end.	**Income**: Compared with Budget, the Leisure Centres are **£48K** down **(5%)** on their profiled budget. **Direct costs**: Compared to the Budget, the Leisure Centres are **£131K (9%)** better than their profiled Budget because of lower employee costs and timing of utilities payments. This means overall the Leisure Centres, including catering, have performed better than the profiled Budget by **£83K** to September 2012 for net direct expenditure. Much of this variance is due to timing of the payment of utilities bills (these are paid in arrears) and will return to the profiled budget by the end of the financial year.
Recycling and waste management	This will be the first year that we can compare year on year performance for our Council's part of the Joint Waste service. The performance is broadly in line with the same period last year so far with the exception of insurance and employee costs Insurance costs are lower as part of the corporate retendering, offset by slightly higher employee costs.	Performance against budget at the end of September is broadly in line with expectations for the Joint Waste Service with the exception of insurance and employee costs. The year end forecast for the Joint Waste Service is a net underspend of **£55K** of which **Lichfield's** savings is **£32k**.
Car parks	**Income** from our car park machines (which is almost 90% of the income) was down by **£75K or 10%** April to September compared with the same period in 2011/12. This is due to the economy, changes made to tariffs to facilitate the Friary Outer development, and decommissioning Friary Outer car park with not all users relocating to available spaces in other car parks. **Expenditure** will be less than last year as the Friary Outer car park is not in operation. Other expenditure is broadly in line with the same period for last year.	The budgeted net *contribution* from the Car Parks towards the Council's services for 2012/13 is **£1.059m.** **Income** from car park machines for the first half of the financial year was **£48k or 7%** down compared with budget. **Expenditure** will be down on budget primarily due to the closure of Friary Outer car park for redevelopment. It is difficult at this early stage to predict the likely year end position. However, if usage continues to be lower than last year, there may be a shortfall in the region of **£66k.**
The Lichfield Garrick	**Income:** is down by **£127K** or **13%** compared to the same time last year. **Direct costs**: Costs are **£97K** (**9%**) lower than at the same time last year. Overall the theatre's net direct expenditure is marginally lower than last year by **£30K**, mainly due to production sales. Sales are looking better as the year progresses but we anticipate that we are unlikely to fully recover the income fall of the first half of the year by the year end.	**Income** is down on Budget by **£274K** or **24%** on the profiled budget. However c. **£100K** of this is due to timing of voucher sales and should return to profiled budget by the end of the year, **£100K** is due to Bar & Catering sales with the remaining variance due to production income. **Direct costs**: Costs are down by **£228K** or **18%** to September. **£45K** is due to employee costs and is expected to follow through to the year end result, the remaining variance is driven by Artistes payments & Bar & Catering provisions linked to the income earned.
Planning fees	**Income**: up by **£32K** compared to the same time last year reflecting the receipt of major applications of **£180K** in 2012/13.	Planning fee **income** including the major fee applications. The numbers of applications is down by **5%** and the postponement of deregulation of planning fees will result in a shortfall of **£50K.**
Commercial Rents	**Income:** rent from shops and Industrial Units have been subject to the effects of the Recession resulting in vacant property, the rental income is down by **£272K** compared to last year.	**Income** - rental income is down on budget by **£270K.** This is a result of the rent received from three Spires Shopping centre being lower than budgeted due to the number of the vacant shop units.
Local Land Charges	**Income** is down by **11%** on 2011/12, which reflects the changes in the type of search questions, despite the number of searches being **0.2%** higher than last year at 920.	**Local Land Charges: Net Contribution: £(64K)** **Income -** the current level of searches subject to property market conditions will result in income achieving the budget **£ (152K).**
Treasury Management	The average annual return on investment income has dropped over the last 4 years & a return of **0.76%** has been achieved for the first quarter, compared to an average rate of **1.14%** for the same period in 2011.	Net investment receipts are currently projected to be **£(95K)**, lower than the Approved Budget by **£18K.**

5 Treasury Management - The Investment Income we receive

5.1 The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

Security

5.2 Our aim for the risk status of our portfolio was **A-** using the lowest rating from the three credit rating agencies as the basis for assessing the risk status**.**

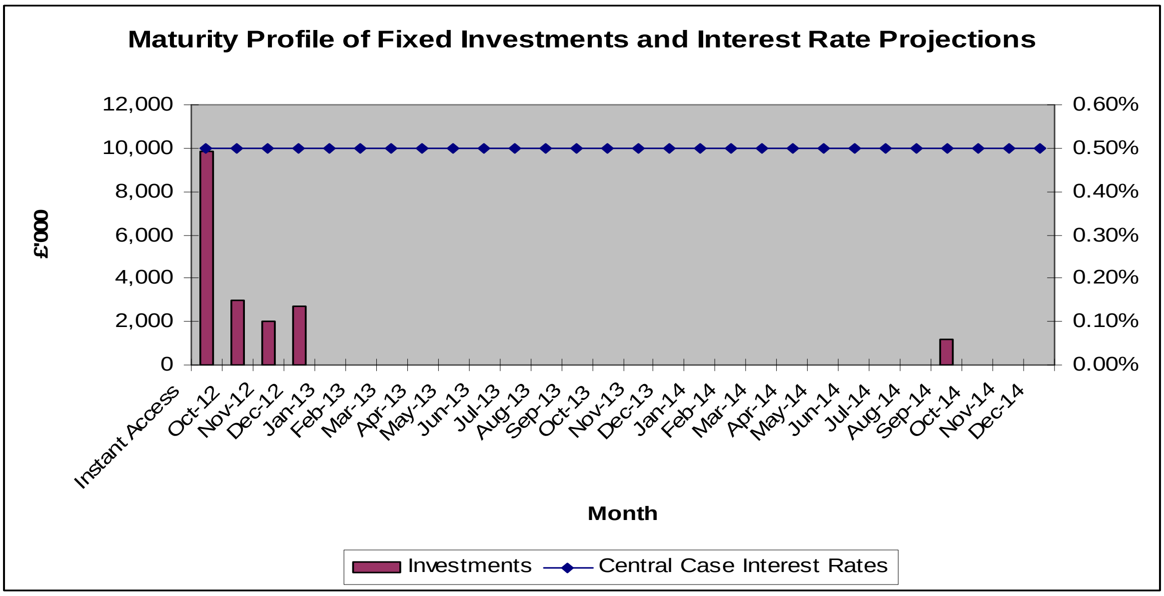
5.3 The investments outstanding at the 30th September 2012 had a risk status of **AA+** based on the value of the investment and **AA** based on the length of the investment, which has a more secure risk status, and this is both compliant with our aim and the recommendations from our Treasury Management advisors. The recent history of the security of our investments is shown in the table below:

Date	The Value of the Investment	The Maturity Date of the Investment
31st March 2012	A+	AA-
30th June 2012	A+	AA
30th September 2012	AA+	AA

5.4 In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily. Our Treasury Management advisors recommend for each bank or building society the new investment time limit to manage counterparty credit risk. At the 30th September 2012, the investment time limits were:

Bank or Building Society	Investment Time Limit
Santander (UK)	35 days
Lloyds TSB	100 days
Nationwide	100 days
Barclays Bank	100 days
Bank of Scotland	100 days
HSBC	12 months
Standard Chartered	12 months

5.5 To manage the interest rate risk where possible we are spreading investment maturities. The average length of investments we have made in 2012/13 is **120 days**. The maturity profile of our investments together with interest rate projections at September 2012 are shown in the following graph.



Liquidity

5.6 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 borrow on a temporary basis during the current financial year. In 2012/13 we have not needed to borrow temporarily. Currently we use call accounts and Money Market Funds for short-term liquidity requirements, that gives us same day access to funds if needed.

Yield

5.7 To date in 2012/13, we have achieved an average interest rate of **0.88%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate that was **0.43%.** In addition, to compare performance with longer-term benchmarks, the average 1 month LIBID rate is **0.49%,** the average 3 month LIBID rate is **0.73%** and the average 6 month LIBID rate is **1.02%.**

5.8 Net Investment Income includes Investment Income receipts (excluding Car Loan Interest of **£3K**) and Interest Payments. The projected overall net Treasury Management position compared with budget is shown in the table below:

Details	**2012/13 Approved**	**2012/13 Projected**	**2012/13 Variance**
Average amount we had available to invest (**£m**)	£13.58m	£15.91m	£2.33m
Average Interest Rate (**%**)	0.84%	0.76%	(0.12%)
Interest Receipts (**£**)	(£126k)	(£108k)	(£18k)
Other interest (**£**)	£13k	£13k	£0
Net Investment Income (£)	**(£113K)**	**(£95K)**	**£18K**

Year on Year Performance

5.9 Net interest receipts achieved are just over **£940K** lower than that achieved in 2008/09 up to the financial year ending March 2012.

5.10 In 2008/09 income from investments was **£1.1m** and in 2011/12 achieved **£165K**:-

Interest earned	Forecast 2012/13	Actual 2011/12	Actual 2010/11	Actual 2009/10	Actual 2008/09
	£(95K)	**£(165K)**	**£(203K)**	**£(383K)**	**£(1,105K)**
Average % rate	**0.76%**	**1.05%**	**0.85%**	**0.96%**	**4.9%**

5.11 This represents a significant loss of income to the Council.

6 The Bottom Line – forecast for 2012/13

6.1 Here we look at the spend by function, as used in our *Statements of Accounts*, focusing on the projected outturn for the full year for 2012/13 compared with the Approved Budget.

What we plan to spend the money on:	**Approved Budget £K**	**Actual Outturn £K**	**Variation £K**
Central Services incl. finance, revenue collection, personnel, emergency planning	1.387	1,346	(41)
Cultural and related services, incl. culture, heritage and leisure	4,002	4,062	60
Environmental and regulatory services, incl. waste services	3,796	3,778	(18)
Housing services, housing & council tax benefits	1,787	1,777	(10)
Planning services	1,320	1,667	347
Highways, roads transport services incl. car parking	(568)	(493)	75
Corporate and democratic core services incl. democratic representation, corporate management	2,212	2,193	(19)
Non-distributed costs	177	172	(5)
Net Cost of Services	**14,113**	**14,502**	**389**
Less - transferred from Capital and Pension/Earmarked Reserves	(3,062)	(3,078)	(16)
Less - income from Cash Investments	(129)	(111)	18
Add - Interest Payments	13	13	0
Cost of Local Services to be met by Local and National Taxes	**10,935**	**11,326**	**391**
How we plan to fund this:			
Local Taxes – Council Tax	(5,598)	(5,598)	0
National Taxes – Formula Grant	(81)	(81)	0
Business Rates	(4,189)	(4,189)	0
Collection Fund Deficit/(Surplus)	-	-	0
New Homes Bonus	(486)	(486)	0
Sub Total	**(10,354)**	**(10,354)**	**0**
Revenue Account Deficit to be met by a Contribution from/(to) General Reserves	**£581K**	**£972K**	**£391K**

6.2 What is the performance telling us?

- At this early stage in the year we are showing a **£391K** adverse variance on the cost of local services.
- This is mainly due to the forecast for income outlined earlier in this report in the **Summary of performance on our key business risk areas.** Other areas where we are showing relatively small pressures to our Budget position are Public Conveniences **£5K**, Trade Waste **£9K**, Shop Mobility **£3K** and Planning Policy **£11K.** The Burntwood Community Development Budget will generate a short term pressure due to loss of income from partners **£2K** for 2012/13, with a saving to be achieved in future years.
- To date savings have been achieved in other service areas to help mitigate the reduction in income and service pressures, Personnel Services **(£17K),** EBIS **(£24K),** Benefits Service **(£10K),** External Audit Fees **(£13K)**, Treasury Management **(£6K)**, reduction in additional pension contributions **(£5K)**, reduction in contribution to Earmarked Reserves **(£16K)**.
- The Budget Reduction Programme 2011 and previous Expenditure Reviews are reflected in the Approved Budget above. The impact of these reductions over the last 4 years means we have mitigated the significant increases in the prices of fuel and utilities, the **£1.3m** income reduction Recessionary impact (set out in Section 3), fees and charges set for us by Government that do not cover the cost of the service, as well as the significant reductions in central government funding.
- The forecast Cost of Local Services to be funded from taxation of **£11.328m** would be higher than the approved budget**.** However, as in previous years, we will be endeavouring to hold costs down so that we achieve or better the budgeted figure of **£10.935m**.

6.3 Further information

- The impact of the changes in the way Local Government is financed is due to be announced on the 19 December 2012, we will then have a more definitive position on the Council's funding for the subsequent 3 years. The changes will result in a transfer of risk from Central Government to Local Government through the introduction of the Council Tax Support scheme, the new scheme for Business Rates (called Retention of Business Rates).
- During the year up until then we will be monitoring our Budgets to identify any other risks to the Medium Term Financial Strategy (Revenue and Capital) 2012-15.

6.4 Working Balance, Reserves and Provisions

- The Council had General Reserves of **£3.076m** as at 31 March 2012.
- 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. Currently this is held at **£1m** representing **9.0%** of the cost of local services.
- As at September 2012 it is estimated that the 2012/13 contribution from general reserves will be **£0.972m** leaving a total reserves position of **£2.104m**.
- After taking account of the minimum level of reserves of **£1m** this will leave a balance of **£1.104m** to assist with the Medium Term Financial Strategy (Revenue and Capital) 2012-15 going forward.

Glossary: Description of functional areas in the Table at Paragraph 6

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

Cultural and related services include >> Culture and heritage ● Sports ● Parks and open spaces

Environmental and regulatory services include >> Waste collection ● Street cleansing ● Community safety ● Public conveniences ● Environmental health and licensing .

Planning services include >> Planning ● Economic development and more.

Housing services include >> Preventing homelessness ● Housing and council tax benefits ● Housing services

Highways, roads and transport services include >> Car parking and more.

Corporate and democratic core include >> Democratic representation● Corporate management

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

7 Investing in our Priorities – Capital

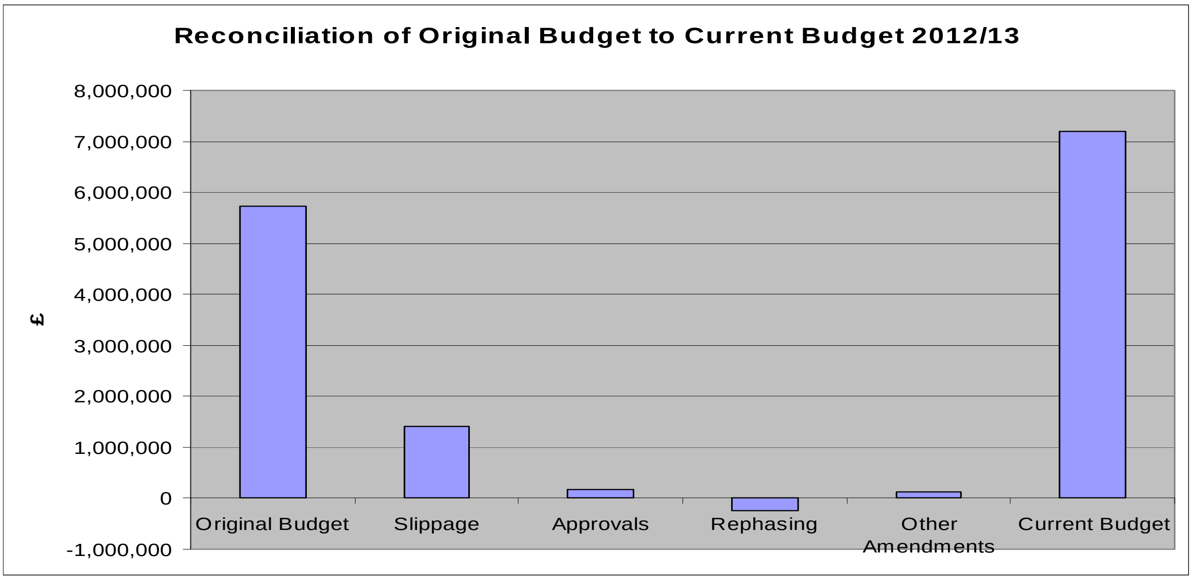
Management of the Capital Programme in 2012/13

7.1 The Council approved an original budget for 2012/13 of **£5.722m** on 21st February 2012.

7.2 There was slippage of **£1.422m** in the Capital Programme in 2011/12 that has been carried forward to 2012/13, and the revised budget for 2012/13 was **£7.144m.**

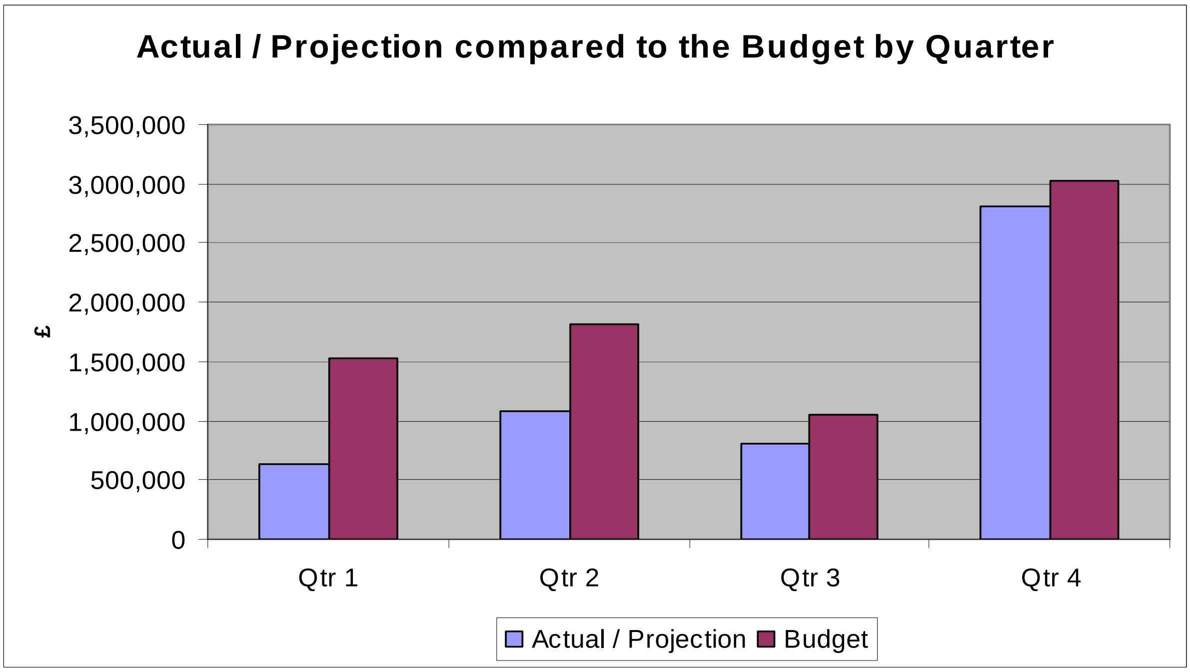
7.3 In addition, the Cabinet has approved several reports[3] and there have been some other minor changes under delegation that have increased the budget by a further **£0.292m**. Therefore, the current approved budget is **£7.436m.**

7.4 The reconciliation of the original budget to the current budget is also shown in the graph below:



How are we performing in 2012/13?

7.5 Below is shown spend quarter by quarter in 2012/13 using performance against our current budget. The three months performance shows that **51%** of budgeted spend was achieved.



7.6 Below and at **APPENDIX (ii)** we look at spend by top priority of the 2012/13 financial year focussing on the projected actual position for the year compared to the current budget.

Priority	Original Budget £m	Current Budget £m	Projected Actual £m	Variance £m	Note Ref	
Create safe, strong and proud communities	0	0.006	0.006	0		☑
Improve people's health and well being	0.268	0.464	0.158	(0.306)	1	●
Help people realise their potential	0	0.008	0.008	0		☑
Involve local people and partners	0	0	0	0		☑
Help people access a home that's right for them and to live independently	1.473	1.545	0.654	(0.891)	2	●
Vibrant towns and villages	3.407	4.624	4.044	(0.580)	3	●
Protect and enhance our environment for future generations	0	0	0	0		☑
Attract even more investment into our District	0	0.062	0.050	(0.012)		☑
Provide great value services centred on customer's needs	0.574	0.727	0.413	(0.314)	4	●
Total Capital Expenditure	**£5.722m**	**£7.436m**	**£5.333m**	**(£2.103m)**		

KEY :

☑ Projected outturn within **£0.1m** of our final budget ● Projected outturn not within **£0.1m** of our final budget

Note 1: *Improve people's health and well being*

- **Burntwood Leisure Centre Sinking Fund** – we have budgeted to spend **£0.189m** on Burntwood Leisure Centre sinking fund projects (in addition to £0.045m on planned maintenance) and emerging needs are such that possibly all of this spend will take place in this financial year.

Note 2: *Help people access a home that's right for them and to live independently*

- **Decent Homes and Strategic Housing Grant Funded Schemes** – we have received **£0.750m** of grant in previous financial years and it is planned that this money will be used to enable affordable housing schemes within the district. This means that this spend will need to be re-phased to take place in a later financial year.
- **Accessible Homes (Disabled Facilities Grants) –** the annual budget for this project is currently **£0.709m** and latest forecasts are that **£0.600m** will be spent in this financial year.

Note 3: *Vibrant Towns and Villages*

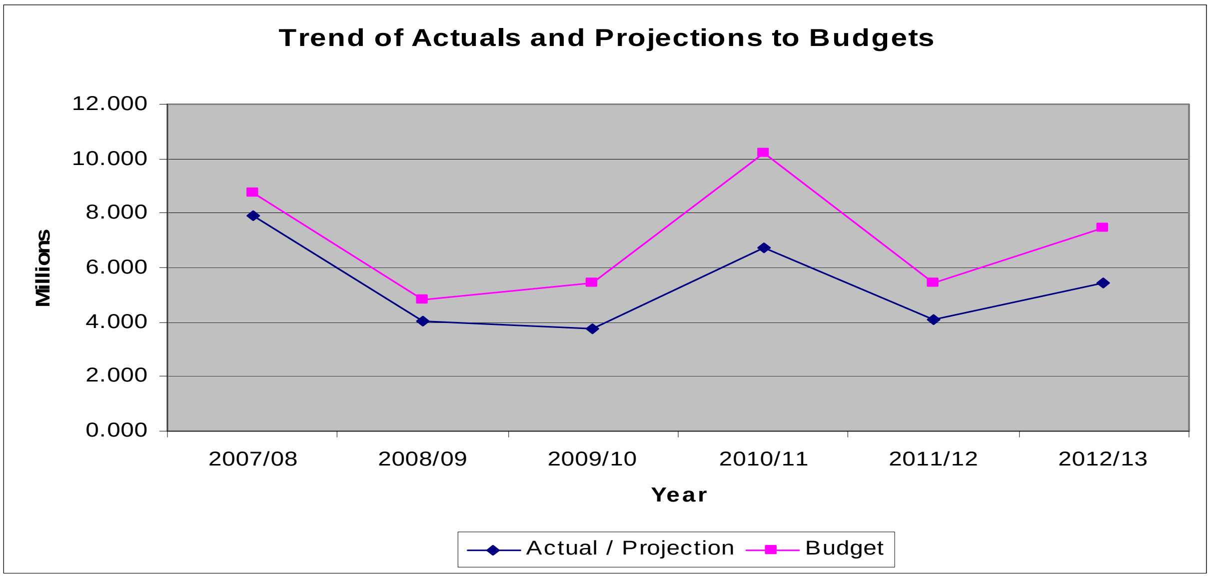
- **Lichfield City Centre Enhancements** – we planned to spend **£0.171m** and it is projected that we will spend **£0.030m** this spend will be re-phased to later years.
- **Garrick Square –** the annual budget for this project is currently **£0.083m** and it is unlikely that this sum will be spent until the Friarsgate development takes place.

Note 4: *Provide great value services centred on customer's needs*

- **Vehicle Replacement Programme** – we have budgeted to spend **£0.400m** and due to the harmonisation of vehicle replacement contracts for refuse vehicles to a later financial year it is now projected **£0.089m** will be spent in this year.

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

7.7 The graph below compares actual capital spend with the budget for a 6 year period :



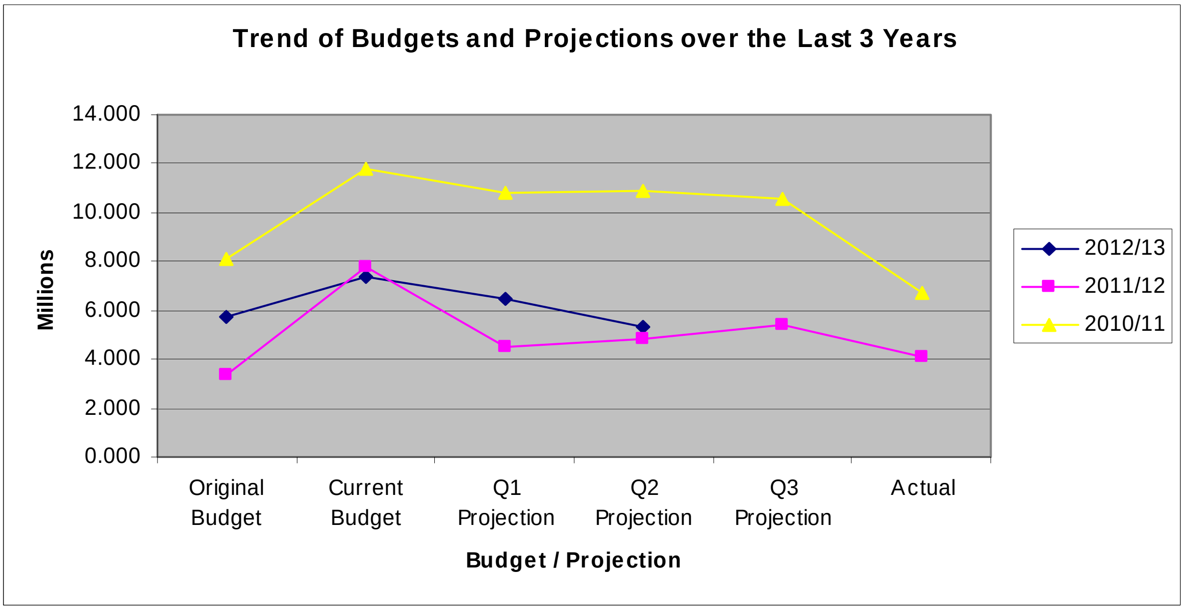
7.8 Previously, during this 5-year period, the Council has under spent its capital programme between **10%** and **34%** compared to the final budget.

7.9 In 2011/12 the under spend was **25%.** This year's performance currently indicates a **37%** under spend due to the reasons provided in paragraph 7.6 above.

7.10 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.

7.11 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.

7.12 We can see the trend is similar for all three years and our current 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 – the Sinking Fund

7.13 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 **APPENDIX (iii)** for all approved projects in 2012/13.

APPENDIX (ii)

Capital Programme Monitoring Summary for 2012/13

Top Priority	Year to Date Spend as at 6 months 2012			Annual Spend for 2012/13			
	Profiled Budget £m	Actual Spend £m	Variance £m	Original Budget £m	Current Budget £m	Projected Outturn £m	Variance £m
Create safe, strong and proud communities	0.003	(0.021)	(0.024)	0	0.006	0.006	0
Improve people's health and well being	0.232	0.030	(0.202)	0.268	0.464	0.158	(0.306)
Help people realise their potential	0.004	0	(0.004)	0	0.008	0.008	0
Involve local people and partners	0	0	0	0	0	0	0
Help people access a home that's right for them and to live independently	0.772	0.364	(0.408)	1.473	1.545	0.654	(0.891)
Vibrant towns and villages	1.919	1.232	(0.687)	3.407	4.624	4.044	(0.580)
Protect and enhance our environment for future generations	0	0	0	0	0	0	0
Attract even more investment into our District	0.056	0.043	(0.013)	0	0.062	0.050	(0.012)
Provide great value services centred on customer's needs	0.363	0.063	(0.300)	0.574	0.727	0.413	(0.314)
TOTAL	**£3.349m**	**£1.711m**	**(£1.638m)**	**£5.722m**	**£7.436m**	**£5.333m**	**(£2.103m)**

APPENDIX (iii)

Burntwood Leisure Centre: Capital Investment.

An Annual Sink Fund Plan is produced setting out a range of projects which will be required for essential repairs and the replacement of equipment/machinery in order to protect the asset of the building and to keep the facility up to date with industry changes.

Individual applications are developed for each project as they come on stream and are approved by the relevant Cabinet Member and Directors prior to implementation.

Projects are initially identified in the annual sinking fund plan; to date, the applications detailed below have been included in the budget.

Project Name	Year to Date Spend as at 6 months 2012			Annual Spend for 2012/13			
	Profiled Budget £m	Actual Spend £m	Variance £m	Current Budget £m	Projected Outturn £m	Variance £m	Comments
Planned maintenance	0.023	0.020	(0.003)	0.045	0.042	(0.03)	Planned small-scale enhancement expenditure.
TOTAL	**£23m**	**£20m**	**(£3m)**	**£45m**	**£42m**	**(£3m)**	