

Forest Heath District Council

(This report is a key decision and has been subject to appropriate notice of publication under the Council's access to information rules)

Report of the Cabinet Member for Resources, Governance and Performance

CABINET

29 MAY 2012

CAB12/004

FINANCIAL OUTTURN 2011/12 – REVENUE AND CAPITAL

Summary and reasons for recommendation(s)

The Cabinet is requested to review the Revenue and Capital Outturn position for the 2011/12 financial year, and to recommend the actions as detailed to Council.

Recommendation(s)

The Cabinet is requested to:

1. Note the 2011/12 revenue and capital budget outturn positions;
2. Approve actions as detailed in Appendix B and the transfers of £114k and £84k to the Risk and Recession Reserve in line with previously approved performance reports;
3. Approve that the overall net revenue outturn for 2011/12, currently at £115k, is transferred into the Council's General Fund balance; and
4. Approve the proposed carry forward of capital budget from 2011/12 to 2012/13 as detailed in Appendix C.

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How will the recommendations help us meet our strategic priorities?

1. Monitoring year end financial performance plays an important role in understanding how the Council's Financial Plans and Strategies have contributed towards the achievement of the corporate objectives and strategic priorities.
2. In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available.
3. This report updates cabinet members on the current position with regard to the 2011/12 revenue and capital spend against budget, and recommends actions to address the issues raised therein and any amounts required to be carried forward to the 2012/13 revenue and capital budgets.

Wards affected

4. All.

Key issues

Revenue Position

5. The economic and financial background against which the 2011/12 revenue budget was set was much more challenging than in previous years. The in-year reduction in Central Government Grant and downturn in income streams, including investment income, was significant. In order to retain a balanced revenue position and to minimise the impact of reduced funding on the Council's front line services, the budget proposals contained an additional savings target of £1.4m of local savings in 2011/12.
6. The revenue outturn, which includes the local saving proposals discussed above, currently shows an **overall underspend of £115k** for 2011/12. The majority of this underspend relates to the release of a provision balance of £164k, which is discussed in more detail later in this report, back into the revenue budgets, thus leaving only a small variance on the approved budget for the year. This is an extremely positive outcome for the Council and one that puts it in a stronger position for future challenges.
7. It should be acknowledged that this positive outturn position has largely been achieved as a result of both Member and Officer commitment, a focused management in the delivering of the local savings agenda and close budget monitoring throughout the year.
8. The recommendation is to transfer the underspend currently at £115k into the Council's General Fund Balance where it will be available as a contingency in line with the Council's Revenue Reserves and Balances Policy. The General Fund balance as at 1 April 2011 was £1,921k and this would therefore bring the balance up to £2,036k, subject to any further changes identified as part of the final accounts closure process.

9. Table A in Appendix B details the major variances which have given rise to the budget underspend, as a result of a number of factors. The majority of these factors have been previously reported to the Performance and Audit Committee as part of the quarterly Budget Monitoring process, the most recent report being on 9 February 2012, report reference PAC12/181.
10. These variances include a continued fall in income streams within the year such as Planning and Building Control fees, Industrial and Business Unit Rentals, VAT shelter income, and an increase in bad debt provision, all of which can be linked to the continuing economic situation.
11. The Council has, however, been able to offset some of the overspends through increased income in areas such as recycling, and from additional savings generated through shared working with St Edmundsbury BC and decreased External Audit Fees.
12. The overall underspend is made up of the following elements, which is also detailed in Appendix A:

	£000s
Current Budget Outturn position (underspend)	65k
Additional Investment Interest over budget	84k
Net Position after Interest	149k
Provisions to be credited back to services	164k
Net position after Provisions	313k
Less: Transfers to the Risk and Recession Reserve as approved by Performance and Audit Committee 9 February 2012, report reference PAC12/181	
Replenish monies required to close the 2012/13 budget gap	114k
Interest transferred to offset potential shortfalls in future interest receipts	84k
Overall increase to General Fund	115k

13. The revenue information presented shows the position based on net 'direct costs' before internal recharges between services (eg. before support services have been recharged out to the front line services) and before those items that are charged by statute to the general fund and then reversed out (eg. depreciation and other capital and pension charges).

Capital Position

14. The Council's capital outturn position for 2011/12 shows a **net underspend of £893k**. The majority of this net underspend is linked to the photovoltaic project (£568k), where the original project scope changed in terms of suitable buildings and the purchase cost

of the panels proved to be less than estimated through value for money procurement and a reduction in the manufacturing cost of the panels.

15. Appendix C to this report sets out actual capital expenditure incurred, the requests for carried forward budgets into 2012/13 and a comparison then to the budgeted expenditure approved for 2011/12. The appendix also includes comments from the Project Managers in relation to individual projects, giving status updates and detailing requests for those budgets to be carried forward into 2012/13.
16. The underspend balance of £893k will remain within the Council's usable capital receipt balances and will be subject to the Council's Capital Strategy review, scheduled for 2012/13. The remit of this review will also include approval of a new Asset Management Plan, revisions to the capital projects appraisal process (including links to the emerging Strategic Priorities) and improvements to the Council's current project management framework.
17. It should be noted that the year end revenue and capital positions are still being finalised, and as such these figures may change as the final accounts process progresses.

Other options considered

18. None.

Community impact (Diversity and Equality, Sustainability, Other)

19. Wherever applicable, community impact has been assessed by the individual services as part of their ongoing operational functions.

What consultation has been undertaken and what were the outcomes?

20. This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders and services.

Financial and resource implications

Revenue

21. The 2011/12 outturn position includes a number of variances against a range of services with the major variations summarised in Appendix A. Table A in Appendix B further details the outturn position, broken down by individual services.
22. In accordance with International Accounting Standard No.37 (IAS37) - Provisions, Contingent Liabilities and Contingent Assets, the Council made provisions within its 2010/11 accounts for potential liabilities in respect of the Hatchfield Farm planning appeal, the Local Development Framework High Court challenge and for the cost of change payments in line with the savings programme.
23. These provisions amounted to £641k in total, and at the end of the 2011/12 financial year the amount of £164k remained unutilised against these figures. The events which gave rise to the provisions have now been concluded.

24. In line with IAS37, the remaining balance on these provisions should be credited back to the services in which they were incurred, and as such the sum of £164k is to be credited back to the General Fund. This is illustrated within paragraph 12 of this report.
25. Appendix A includes a number of known areas that are due to be carried forward to 2012/13 due to timing differences in respect of project related work and contributions to earmarked reserves. These are summarised in Table B of Appendix B.

Capital

26. The table below provides a summary position of the budget to actual expenditure variances for 2011/12 across the type of capital expenditure headings.

Summary of Actual Expenditure Compared to Budget				
Type	2011/12 Expenditure £'000	Project timing into 2012/13 £'000	2011/12 Approved Budget £'000	Variance £'000
Forest Heath Assets	1,823	773	3,240	(644)
Vehicles, Hardware & Equipment	3	1,524	1,539	(12)
Software	31	-	33	(2)
PSR & Disabled Grants	362	100	595	(133)
Capital Grants	423	-	425	(2)
Pending Items	-	950	1,050	(100)
Total	2,642	3,347	6,883	(893)

27. Appendix C sets out the projects and amounts that are requested to be carried forward to the 2012/13 Capital Programme due to timing of the individual projects, which totals £3,347k. This total is included within the net underspend outturn position of £893k.
28. It should be noted that in approving the carry forward request above, it will be necessary to revise the Council's Capital Expenditure Prudential Indicator at the next available Council meeting.

Risk management implications

29. Work is ongoing regarding the closure of the 2011/12 final accounts, and as such the figures reported are subject to possible change. The Council's outturn position is subject to review by External Audit as part of the Statement of Accounts work.
30. The likely impacts of the factors giving rise to the major variances as reported in Table A of Appendix B, in particular those that relate to economic conditions, will be continually reviewed and closely monitored as part of the 2012/13 Budget Monitoring process, and will be reported to members within the Financial Reporting framework.

Legal/Policy implications

31. None.

Documents attached

Appendix A – Revenue Outturn position by Service 2011/12

Appendix B – Outturn report – Analysis of Revenue Variances 2011/12

Appendix C – Capital Outturn position 2011/12

Appendix D – Capital Programme - Financing 2011/12

Background papers

None