

Forest Heath District Council

(This report is not 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

4 SEPTEMBER 2012

CAB12/028

FINANCIAL PERFORMANCE REPORT (REVENUE AND CAPITAL): APRIL – JUNE 2012 (Forward Plan Reference: SEP12/08)

Summary and reasons for recommendation(s)

The Cabinet is requested to review the Council's Revenue and Capital financial performance for the first three months of 2012/13 and the year end forecast position, and to recommend the actions as detailed to Council.

Recommendation(s)

The Cabinet is requested to:

- 1. Note the 2012/13 revenue and capital budget positions for the first three months of the financial year;**
- 2. Recommend that Council approve the amendments to the Prudential Indicators detailed in this report and Appendix G, for the period 2012/2013 to 2015/2016 in line with the requirements of the Government Act 2003; and**
- 3. Note the revenue budget virements as outlined in Appendix E.**

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How will the recommendations help us meet our strategic priorities?

1. Monitoring in-year financial performance and in particular the year end forecast position 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 plan 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.

Wards affected

3. All.

Key issues

4. This report has been aligned with the new cabinet structure and reflects the service areas and how they fit into the priorities for the respective portfolio holders.
5. The format of these reports has changed from the previous performance and audit report format, which included revenue performance by Head of Service. The new format includes performance against both revenue and capital budgets and provides additional information on key areas such as performance against local and shared services savings and the new strategic plan actions for 2012/13.

Revenue position

6. The year to date position after three months currently shows an underspend of £90,000, as shown in Appendix A. However the expected year end forecast currently shows an **overall overspend of £83,000** which consists of various variances as outlined in Appendix B.
7. Members are requested to note the year to date position to June 2012 and the forecast position as outlined within Appendix A. It is proposed that budget holders work with Members to bring the year end position back into a balanced budget position for 2012/13 and report progress of this in the half yearly finance performance report in November.

Major variances - Revenue Budget

8. Despite the current underspend position at 30th June, the economic climate and the ongoing government austerity measures continue to significantly affect the Council's financial position and present a number of current and future challenges. This is reflected in the year end forecast overspend and mainly relates to only a few areas as discussed in paragraphs 9 and 10 below.
9. Financial pressures that continue to adversely impact the Council's forecasted financial position include reduced industrial income and increased business rates due to vacancies, both totalling £202,000; and lower levels of planning applications £66,000 and building control fees £44,000 than originally forecasted.

10. In contrast to the financial pressures, there are areas of budget savings such as the reduction in external audit fees £30,000 and additional savings generated through the shared services agenda for 2012/13 of £214,000 due to the programme being brought forward.

11. Appendix B details all the major variances and includes further details on those outlined above.

Revenue Reserves

12. Appendix A includes transfers to and from earmarked reserves in order to show an accurate position for the year to date and the year end forecast. It should be noted that the figures relate to 2012/13 only and that work is ongoing to present the projected longer term position with regard to reserve balances in the next quarterly Financial Performance Report.

Monitoring against local and shared services savings

13. The 2012/13 revenue budget included a local savings target totalling £260,000, included is £104,000 in respect of leisure rationalisation savings, assumed from October 2012. The balance of the local savings total related to staffing changes, primarily Planning, which are now expected to be achieved through the shared services agenda with St Edmundsbury Borough Council.

14. Appendix C provides an overview of the expected savings for 2012/13 onwards from the local and shared services agenda; including a breakdown of savings across service areas from approved business cases, compared to actual savings achieved. Below is a summary position of the expected savings for 2012/13:

2012/13	Included in MTFS £'000	Projected savings £'000	Under/(Over) achievement £'000
Shared Services completed or in progress	89	356	(267)
Shared Services to be progressed	67	14	53
Total from shared service savings	156	370	(214)
Local Savings in progress	104	104	0
Overall savings total	260	474	(214)

15. The format of Appendix C is still being developed with our St Edmundsbury colleagues with a view to reporting the full savings expected across West Suffolk to the next Shared Service Strategic Steering Group.

Monitoring against 2012/13 strategic plan action

16. Following the approval of the Council's new Strategic Plan 2012-16 in June 2012, the revenue budgets presented within Appendix A now include the agreed actions and

financial budgets allocated to the Plan. Appendix D seeks to provide a picture of the finance performance against these actions.

17. As these budget allocations have only just been approved, at this stage this appendix provides an illustration of the proposed monitoring framework for the financial performance against the plan. Budget holders will look to work with Members over the coming months to profile spend against these actions.

Revenue Virements

18. For the period to 30th June 2012, there was one budget virement actioned as outlined in Appendix E. Members are requested to note this virement.

Capital Position

19. The Council's capital outturn position for the first three months of 2012/13, as detailed in Appendix F, shows a **net overspend of £66,000**. The majority of this is linked to the profile of the Private Sector Disabled Facilities Grants, which is often difficult to predict as it is demand led. The service, however, monitors this area closely during the year to ensure that the overall spend does not exceed the budget provision within any given year.

20. Whilst the position at the end of the first quarter shows an overspend against the profiled budget to date, at this stage it is anticipated that the year end position for the capital programme will be in line with the approved budget.

21. Following the approval of the Council's new Strategic Plan 2012-16 in June 2012, the capital budgets presented within this Appendix F now include the agreed capital actions and financial budgets allocated to the Plan.

Amendments to the Council's Prudential Indicators

22. As a result of the inclusion of the capital Strategic Plan items and some recent approvals of capital projects via shared service business cases; the prudential indicators linked to the capital programme require to be amended.

23. Appendix G outlines the amendments required to the Prudential Indicators.

Other options considered

24. None.

Community impact (Diversity and Equality, Sustainability, Other)

25. 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?

26. 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

27. As set out within the body of this report.

Risk management implications

28. Although it can be difficult to forecast an expected year position after only three months spend, budget holders have worked with their finance support officers to provide a best estimate for 2012/13.

29. There are inevitable risks associated with the assumptions for both revenue and capital projections and an analysis of these formed part of the overall budget report.

30. Those of particular importance and concern for this report and the coming months are the risks associated with the continued wider economic situation around income levels. These risk areas will be monitored closing over the coming months and will require further review as part of the 2013/14 budget setting process to ensure that the assumptions within the Council's Medium Term Financial Position remain reasonable.

31. The Prudential Indicators are set to safeguard the Council and ensure that it's the capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.

Legal/Policy implications

32. As outlined in the body of the report.

Documents attached

Appendix A – Revenue Outturn position 2012/13, for the period April to June

Appendix B – Analysis of Revenue Variances 2012/13

Appendix C – Local and Shared Services Savings – 2012/13 onwards

Appendix D – Strategic Plan Actions 2012/13

Appendix E – Revenue Budget Virements – actioned April to June 2012

Appendix F – Capital Outturn position 2012/13, for the period April to June

Appendix G – Amendments to the Council's Prudential Indicators

Background papers

None