

Forest Heath District Council

(This report is not a key decision. This report 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 DECEMBER 2012

CAB12/053

FINANCIAL PERFORMANCE REPORT (REVENUE AND CAPITAL) – APRIL TO SEPTEMBER 2012 (Key Decision Reference: NOV12/06)

1. Summary and reasons for recommendation(s)

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

2. Recommendation(s)

2.1 The Cabinet is requested to

- 1. Note the 2012/13 revenue and capital budget positions for the first six months of the financial year.**
- 2. Note the revenue budget virements as outlined in Appendix E.**
- 3. Recommend the reserve funding to Council as outlined in paragraphs 5.3 and 5.4.**

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3. How will the recommendations help us meet our strategic priorities?

- 3.1 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.
- 3.2 In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available.

4. Key issues

- 4.1 This report has been aligned with the cabinet structure and reflects the new Joint Leadership Team (JLT) service areas and how they fit into the priorities for the respective portfolio holders. Members should note that it is possible that there may be some changes to the alignment of areas in future reports as the JLT shapes its services moving forward.
- 4.2 This report includes performance against both revenue and capital budgets and provides additional information on key areas such as performance against local and shared service savings and the strategic plan actions for 2012/13.

5. Revenue position

- 5.1 The year to date position after six months currently shows an underspend of £179,000, as shown in Appendix A. The expected year end forecast, however, currently shows an **overall overspend of £5,000** which consists of variances as outlined in Appendix B.
- 5.2 Members are requested to note the year to date position to September 2012 and the forecast position as outlined within Appendix A. At this point in time the overall year end position is in line with the budget. Budgets Holders will continue to work closely with Finance Support Officers for the remainder of the financial year to monitor the year end forecast and an updated position will be made available in the next quarterly Financial Performance Report.
- 5.3 The forecast outturn figure for business support and retention under the Economic Development and Tourism portfolio includes expenditure for the Newmarket "Planning for Real" project in the sum of £40,000. This has been funded from residual monies in the Local Authority Business Growth Incentive (LABGI) reserve and reflected in the reserves appendix F. Members are requested to recommend the approval of this funding.
- 5.4 The forecast outturn for Corporate Management in the Resources, Governance and Performance portfolio includes additional expenditure of £65,175 which represents Forest Heath District Council's share of the expected costs of Business Process Re-engineering (BPR). This has been funded from the Shared Services Cost of Change Reserve and this is also reflected in the reserves appendix. Members are requested to recommend the approval of this funding.

6. Major variances – Revenue Budget

- 6.1 Despite the current underspend position at 30th September, 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. Whilst the overall forecast year end position is in line with the budget, this is made up of a number of overspends and underspends as outlined in appendix B. At present the underspends are sufficient to offset the overspend areas and the position will be closely monitored for the remainder of the financial year.
- 6.2 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 £147,000; and lower levels of planning applications £40,000 and building control fees £38,000 than originally forecasted.
- 6.3 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 £225,000 due to the programme being brought forward.
- 6.4 Appendix B details all major variances and includes further details on those outlined above.

7. Monitoring against local and shared services savings

- 7.1 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 staff changes, primarily Planning, which are now expected to be achieved through the shared services agenda with St Edmundsbury Borough Council.
- 7.2 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	471	(382)
Shared Services to be progressed	67	14	53
Total from Shared Service Savings	156	485	(329)
Local Savings in progress	104	0	104
Overall Savings Total	260	485	(225)

- 7.3 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 Shared Services Strategic Steering Group. The figure shown in appendix C includes the effect of the Joint Management Team savings which have already been reflected in the Corporate Management figures and as such this will differ from the Savings Programme figure of £124k as shown in appendix B.

8. Monitoring against 2012/13 strategic plan action

- 8.1 Following approval of the Council's Strategic Plan 2012-16 in June 2012, the revenue budgets presented within Appendix A include the agreed actions and financial budgets allocated to the Plan. Appendix D seeks to provide a picture of the financial performance against these actions.
- 8.2 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.

9. Revenue Virements

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

10. Capital Position

- 10.1 The Council's capital outturn position for the first six months of 2012/13, as detailed in Appendix F, shows a **net overspend of £185,000**. 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.
- 10.2 Whilst the position at the end of the first half year shows an overspend against profiled budget to date, at this stage it is still anticipated that the year end position for the capital programme will be in line with the approved budget.
- 10.3 Due to current asset management requirements the capital pending item shown in appendix G, Project number P6 - Home of Horse Racing, needs to be moved within the approved programme. This will now be shown as part of project number 406 Palace House Stables - Rothschild Yard, which will be re-named "Home of Horse Racing Project". This is to that ensure all expenditure on this project is grouped together to ensure greater clarity and transparency. This will not increase the utilisation of capital receipts over the programme and is a presentational adjustment only.
- 10.4 Members are requested to recommend that the capital programme be adjusted as per paragraph 10.3 above.

11. Other options considered

11.1 None.

12. Community impact

12.1 **Crime and disorder impact** (including Section 17 of the Crime and Disorder Act 1998)

12.2 Wherever applicable, crime and disorder impact has been assessed by the individual services as part of their ongoing operational functions.

12.3 **Diversity and equality impact** (including the findings of the Equality Impact Assessment)

12.4 Wherever applicable, diversity and equality impact has been assessed by the individual services as part of their ongoing operational functions.

12.5 **Sustainability impact** (including completing a Sustainability Impact Assessment)

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

12.7 **Other impact** (any other impacts affecting this report)

12.8 Wherever applicable, any other impact has been assessed by the individual services as part of their ongoing operational functions.

13. Consultation (what consultation has been undertaken, and what were the outcomes?)

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

14. Financial and resource implications (including asset management implications)

14.1 As set out in the body of this report.

15. Risk/opportunity assessment (potential hazards or opportunities affecting corporate, service or project objectives)

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Wider economic situation around income levels	High	Continue to monitor areas closely and carry out a further review as part of the 2013/14 budget setting process to ensure assumptions remain reasonable	Medium
Capital investment plans continue to be affordable, prudent and sustainable	Medium	Prudential Indicators are in place to safeguard the Council	Low
Treasury Management	Medium	Treasury Management Policy and Procedures are in place	Low

16. Legal and policy implications

As outlined in the body of this report.

17. Ward(s) affected

17.1 All

18. Background papers

18.1 None

19. Documents attached

- 19.1 Appendix A – Revenue Outturn position 2012/13, for the period April to September
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 September 2012
Appendix F – Forecast Revenue Reserves position
Appendix G – Capital Outturn position 2012/13, for the period April to September