

# Review of the Council's Arrangements for Securing Financial Resilience for South Hams District Council

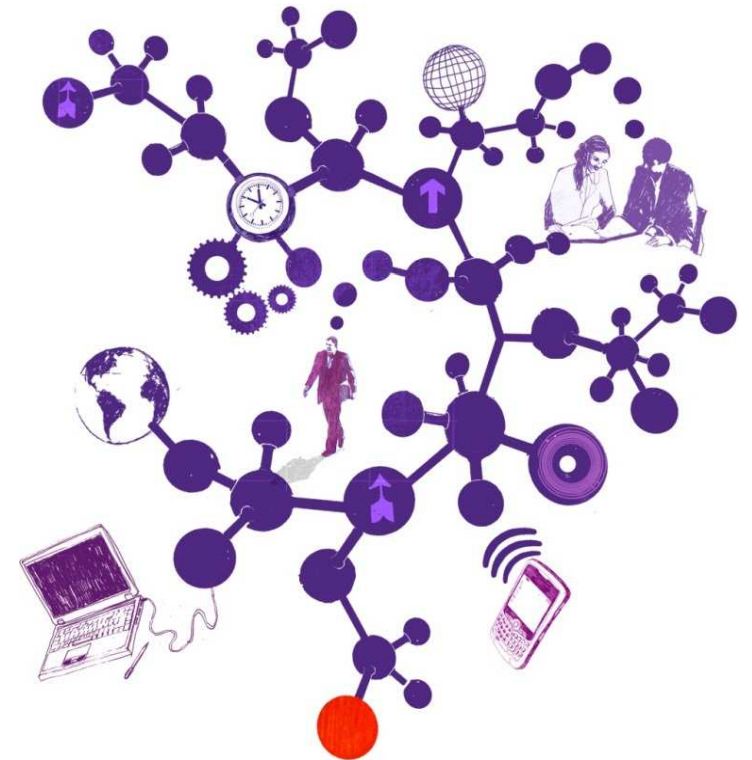
Year ended 31 March 2013

September 2013

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

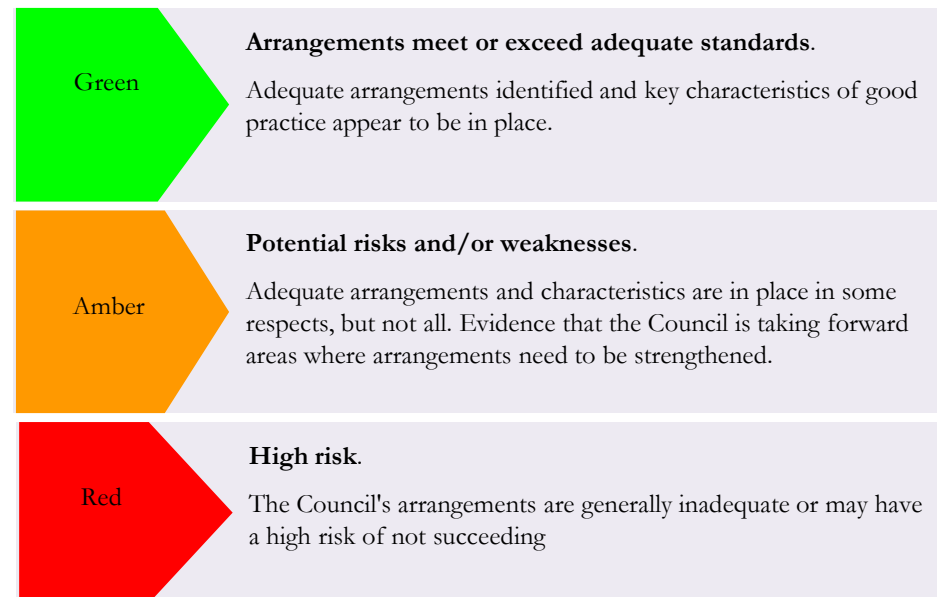
The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces a number of risks and challenges during 2013-14 and beyond, its current arrangements for achieving financial resilience are adequate.

We have used a red/amber/green (RAG) rating with the following definitions.



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# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

### Local Context





Covering 906 square kilometres, South Hams District Council is a large geographical district in Devon with an estimated population of 83,100. It is classified as a Rural-80 authority, as over 80% of the population are based in rural settlements and market towns.

South Hams has developed a close shared service arrangement with West Devon Borough Council, initially through a shared Chief Executive but extending this to a full shared senior management team in April 2011. It has sought to deliver savings through a significant shared services agenda including a middle-management review and adoption of shared financial reporting and benefits administration structures.

Changes to national legislation regarding Council Tax benefit arrangements have lead to the introduction of a localised Council Tax Support Scheme to replace Council Tax Benefit from April 2013 placing additional financing pressures on the Council.

# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Performance</b>	<ul style="list-style-type: none"><li>• In comparison to the Audit Commission's nearest neighbours, the Council is performing well and is generally consistent with the trends indicated by other councils. The collection rates for Council T and NNDR are in the top 10% of all English local authorities.</li><li>• However, levels of sickness absence have continued to increase and should remain an area of focus for management.</li></ul>	 Green
<b>Strategic Financial Planning</b>	<ul style="list-style-type: none"><li>• The Council has a very good understanding of the financial challenges faced and is proactive in planning and taking action to address these issues. However, whilst we consider the Council is making good progress in its strategic financial planning with good arrangements in place, it is facing significant reductions in funding and is considering a number of options regarding its future operating model to ensure it continues to deliver sustainable quality services.</li></ul>	 Green
<b>Financial Governance</b>	<ul style="list-style-type: none"><li>• The Council has good arrangements in place to ensure understanding of the financial environment with appropriate engagement from stakeholders and Members.</li><li>• There are appropriate financial governance and monitoring arrangements in place at Member and officer level.</li></ul>	 Green
<b>Financial Control</b>	<ul style="list-style-type: none"><li>• As in previous years, the Council achieved its planned general fund budget and, for 2013-13, delivered an underspend of £91,000, despite reductions in the net budget and the need to deliver further savings.</li><li>• The Council has continued to deliver savings through its shared services arrangements whilst maintaining a good levels of service.</li></ul>	 Green

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# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Key Indicators of Performance</b>	The Council should continue to actively monitor sickness absence to identify the causes of the recent increase, implement appropriate strategies to address these and ensure potential risks in relation to service delivery are effectively managed.			
<b>Strategic Financial Planning</b>	None			
<b>Financial Governance</b>	None			
<b>Financial Control</b>	As the financial environment continues to become more challenging, the Council should consider separate monitoring and reporting of savings to Members in the format agreed when the budget was set, to further strengthen the financial control arrangements in place and to clearly identify where planned savings are not being realised.			

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Appendix - Key indicators of financial performance

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# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:






- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

- Tewkesbury Borough Council
- Hambleton District Council
- Malvern Hills District Council
- Cotswold District Council
- Derbyshire Dales District Council
- Craven District Council
- North Devon District Council
- Chichester District Council
- Lewes District Council
- Malvern Hills District Council
- Purbeck District Council
- South Lakeland District Council
- Suffolk Coastal District Council
- Teignbridge District Council
- Wealden District Council
- West Dorset District Council

# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	<p>Comparative data shows that the working capital ratio for the Council over the period 2007-08 to 2011-12 has been above that for a number of similar authorities. Whilst, South Hams' ratio has fallen slightly, it stands at 4:1 at 31 March 2013, well above the 2:1 ratio that is widely viewed as an appropriate ratio to prevent liquidity issues.</p> <p>Whilst the Council Tax collection rate of 99% has fallen slightly from 99.2% in 2010-11 and 2011-12, this performance still places South Hams in the top 10% of English local authorities. In addition, the collection rate of 99.2% for business rates continues the Council's upward trend since 2007-08 and also places South Hams in the top 10% of English local authorities.</p>	 <b>Green</b>
<b>Borrowing</b>	<p>South Hams is a debt free authority.</p>	 <b>Green</b>
<b>Workforce</b>	<p>From 2009-10 to 2012-13 the level of sickness absence has increased year on year , and for 2012-13 an average of 11.52 days per FTE were lost due to sickness. The public sector average for 2011-12 was 7.9 days.</p> <p>The Council has clearly highlighted sickness levels as an area of concern through the quarterly reporting to Members through the Council's balanced scorecard and is able to demonstrate an understanding of the importance of sickness management and regularly analyses the level of sickness between short term and long term sickness.</p>	 <b>Amber</b>
<b>Performance Against Budgets: revenue &amp; capital</b>	<p>Despite the 2012-13 revenue budget requiring £1 million of savings, the Council continues to deliver an underspend against its budget. The unaudited 2012-13 financial statements highlight that the Council has delivered a budget underspend of £91,000. In 2011-12 it delivered an underspend of £260,000 and in 2010-11 an underspend of £139,000.</p>	 <b>Green</b>
<b>Reserve Balances</b>	<p>The Council's level of useable reserves is in line with the average in comparison to other similar authorities at 31 March 2012, and remains at 0.28 of gross revenue expenditure at 31 March 2013. The general fund balance at 31 March 2013 was £1 million above the minimum level set by the Council as £1.5 million.</p>	 <b>Green</b>

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# Strategic Financial Planning




## **Key characteristics of good strategic financial planning**

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.



# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Focus of the MTFP</b>	<p>The Council's Medium Term Financial Strategy (MTFS) covering the four year period 2014-15 to 2017-18 was presented to the Executive in July 2013. It sets out the expected funding available to the Council, the level of income that could be generated alongside budget pressures to give an overall financial forecast for the four year period. As a result the MTFS identifies funding gaps for each financial year and seeks to be the basis on which early thought is given to bridging the funding gaps for 2014-15 in the first instance, and then future years.</p>	 Green
<b>Adequacy of planning assumptions</b>	<p>The Council's MTFS from 2014-15 has been compiled using a number of assumptions including 3% inflation on general expenditure, an increase of 1% on salaries and pension contributions, interest rates of 0.6% for 2014-15 and 1% thereafter and Council Tax increases limited to 1%.</p> <p>Following the setting of the 2013-14 budget, the Council undertook a detailed budget scouring exercise, reviewing cost centres on a line by line basis in order to analyse expenditure over the past three years and through this identified £140,000 of savings which have been incorporated into the MTFS.</p>	 Green
<b>Scope of the MTFP and links to annual planning</b>	<p>The Council has ensured a strategic approach to financial planning through a rolling MTFS which is updated on an annual basis and used as the foundation document for the budget setting process.</p> <p>The MTFS sets out the financial challenges the Council faces in setting a balanced budget for the next four year period, presenting possible options for closing the 2014-15 budget gap and provides links to the Transformation Programme for addressing the longer term gaps.</p>	 Green

# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Review processes</b>	<p>The Council started to develop the financial strategy to close the 2014-15 budget gap identified initially in the MTFS for the period 2013-14 to 2016-17, immediately following the approval of the 2013-14 budget in February 2013 and identified £140,000 of savings through a budget scouring exercise.</p> <p>The MTFS for the period 2014-15 to 2017-18 has already been presented to Executive in order to enable earlier thought than in previous years on how to close the budget gap for the upcoming financial year and it is intended that at each Executive meeting an update will be given to the MTFS.</p>	 Green
<b>Responsiveness of the Plan</b>	<p>Due to the government funding levels announced in June 2013, the Council now face a budget gap of £2.35 million over the next four year period, based on the following annual budget gaps:</p> <ul style="list-style-type: none"><li>• 2014-15 £771,000</li><li>• 2015-16 £446,000</li><li>• 2016-17 £588,000</li><li>• 2017-18 £545,000</li></ul> <p>As at July 2013, £140,000 of savings had been identified through the detailed budget scouring exercise to be built into the base budget for 2014-15, and the MTFS sets out further possible savings options of £390,000. It is considered that for 2014-15, there are only two realistic options for further closing the budget gap; either to make service reductions or use the New Homes Bonus to fund part of the revenue budget due to the limited opportunities to raise additional income. The Council is aware of the risks of over-reliance on New Homes Bonus and is aware that transformational change is required over the medium to long term and are in the early stages of making decisions about the appropriate future operating model.</p>	 Amber

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# Financial Governance

## Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

### Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

### Engagement

- There is engagement with stakeholders including budget consultations.



### Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

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# Financial Governance




## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Understanding the Financial Environment</b>	<p>The Senior Management Team have a good understanding of the financial environment in which they operate and there is regular communication with Members. Work to develop a strategy to close the 2014-15 budget gap started immediately after the approval of the 2013-14 budget, and medium term financial planning is not seen as an annual exercise but integrated with the future plans and direction of the Council, such as the Transformation Programme and the Strategic Asset Review.</p> <p>The MTFS 2014-15 to 2017-18 has already been prepared and it is intended that Members will be updated at each Executive meeting as the financial model is refined.</p>	 <b>Green</b>
<b>Executive and Member Engagement</b>	<p>Member engagement in the budget setting process in recent years has been mainly through the Executive producing draft budget proposals for review by the Council's three Scrutiny Panels. However, the Council has recently undertaken a review of the budget setting and monitoring processes in order to ensure that this input can be given at the right stage so that any adjustments can be considered in a timely way. It has been determined that the role of Scrutiny should be increased through the identification of a number of areas to be investigated in detail by the relevant Scrutiny Panel with the objective of identifying budget reductions and opportunities for generating further income.</p> <p>The Senior Management Team meet regularly and discuss key financial and performance issues as required, with Heads of Service responsible for monitoring of their budgets.</p> <p>Senior officers and Members have been proactive in seeking additional funding through the Government's Transformation Funding. As is this the case for other committee reports, financial reports presented to Members include a strategic risk template.</p>	 <b>Green</b>

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# Financial Governance

## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Overview for controls over key cost categories</b>	<p>The Audit Commission's Value for Money profiles show that running expenses as a proportion of total spend is significantly lower than the comparator group of authorities and reflects the significant actions already taken to deliver services through shared service arrangements. In addition, the Council's spend on management and support services has reduced and is below average.</p> <p>The Council has saved £2.15 million through shared services with West Devon Borough Council and annual savings are now approximately £700,000.</p>	 Green
<b>Budget reporting: revenue and capital</b>	<p>The Executive has responsibility for the budgetary framework and receives quarterly revenue and capital monitoring information, although these do not separately report progress against savings targets as set out when the budget was approved.</p> <p>The revenue budget monitoring reports received by Members include the forecast outturn position to the year end. These reports do not include actual position against phased budget but highlight the key areas of variance forecast and provide an adequate level of narrative to enable Members to understand the financial position for the year. In addition, these reports provide details of forecast income against plan for car parks, Dartmouth ferry, estates, land charges, planning applications and licensing.</p> <p>The capital budget monitoring reports received by Members set out the approved budget and spend per quarter for each capital project.</p>	 Green
<b>Adequacy of other Committee/Cabinet Reporting</b>	<p>Performance against target for key financial performance measures such as collection rates for Council Tax and NNDR is reported through the Council's Balanced Scorecard to the Corporate Performance and Resources Scrutiny Panel on a quarterly basis with particular attention paid to those areas which are 10% or more below target.</p> <p>In addition, the Treasury Management annual strategy, mid year review and annual report are considered by the Executive and approved by full Council.</p>	 Green

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# Financial Control

## Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

### Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### Finance Department


- The capacity and capability of the Finance Department is fit for purpose.

### Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.



# Financial Control

## Internal arrangements

Area of focus	Summary observations	Assessment
<b>Budget setting and monitoring - revenue and capital</b>	<ul style="list-style-type: none"><li>• The Medium Term Financial Strategy 2013-14 to 2016-17 was approved in September 2012 and used as the foundation document for the Council's budget setting process. The 2013-14 budget was then approved in February 2013 following a public budget consultation, identification of budget savings and income generation opportunities by the Senior Management Team and review by Scrutiny.</li><li>• Immediately following approval of the 2013-14 budget, work has begun on developing the strategy to close the 2014-15 budget gap.</li><li>• Performance against budget is monitored by Heads of Service, with additional monitoring and support provided by the Finance Team. Particular focus is given to areas where overspends are forecast, in order that action is taken to try and address these issues.</li><li>• Performance against general fund budget and the Capital Programme is reported to Members on a quarterly basis, with the Executive having responsibility for the budgetary framework. Revenue budget monitoring reports provide an overview of the forecast year end position and an analysis of the key variances from budget for both income and expenditure as well as an estimate of the level of reserves at year end.</li><li>• As part of the 2012-13 Internal Audit Plan a Main Accounting System and Budgetary Control review was undertaken. Internal Audit provided a 'good' opinion over the systems in place, concluding that budgetary controls appear to be working satisfactorily.</li></ul>	 <b>Green</b>





# Financial Control

## Internal arrangements

Area of focus	Summary observations	Assessment
<b>Performance against Savings Plans</b>	<ul style="list-style-type: none"><li>• The Council has a strong track record of delivering savings through shared services; since 2007, the Council has saved £2.15 million through shared service arrangements with West Devon Borough Council. The Council is saving approximately £700,000 per year as a result of these shared services and has been commended for its efforts in achieving savings.</li><li>• The 2013-14 general fund revenue budget approved by Council in February 2013 included savings and income generation schemes of £255,000 identified by the Senior Management Team and further budget saving options of £298,000. Whilst overall performance against the budget is reported on a quarterly basis, performance against the savings schemes as included within the agreed budget is not separately reported back to Members. To improve transparency and clarity over the delivery of savings plans, separate monitoring and reporting of the savings achieved would further strengthen the current arrangements in place and would readily identify where planned savings are not being realised. This will become of increasing importance due to the challenges being faced by the Council in closing the budget gap over the medium term.</li></ul>	 <b>Amber</b>
<b>Key Financial Accounting Systems</b>	<ul style="list-style-type: none"><li>• The Council use the Civica financials ledger system and are working with West Devon Borough Council to review financial processes to ensure its efficient use is maximised for the benefit of both Councils.</li><li>• The most recent Internal Audit report on the main accounting and budgetary control system was given a 'good' assurance opinion and did not highlight any significant areas of concern. Internal Audit also reviewed other key financial systems for 2012-13 and none of these received 'poor' assurance opinions.</li><li>• In 2012-13, West Devon Borough Council changed its Revenues and Benefits system, aligning another key system with South Hams and providing further opportunity for alignment of processes and procedures to improve the efficiency of the shared revenues and benefits service across the Councils.</li></ul>	 <b>Green</b>

# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>Finance Department Resourcing</b>	<ul style="list-style-type: none"> <li>The Section 151 Officer is responsible for Internal Audit and the Finance Teams across South Hams and West Devon Borough Council and is a member of the shared senior management team.</li> <li>From January 2013, due to maternity leave, there has been an Acting Head of Finance and Audit in place leading the South Hams Finance Team.</li> <li>Whilst the Council is considered to have a stable and capable finance team, the structure of the Finance Teams at South Hams and West Devon is subject to review, to consider the most effective way in which the services can be delivered and maximise resilience of the teams.</li> </ul>	 <b>Green</b>
<b>Internal audit arrangements</b>	<ul style="list-style-type: none"> <li>The Council has an effective internal audit function which has fully delivered its 2012-13 Internal Audit Plan.</li> <li>Internal Audit plans have to be approved by the Audit Committee annually and their findings are reported to the Audit Committee and management regularly.</li> <li>In June 2013 the Internal Audit Manager presented his annual opinion on the effectiveness of the system of internal control. Overall the opinion is that the Council's overall control environment is adequate and effective for the purposes of the 2012-13 Annual Governance Statement, with no reports receiving 'poor' assurance opinion.</li> </ul>	 <b>Green</b>
<b>External audit arrangements</b>	<ul style="list-style-type: none"> <li>The 2011-12 Annual Audit Letter summarised the work that was performed for 2011-12 and that an unqualified audit and VFM conclusion was issued.</li> </ul>	 <b>Green</b>
<b>Assurance framework/risk management</b>	<ul style="list-style-type: none"> <li>In 2012 the Council adopted a Joint Risk Management Policy with West Devon Borough Council. This policy requires the review of Corporate Risk Tables on a monthly basis by the Senior Management Team and update reports to the Audit Committee on a six monthly basis. These reports set out the strategic risks with details of the assessed risk score and a summary of mitigating and management actions undertaken and proposed to manage the identified risks.</li> <li>In addition, risks are routinely considered for all Committee reports through the use of strategic Risk Templates to ensure risk management is embedded within the Council's processes and to ensure Members are clear about the risks associated with the information they are presented and the impact of any related decisions.</li> </ul>	 <b>Green</b>



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# Key Indicators of Financial Performance

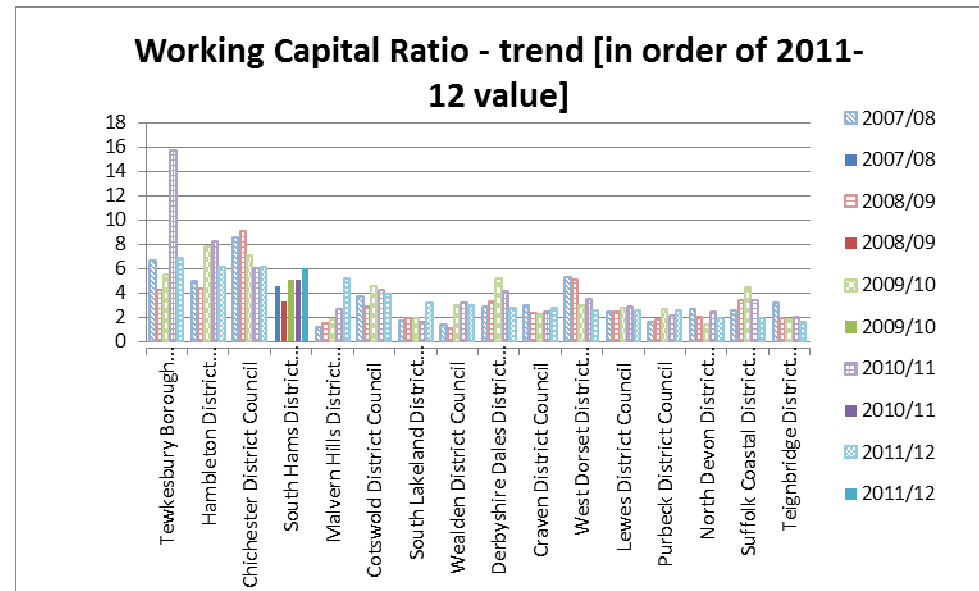
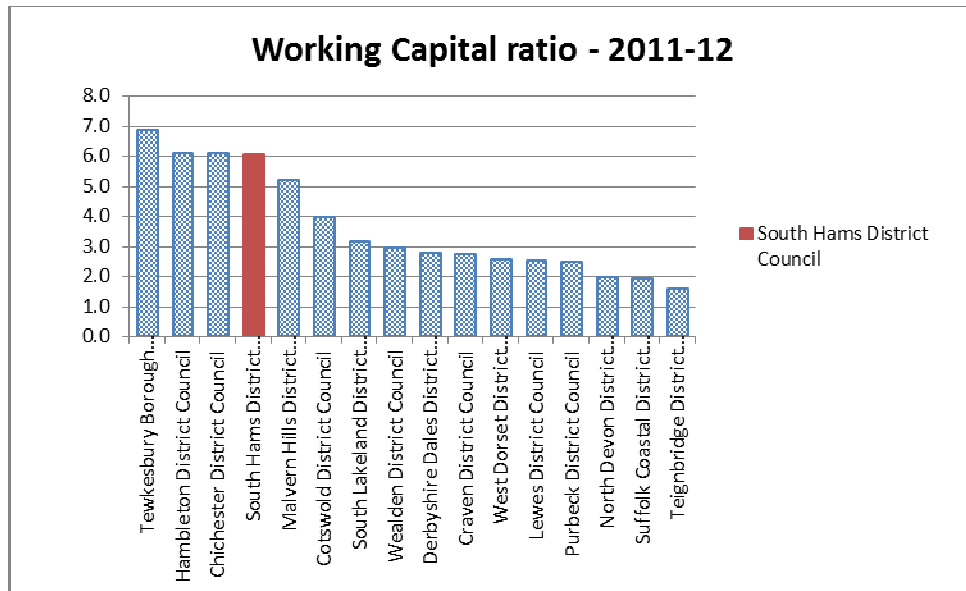
## Working Capital - Benchmarked

### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

### Findings

The Council's working capital ratio at 31 March 2013 was 4.16:1. Whilst this is a fall from 6.06:1 at 31 March 2012, the Council remains well above the preferred range of 2:1 and remains above the average of the comparator group for 2011-12.



Source: Audit Commission's Technical Directory and South Hams District Council unaudited Statement of Accounts 2012-13

# Key Indicators of Financial Performance

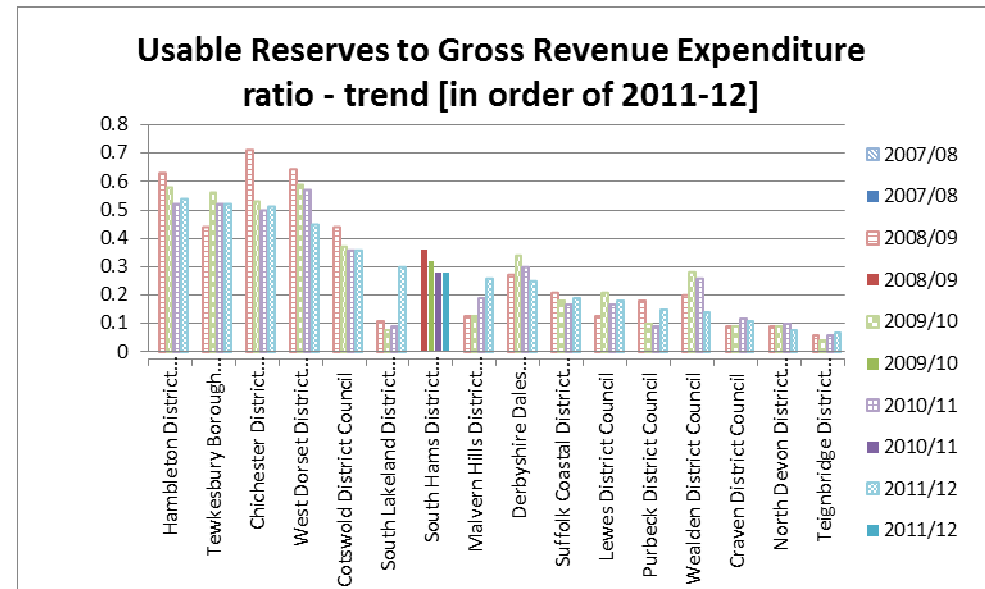
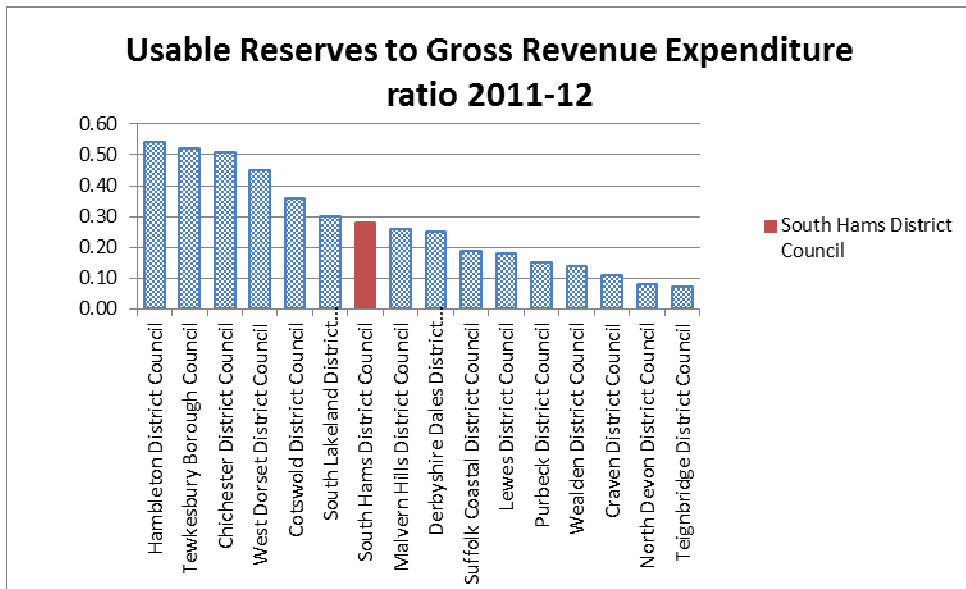
## Useable Reserves - Benchmarked

### Definition

This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

### Findings

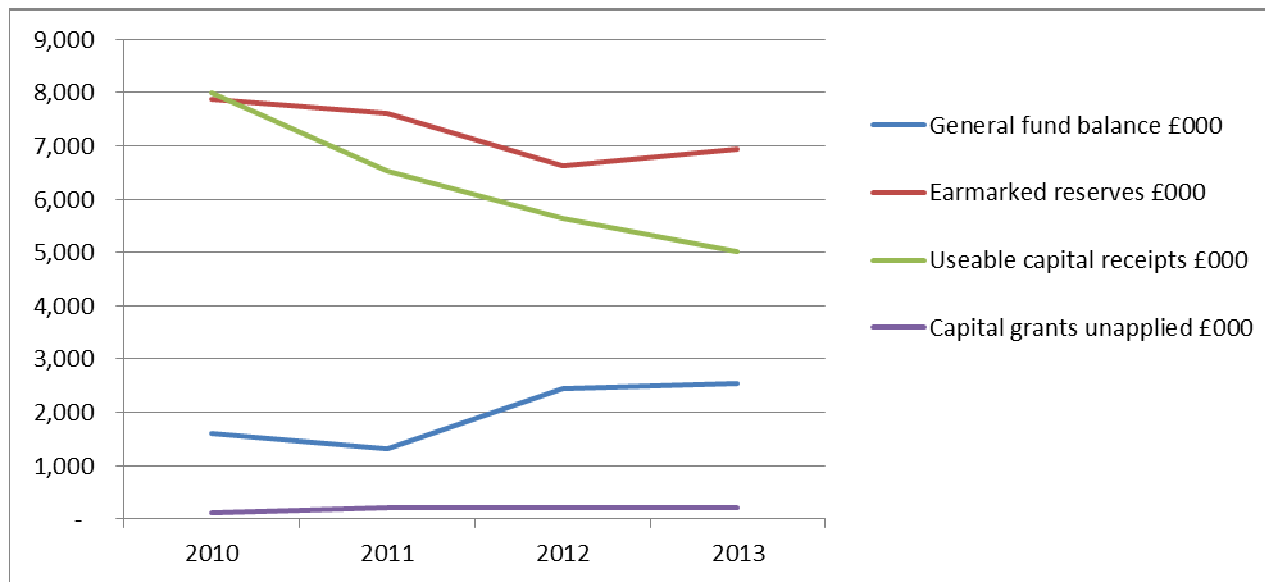
The level of South Hams' useable reserves in proportion to gross revenue expenditure has remained unchanged from 31 March 2012 to 31 March 2013 at 0.28. This places the Council in the mid range when considered against the comparator group based on Audit Commission data shown below. The Council has determined that the minimum level of un-earmarked reserves should be set at £1.5 million. The Council's General Fund has increased for a second consecutive year and stands at £2.5 million at 31 March 2013, £1 million above the minimum level.



Source: Audit Commission's Technical Directory

# Key Indicators of Financial Performance

## Useable Reserves - Trend by Type



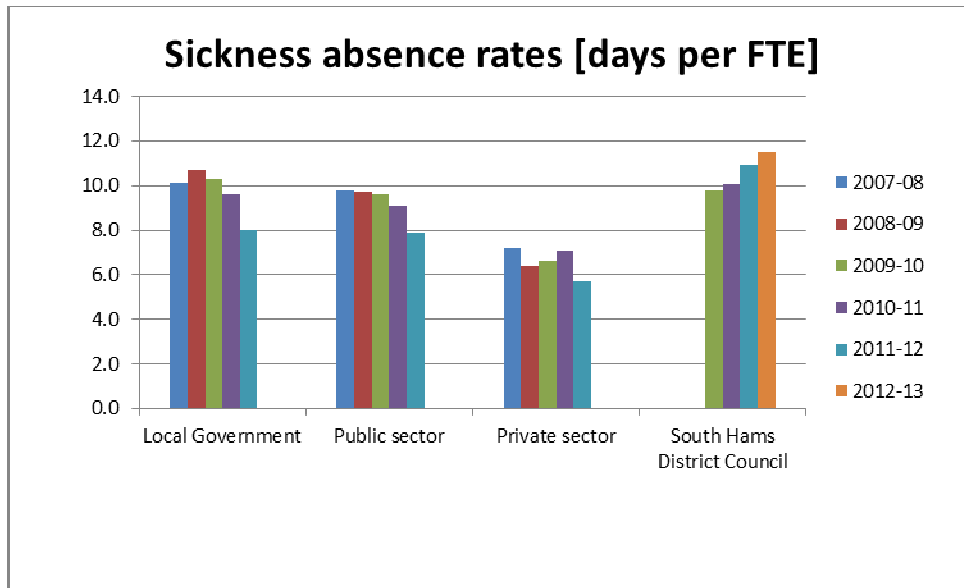
Source: South Hams District Council unaudited Statement of Accounts 2012-13

# Key Indicators of Financial Performance

## Sickness Absence Levels

### Background

The average sickness absence level for the public sector in 2011-12 was 7.9 days per FTE, whilst the private sector average was 5.7 days. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR10, given the context of significant pressures on staff to deliver "more for less".



### Findings

The average number of days sickness per FTE is reported within the Council's balanced scorecard which is presented on a quarterly basis to the Corporate Performance and Resources Scrutiny Panel and has been reported at 'red status' for the last three quarters of the year due to being 10% or more below target.

An average of 11.52 days were lost due to sickness in 2012-13, which is a deterioration from 2011-12 when sickness levels had continued to rise.

The Council routinely provide an analysis of sickness levels between short term and long term sickness. Whilst the proportion of days lost due to long term sickness has reduced in 2012-13, the level of short term sickness has increased and the overall sickness levels continue to both increase and remain above both target and public sector averages.

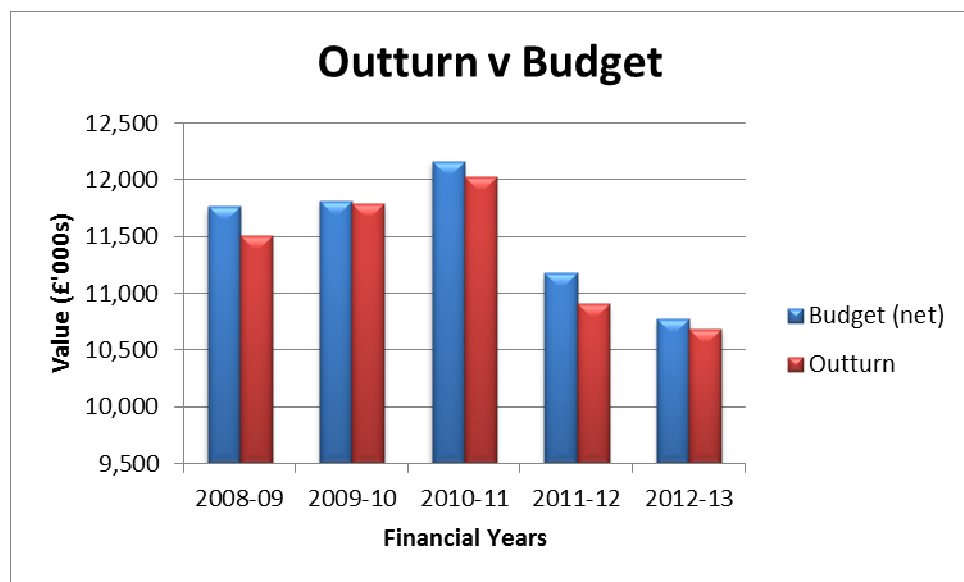
Source: South Hams District Council performance reports

# Key Indicators of Financial Performance

## Performance Against Budget: Track Record

Budget setting requires a consideration of service provision by the Council and the funding that will be available to meet this expenditure requirement. The outturn at the year end is an indication of how accurate the forecasting process was and provides evidence as to whether Councils are aware of the local economic situation and are therefore realistic in the assumptions that they have made.

It is noted that the achieved an underspend of £91,000 against the general fund budget for 2012-13, which represents 0.6% of the gross revenue budget for the year, despite further reduction in the net budget.



Source: South Hams District Council Statement of Accounts



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