

11 SEPTEMBER, 2014

Quarter 1 Financial Monitoring Position for 2014/15

Ward(s) All

Portfolios: Cllr S Coughlan – Leader
 Cllr D Coughlan – Social Care
 Cllr Chambers – Personnel and Business Support

Executive Summary:

This report summarises the predicted revenue and capital outturn position for 2014/15, based on the performance for Quarter 1 (April to June 2014), for services within the remit of the Corporate Scrutiny and Performance Panel.

Reason for scrutiny:

To inform the panel of the forecast financial position for 2014/15 for the services within the remit of the Corporate Scrutiny and Performance Panel.

Recommendations:

To note that the predicted 2014/15 year end financial position for services under the remit of this Panel is as follows:

1. A revenue under-spend of £70k against budget, net of use of and transfer to earmarked reserves.
2. A capital under-spend of £173k against budget.

Background papers:

Various financial working papers
Quarterly reporting to scrutiny panels throughout the year
2014/15 Budget book on council's internet and intranet

Signed:



Chief Finance Officer: James T Walsh

Date: 2 September 2014

Resource and legal considerations:

The council is required to set and operate within a balanced budget, requiring all services to operate within their approved budget. Any variances are required to be managed. The revenue and capital financial monitoring is reported quarterly to scrutiny along with corrective action plans when variances arise. All accounting entries are undertaken in line with the required corporate and statutory accounting guidance and standards.

Citizen impact:

The budget is aligned to deliver priority services to customers in accordance with the Council's corporate plan.

Environmental impact:

Services within the remit of this panel have a direct influence and impact on the environment.

Performance management:

Financial performance is considered alongside service activity. Managers are required to deliver their service within budget. Plans are required to be put in place to mitigate overspends within the directorate.

Equality Implications:

Services consider equality issues in setting budgets and delivering services. Irrespective of budgetary pressures the council must fulfil its equal opportunities obligations.

Consultation:

The budget is aligned to deliver priority services to customers in accordance with the Council's corporate plan. Senior managers have signed off the forecast as accurate.

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1. Revenue outturn 2014/15

- 1.1 The forecast revenue outturn for 2014/15 for the services under the remit of the corporate scrutiny and performance panel (as at the end of June 2014) is an underspend of £70k net of the use of and transfer to earmarked reserves. The predicted revenue outturn shown is based on actual information from the Oracle system, and discussions with managers regarding year end forecast and achievement of approved savings.
- 1.2 **Table 1** shows the forecast outturn for each service, and **Appendix 1** provides an analysis of the reasons for the forecast material variances.
- 1.3 The predicted outturn includes use of reserves of £1.456m (where approval has been given by Cabinet for additional funds for specific services) and requests for transfer to reserves of £511k for resources and £272k for central items. **Appendix 2** provides a detailed list of all reserves.
- 1.4 Where overspends are predicted, managers are tasked to identify remedial action that can be made within service, and to report as part of a directorate action plan. £120k of income forecast to be received by Human Resources relating to the temporary staff contract with Starting Point has not been treated as windfall income at present as it forms part of the Resources action plan. Cabinet have approved the treatment of this income.
- 1.5 **Appendix 3** details the risks associated with this forecast and the total financial exposure to risk has been calculated as £1.170m. Risks are items that are uncertain at present and therefore not included in the overall forecast. If circumstances change and any of these risks become a certainty, it will then form part of the overall forecast, and actions will need to be identified and implemented to offset any resulting pressure.
- 1.6 Included within the directorate budget for 2014/15 are £2.399m of approved savings (details are available in the corporate budget book). An update on the achievement of 2014/15 approved savings is reported separately to CMT in the benefits realisation model. Any savings that are not forecast to be achieved in year are required to have alternative savings identified and are managed closely through the services divisional management teams and in liaison with the relevant portfolio holder. No savings are reported as unachievable at this stage.

Table 1 – Forecast Revenue Outturn 2014/15 at Head of Service level

Service	Annual Budget £'000	Profiled Budget £'000	Actual to Date £'000	Variance to profiled budget £'000	Year End Forecast £'000	Year End Variance before reserves £'000	Use of Reserves £'000	Transfer to reserves £'000	Action Plan £'000	Overall Net Variance £'000
Benefits	1,330	333	268	(65)	1,907	577	(190)	502	0	889
Customer Service	459	115	94	(21)	543	84	(77)	0	0	7
Housing	522	130	91	(39)	828	306	(462)	9	0	(147)
Revenues	2,299	575	769	194	2,412	113	(178)	0	0	(65)
Sub Total Money Home Job	4,610	1,153	1,222	69	5,690	1,080	(907)	511	0	684
Communications	399	100	72	(28)	345	(54)	0	0	0	(54)
Democratic Services	1,909	477	463	(14)	1,918	9	0	0	0	9
Electoral Services	502	125	173	48	532	30	(16)	0	0	14
Finance	4,577	1,144	1,103	(41)	4,328	(249)	0	0	0	(249)
Human Resources	2,937	734	697	(37)	2,862	(75)	(4)	0	(120)	(199)
Internal Audit	541	135	152	17	551	10	(18)	0	0	(8)
Legal	1,568	392	475	83	1,759	191	(243)	0	0	(52)
Procurement	428	107	124	17	411	(17)	0	0	0	(17)
Programme Delivery	1,363	341	360	19	1,579	216	(238)	0	0	(22)
Shared Services	5,133	1,283	1,341	58	5,057	(76)	(30)	0	0	(106)
Sub Total Other Resources	19,357	4,838	4,960	122	19,342	(15)	(549)	0	(120)	(684)
Total Resources	23,967	5,991	6,182	191	25,032	1,065	(1,456)	511	(120)	0
Central Costs	2,942	735	882	147	2,670	(272)	0	272	0	0
Targeted Council-Wide	(1,452)	(363)	0	363	(1,452)	0	0	0	0	0
Contract Negotiation Savings	0	0	0	0	(70)	(70)	0	0	0	(70)
Corporate bad debt provision	0	0	0	0	(70)	(70)	0	0	0	(70)
Total Central Items	1,490	372	882	701	1,148	(342)	0	272	0	(70)

2. Capital outturn 2014/15

2.1 The forecast capital outturn for 2014/15 for the schemes under the remit of this panel (as at the end of June 2014) is an underspend of £173k. **Table 2** shows a summary by scheme.

Service	Annual Budget	Actual to Date	Year End Forecast	Variance before carry forward	Carry Forward to 2015/16
	£'000	£'000	£'000	£'000	£'000
Mainstream					
Aids and adaptations	942	0	942	0	0
Health through warmth and related Retro Fit schemes	882	36	709	(173)	0
Replace essential Wide Area Network data circuits	17	0	17	0	0
Essential Enhancement to Data Security Systems	14	0	14	0	0
Bring your own device security layers	53	0	53	0	0
Council wide IT planning rolling replacement and upgrade: Telephony & Upgrade of Windows	538	0	538	0	0
DRFS - Exchange Upgrade	134	0	134	0	0
ICT Essential Maintenance - Virtual Server infrastructure	74	0	74	0	0
Increase Council Internet Security	15	0	15	0	0
ICT Essential Software License changes	46	0	46	0	0
Improvements to ICT security (Protection of Council Information)	18	0	18	0	0
ICT requirements to cater for blending transitioned services into WMBC ICT	446	0	446	0	0
Replenish Smarter Workplaces capital pot	152	0	152	0	0
N3 Link for Public Health	15	0	15	0	0
Finance Direct/Oracle	166	0	166	0	0
Total Mainstream	3,512	36	3,339	(173)	0
Non Mainstream					
Investing in working smarter	340	0	340	0	0
Disabled facilities grant	1,390	577	1,390	0	0
Total Non Mainstream	1,730	577	1,730	0	0
Total Capital	5,242	613	5,069	(173)	0

2.2£173k underspend is due to less than expected demand for heating, hot water and external wall insulation loans.

Appendix 1 - Reasons For Material Revenue Variations

Service	Reason/explanation for variance	Variance £'000
Benefits	This is mainly in relation to pressures on housing benefits relating to an increase in expenditure for vulnerable clients where full costs are not reimbursed through housing benefit subsidy, and use of temporary staff to cover short term pressures	889
Housing	Expected overachievement of income due to increased occupancy rates and posts being held vacant	(147)
Revenues	Salary underspends due to posts being held vacant	(65)
Communications	Underspend on salaries due to posts being held vacant and underspend on supplies and services due to restraint of non essential expenditure	(54)
Finance	A planned process of posts being kept vacant to support directorate wide overspend position and in advance of implementation of savings proposals for 2015/16	(249)
Human Resources	One-off income received from temporary staff contract and posts being held vacant	(199)
Legal	Underspend on salaries arising from vacant posts and underspend on supplies and services	(52)
Shared Services	Salary underspend due to vacant posts offset by photocopying costs being higher than the centralised budget	(106)
Adjustment to corporate bad debt provision	Overprovision of bad debt is being revised in line with current forecast	(70)
	Other non material variances	(17)
TOTAL VARIANCE		(70)

Appendix 2 – List of reserves

Service	Amount £'000	Explanation
Benefits	184	One off funding agreed by portfolio holder to cover short term work pressures being supported by temporary staff
Benefits	6	Working Smarter reserve to cover temporary staff costs
Customer Service	77	Working Smarter reserve to cover temporary staff costs
Housing	268	Preventing homelessness
Housing	74	Private housing & health safety
Housing	53	Warm Homes
Housing	40	Repossession grant
Housing	13	Fuel Poverty Grant
Housing	12	New Homes Bonus
Housing	2	Handyman grant
Revenues	150	Working Smarter reserve to cover temporary staff costs
Revenues	28	Redundancy linked to savings
Electoral Services	16	Maximising Registration - carry forward of grant
Human Resources	4	Redundancy linked to savings
Internal Audit	18	Web based portal
Legal	165	Specialist legal advice
Legal	60	Time recording system
Legal	18	Enhancing Commissioning in Childrens Services - Legal
Programme Delivery	238	Information Management Project
Shared Services	22	Redundancy linked to savings
Shared Services	8	Carry forward of DEFRA grant
Total Use of reserves	1,456	
<u>Transfer to reserves</u>		
Benefits	(502)	Crisis Support Scheme – unspent 14/15 grant
Housing	(9)	Housing improvement projects
Central Costs	(272)	Specialist legal advice
Total Transfer to reserves	(783)	

Appendix 2 Financial Risk Assessment - Revenue Budget 2014/15

POTENTIAL RISK	LOWEST COST £'000	ASSESSMENT OF RISK	HIGHEST COST £'000	TOTAL FINANCIAL EXPOSURE £'000
Council wide - non-achievement of contract negotiation savings	0	High	1,452	871
Benefits - extension of temporary staff contracts across My Money, My Home, My Job	100	High	150	90
ICT – temporary staff working on the smarter workplaces programme may need to be retained beyond September	42	High	42	25
Benefits - one-off increase in subsidy reserve if the 2013/14 claim is qualified	0	Medium	200	80
Electoral Services - due to the short time available for planning and school holidays leading to school buildings being closed, there will be an increased cost of hiring temporary polling stations for the police and crime commissioner elections.	0	Medium	50	20
Benefits - shortfall in income from academies for processing free school meals	0	Medium	30	12
Benefits – reduced incentive payment in case of errors in the housing benefit subsidy process	0	Low	239	48
Legal – risk of further temporary staff. Specialist advice may have to be commissioned if such cases are brought against the council	0	Low	50	10
Programme Delivery - unachieved staff reduction savings due to service requirement in childrens services	0	Low	36	7
Human Resources - traded services income shortfall	0	Low	20	4
Electoral Services - one by-election has taken place, risk of a further one	0	Low	15	3
Total	142		2,284	1,170

