

**CORPORATE
SCRUTINY AND PERFORMANCE PANEL**

**Agenda Item
No.**

DATE: 16 SEPTEMBER 2010

QUARTER 1 FINANCIAL MONITORING POSITION FOR 2010/11

Ward(s) All

Portfolio:

Councillor Towe – Finance and personnel
Councillor Arif – Business support

Summary of report

This report summarises the predicted revenue and capital outturn position for 2010/11, based on the performance for quarter 1 (April to June 2010), for services within the remit of the Corporate Scrutiny and Performance Panel.

Recommendation

To note the 2010/11 forecasted year end financial position for services under the remit of the Corporate Scrutiny and Performance Panel is a break even position, after the use of approved reserves and carry forwards and action planning. The capital forecast is on budget.

Background papers

Various financial working papers.
Outturn report to Scrutiny Panel 2009/10
2010/11 Budget Books on Council's Internet and Intranet

Reason for scrutiny

To inform the panel of the forecasted financial position for 2010/11 within the remit of this panel.

Signed:



Chief Finance Officer: James T Walsh

Date: 6 August 2010



Executive Director: Rory Borealis

Date: 3 September 2010

Resource and legal considerations

Services are required to manage their services within budget. Overspends may arise for a number of reasons, including national economic and local factors. Further detail is provided within this report. Corrective action plans are in place to mitigate any overspends within service. Any corporate overspend will require replenishment in the 2010/11 budget.

Citizen impact

The budget is aligned with service activity within service plans within the directorate. Investment has been targeted at service improvement, stability and user demand.

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 targets. Managers are required to deliver their service targets within budget, wherever possible. Corrective action plans are in place to mitigate overspends within service. Variances against budget are identified in the report.

Equality Implications

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

Consultation

Senior managers within the services have been consulted and have signed off the forecast as accurate.

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1 Forecast Revenue Outturn 2010/11 – £nil

- 1.1 The forecast revenue outturn for 2010/11 for the services under the remit of the Corporate Scrutiny and Performance Panel (based on the position as at the end of June 2010) is an overspend against budget of £0.690m (net of the use of earmarked reserves), which reduces to a break even position following action planning which was put in place to support the portfolio and the Council's overall financial position. The 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 The forecast outturn only includes areas where there is a high degree of certainty about predicted under/overspends. 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. All options will continue to be explored throughout the financial year so as to minimise any forecast overspends within service, and to manage additional risks as they arise.
- 1.3 The predicted outturn includes use of reserves of £0.730m (where approval has been given by Cabinet for additional funds for specific services) and approved carry forwards from previous years.
- 1.4 **Table 1** shows the forecast outturn for each service, and **Appendix 1** provides an analysis of the reasons for the forecast material variances.
- 1.5 Where an expected overspend is forecast the services need to identify an in year action plan to mitigate this position. At this point in the year the action plan for this service totals £0.690m and is summarised in **Table 1** below and detailed in **Appendix 2**
- 1.6 Within the services associated with the panel there are a number of risks, totalling £0.157m which have not been included within the above forecast. At this stage the risks are not certainties and as such are not included in the monitoring as overspends. If the risks become certainties then alternative action will need to be identified or included in monitoring as overspends. A summary of the risk assessment is attached as **Appendix 3**
- 1.7 Included within the directorate budget are approved 2010/11 new investments and savings, as approved by cabinet on 22 February 2010, totalling £2.527m and £1.622m respectively. The full year effect of previous years' investments and savings included in the budget are £0.304m investments and £0.362m savings. A full breakdown of these can be found in the 2010/11 Resources budget book. Any savings that are not able 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.

Table 1– Forecast Revenue Outturn 2010/11

Service Area	Annual Budget £'000	Profiled Budget £'000	Year To Date £'000	Variance £'000	Year End Forecast £'000	Year End Variance £'000	Use of reserves £'000	Action Plan £'000	Variance after Reserves/ Action Plan/Non essential Spend £'000
Finance	4,292	966	833	(134)	4,328	36	(36)	(64)	(64)
Central Costs	2,786	189	2,212	2,024	2,758	(28)	-		(28)
Revenues	2,307	629	713	83	2,349	42	(40)	(32)	(30)
Benefits	811	(7,483)	(1,802)	5,681	907	96	(96)		0
Internal Audit	571	143	92	(51)	536	(35)	-		(35)
Legal	1,586	340	391	51	2,062	476	(475)		1
Constitutional & Mayoral	1,589	397	347	(50)	1,605	15	(11)		4
Electoral Services	457	114	238	124	408	(49)	-		(49)
Human Resources & Development	4,714	721	(70)	(791)	4,730	16	(16)	(55)	(55)
Communications	394	98	145	46	475	81	-		81
Business Solutions	1,202	293	103	(190)	1,201	(1)	-	(69)	(70)
Programme Delivery	1,843	461	401	(60)	1,934	92	(56)	(32)	4
Business support	5,076	1,269	1,325	56	5,814	738	-	(438)	300
Finance Admin	2,332	583	488	(95)	2,332	(0)	-		(0)
ICT	4,370	1,091	1,170	79	4,369	(1)	-		(1)
Print and Design	(223)	(56)	76	132	(223)	(0)	-		(0)
Procurement	260	65	151	86	202	(58)	-		(58)
Total	34,367	(178)	6,814	6,993	35,786	1,419	(729)	(690)	(0)

2 Forecast Capital Outturn 2010/11 – £nil

- 2.1 The forecast capital outturn for 2010/11 for the schemes under the remit of this panel (as at the end of June 2010) is on budget. **Table 2** shows a summary by scheme.

<u>Table 2 – Summary of Capital Programme – Quarter 1 2010-11</u>				
Scheme	Annual Budget £'000	Year To Date £'000	Year End Forecast £'000	Year End Variance £'000
Risk management	164	16	164	0
Self-insured property damage	265	4	265	0
Software to automate benefit application forms	19	5	19	0
Bloxwich library communications room	19	0	19	0
Finance Direct/Oracle	2,431	346	2,431	0
Replacement of benefits system	31	12	31	0
Investing in working smarter	550	0	550	0
Total Capital	3,479	382	3,479	0

APPENDIX 1 - REASONS FOR REVENUE VARIATIONS

SERVICE	REASON / EXPLANATION FOR VARIANCE	VARIANCE £
Finance	Holding posts vacant in line with corporate requirement	(64)
Central Costs	Reduction in expected spend on legal and central costs	(28)
Revenues	Holding posts vacant in line with corporate requirement	(30)
Internal Audit	Holding posts vacant in line with corporate requirement	(35)
Electoral Services	Underspend arising from non essential restraint	(49)
Human Resources & Development	Holding posts vacant in line with corporate requirement	(55)
Communications	Reduction in income from advertising sales due to economic climate	81
Business Solutions	Holding vacancies while postholder on secondment in line with corporate requirement	(70)
Business support	Staffing budget overspend due to delay in implementation of service realignment – action plan being implemented	300
Procurement	Holding posts vacant in line with corporate requirement	(58)
	Other immaterial variances	7
TOTAL VARIANCE		0

Appendix 2 – 2010/11 Budget Action Plan

Service	Action identified	Action Plan £m	RAG
Human Resources & Development	Not filling job analyst post as need now diminished	(0.027)	G
Human Resources & Development	Non filling of customer and service improvement officer post whilst post holder is on secondment	(0.028)	G
Business Solutions	Hold vacancies whilst postholders on secondment	(0.069)	A
Programme Delivery	Hold backfill for information analyst released on union duty for 3 months	(0.012)	A
Programme Delivery	Delay the backfill to the Principal Project Manager Post until August 2010	(0.015)	G
Programme Delivery	Don't backfill for postholder on maternity leave	(0.005)	G
Revenues	Hold existing vacancies	(0.032)	G
Finance	Keep Senior Accountant post vacant for six months	(0.019)	G
Finance	Keep accountant post vacant	(0.030)	G
Finance	Reduced training expenditure. Reducing the courses and training provided to finance staff	(0.015)	G
Business support	Action plan being drawn up to reduce the overspend to zero	(0.438)	A
TOTAL		(0.690)	

Appendix 3 Financial Risk Assessment - Revenue Budget 2010/11

POTENTIAL RISK	LOWEST COST	ASSESSMENT OF RISK	HIGHEST COST	ASSESSMENT OF RISK	TOTAL FINANCIAL EXPOSURE TO RISK
	£m		£m		£m
Reduced right to buy income shortfall	0.000	Medium	0.201	Low	0.029
Potential court action	0.002	Low	0.040	Medium	0.010
Change in charitable relief criteria	0.000	Medium	0.050	Medium	0.013
Supported housing - exempt income subsidy loss	0.000	Medium	0.109	Medium	0.055
Potential change to secondary schools - could become academies and therefore loss of income.					
No specific details at present though. There may also be a loss of income from schools in relation to recruitment advertising.	0.000	Medium	0.300	Low	0.050
Total	0.002		0.700		0.157