

**CORPORATE
SCRUTINY AND PERFORMANCE PANEL**

**Agenda Item
No. 7**

DATE: 9 DECEMBER 2011

QUARTER 2 FINANCIAL MONITORING POSITION FOR 2011/12

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 2011/12, based on the performance up to the end of Quarter 2 (April to September 2011), for services within the remit of the Corporate Scrutiny and Performance Panel.

Recommendation

To note the 2011/12 forecasted year end revenue position for services under the remit of the Corporate Scrutiny and Performance Panel is an underspend of £133k, after the use of approved reserves and carry forwards. The capital forecast is on budget.

Background papers

Various financial working papers
2011/12 Budget Books on Council's Internet and Intranet

Reason for scrutiny

To inform the panel of the forecasted financial position for 2011/12 within the remit of this panel.

Signed:

A handwritten signature in dark ink, appearing to be 'J. Towe', with a circular flourish at the end.

Chief Finance Officer:

Date: 29 November 2011

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 have been identified to mitigate overspends within service. Any corporate overspend will require replenishment in the 2011/12 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. Corrective action plans will be put 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.

Contact Officers:

Stephanie Simcox
Service Accounting & Financial Training Manager
☎ 01922 652703
✉ simcox@walsall.gov.uk

Mohammed Irfan
Senior Accountancy Officer
☎ 01922 654108
✉ irfanm@walsall.gov.uk

1 Forecast Revenue Outturn 2011/12 – £133k underspend

- 1.1 The forecast revenue outturn for 2011/12 for the services under the remit of the Corporate Scrutiny and Performance Panel (based on the position as at the end of September 2011) is an underspend against budget of £133k (net of the use of earmarked reserves and transfer of windfall income). 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 £2.447m (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 Within the services associated with the panel there are a number of risks, totalling £1.097m 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 it will be included in the monitoring report as overspends. A summary of the risk assessment is attached at **Appendix 2**.
- 1.6 Included within the directorate budget are approved 2011/12 new investments and savings, as approved by Cabinet on 9 February 2011, totalling £817k and £2.169m respectively. The full year effect of previous year's savings included in the budget is £156k. A full breakdown of these can be found in the 2011/12 corporate 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. The only saving that is flagged red is the HRD restructure where a shortfall of £50k is expected and this is reflected with the 2011/12 forecast outturn in this report.

Table 1 – Forecast Outturn 2011/12

Service	Annual Budget £'000	Actual to Date £'000	Year End Forecast £'000	Year End Variance before reserves £'000	Action Plan £'000	Use of reserves £'000	Windfall Income £'000	Overall net Variance £'000
Finance	5,416	2,236	5,654	238		(375)		(137)
Revenues	2,433	1,510	2,159	(276)		(28)	245	(58)
Benefits	544	(8,388)	443	(101)		(96)	134	(63)
Internal Audit	589	192	495	(93)		(30)		(123)
Legal	1,643	833	1,758	115		(180)		(65)
Constitutional & Mayoral Services	1,956	898	1,916	(39)		(11)		(51)
Electoral Services	545	343	505	(40)				(40)
People Services	3,882	2,038	4,278	396	(64)	(282)		50
Communications	864	436	864	0				0
Business Solutions	0	(20)	87	87		(87)		0
Programme Delivery	2,065	962	2,045	(20)		(37)		(57)
Shared Services & Procurement	5,366	3,749	5,874	508		(97)		411
Total	25,303	4,789	26,078	775	(64)	(1,223)	379	(133)

2 Forecast Capital Outturn 2011/12 – £nil

- 2.1 The forecast capital outturn for 2011/12 for the schemes under the remit of this panel (as at the end of September 2011) is on budget. **Table 2** shows a summary by scheme.

<u>Table 2 – Summary of Capital Programme – Quarter 2 2011-12</u>				
Scheme	Annual Budget £'000	Year To Date £'000	Year End Forecast £'000	Year End Variance £'000
Risk management	187	13	187	0
Self-insured property damage	345	146	345	0
Increased productivity to be delivered by home working	150	13	150	0
Software to automate benefit application forms	9	0	9	0
Bloxwich library communications room	9	0	9	0
Disaster recovery scheme	140	0	140	0
ICT Essential investment in infrastructure	182	0	182	0
Delivering Right, Fast and Simple	500	0	500	0
Finance Direct/Oracle	720	120	720	0
Investing in working smarter	340	0	340	0
Total Capital	2,584	292	2,584	0

APPENDIX 1 - REASONS FOR REVENUE VARIATIONS

SERVICE	REASON / EXPLANATION FOR VARIANCE	VARIANCE £'000
Revenues	Holding posts vacant and additional income from secondments and grants	(58)
Benefits	Holding posts vacant, reduction in print and design due to e-benefits and securing external grant income	(63)
Finance	Holding posts vacant	(137)
Internal Audit	Underspend on salaries partially offset by costs of computer audit	(123)
Legal	Holding posts vacant and maternity savings	(65)
Constitutional & Mayoral Services	Holding posts vacant savings and underspend on non essential expenditure	(51)
Electoral Services	Additional income from elections grant and underspend on general expenditure items	(40)
People Services	One-off protection costs and non-achievement of full savings target	50
Programme Delivery	Holding posts vacant in advance of restructure of service	(57)
Shared Services & Procurement	Under achievement of external income within the print and design service and under achievement of income from agency tax	411
TOTAL VARIANCE		(133)

Appendix 2 Financial Risk Assessment - Revenue Budget 2011/12

POTENTIAL RISK	LOWEST COST £m	ASSESSMENT OF RISK	HIGHEST COST £m	ASSESSMENT OF RISK	TOTAL FINANCIAL EXPOSURE TO RISK £m
HRD - Payroll server could fail leading to non payment of salaries of all council staff so bank charges may be claimed from the authority. If the current server fails there is the risk that all staff will not be paid correctly and on time or possibly at all. The council would be liable for any losses incurred by employees (for example bank charges) as a result of this.	0.000	Low	0.120	Low	0.024
Cross directorate ICT - The Council has an ageing server estate. The failure of the servers will impact on the reputation for ICT to deliver the services to a level required by the business.	0.095	Medium	0.650	High	0.390
Cross directorate ICT - The Council has an ageing workstation (PC) estate with a large number becoming out of warranty in 2011/12. These will not be immediately replaced once out of warranty but there is a risk that if many fail (20%) then they will need to be replaced to deliver the required level of service.	0.120	Low	0.400	Low	0.080
ICT - Increases in telephone and network charges. The closure of some locations costs has been factored in to reduce this risk to its current level.	0.070	Medium	0.098	High	0.059
ICT - Code of Connection compliance including additional security software on mobile devices	0.026	High	0.060	Medium	0.024
Benefits - Discretionary Housing Payments -- the local housing allowance changes will create a shortfall in benefit payments to customers. The DHP scheme is to provide temporary support to customers to prevent, where possible, homelessness.	0.000	Medium	0.091	Medium	0.036

POTENTIAL RISK	LOWEST COST £m	ASSESSMENT OF RISK	HIGHEST COST £m	ASSESSMENT OF RISK	TOTAL FINANCIAL EXPOSURE TO RISK £m
Benefits - Benefit overpayments - the bad debt provision currently set aside to account for irrecoverable debts may not be sufficient in light of huge increases in recent overpayments as a result of new government directives	0.000	Medium	0.372	High	0.223
Finance - Shortfall in right to buy income	0.000	Medium	0.100	Medium	0.040
Finance - Risk that borrowing interest rates / investment returns may fluctuate due to current / future market conditions	0.000	Medium	0.500	Medium	0.200
Internal audit - Extra costs of unplanned audits	0.000	Medium	0.030	Low	0.006
Legal - Risk of not achieving income target relating to sale of property & planning fees due to present economic environment	0.000	High	0.025	High	0.015
Total	0.683		2.486		1.097