

15 September 2009

Financial Monitoring – 2009/10 First Quarter Forecast

Ward(s) All

Portfolios: Councillor Towe
Councillor Arif

Summary of report:

This report shows the 2009/10 financial outturn forecast for the services within the remit of this panel including explanations of overspends and risks to the achievement of the forecast, based on the first 3 months of the financial year. A net revenue overspend of £2.576m is predicted, which reduces to £1.863m after use of approved reserves and carry forwards. The capital forecast is on budget.

Background papers:

Various financial working papers.

Reason for scrutiny:

To provide an update on the 2009/10 financial performance of the services within the remit of this panel.

Resource and legal considerations:

The budgets were set as part of the council's budget setting process in line with the medium term financial strategy.

Citizen impact:

None directly associated with this report.

Environmental impact:

None directly associated with this report.

Performance management:

Financial performance is considered alongside service targets.

Equality implications:

None directly associated with this report.

Consultation:

Consultation was undertaken as part of the budget management process. Senior managers within the services have been consulted.



**Rory Borealis – Executive Director
(Resources)**

4 September 2009



James Walsh- Chief Finance Officer

4 September 2009

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1 Forecast revenue outturn 2009/10 – Resources

- 1.1 A forecast net revenue overspend is predicted of £2.576m. Following the use of approved reserves and carry forwards this reduces to **£1.863m** (5.37% of net budget). **Appendix 1** shows the forecast outturn for each service area within the directorate. **Appendix 2** provides an analysis of the reasons for the forecast material variances.

2 Corrective actions being undertaken to minimise overspends

- 2.1 Any savings from **procurement** activity that are additional to those targeted for 2009/10 are being captured to offset against the corporate stretch targets. Activities yet to take place are being challenged to determine whether additional savings can be made. It is not likely in the current economic climate. Note these will make much more than a small dent in the potential overspend.
- 2.2 **Print and design** has reduced its supplies costs and staff costs to reflect the fall in demand as well as securing external contracts to help with income targets. Additional marketing activity is taking place to seek to maximise external income.
- 2.3 **Reserves and carry forwards** have been approved to offset job evaluation costs in legal and finance; costs of the finance direct project; restructures and business critical software costs in revenues and benefits. The shortfall in central income will be mitigated through cut backs in non essential expenditure. Where there are unmitigated overspends which create a call on reserves, further corrective action is required.

3 Summary of reserves and carry forwards

- 3.1 A number of carry forwards and reserves have been approved, as follows.

Table 1 – Reserves and carry forwards

Service Area	Detail	Amount (£)
Benefits	Restructure of service	40,000
Constitutional	Accommodation moves to make better use of space	38,140
	Modernisation of council chamber to make it fit for purpose	65,000
Corporate performance management	Project management software	40,000
	Software maintenance	28,152
Finance	Provision for European grant assistance	9,585
Business support	Support to i-procurement	55,000
Human resources and development	Payroll server	50,000
	Increase in service demand	11,571
	Roll forward of funding for recruitment initiatives	11,256
Mayoral	Roll forward of DORA award income	4,248
Revenues	Implementation of business critical software	100,000
	Restructure of service	40,000
Finance/Legal	Support to job evaluation project	219,349
Total		712,301

4 Risks to the forecast

- 4.1 The most significant risk is that within capital financing – that investment income could fall due to having less money to invest and lower interest rates. This is being closely monitored and reported quarterly to the treasury management panel chaired by the chief finance officer.

5 Capital programme 2009/2010

- 5.1 The 2009/10 schemes shown in **Table 2** (including slippage from 2008/09) and are all expected to be fully spent by the year end.

Table 2 – Capital schemes for 2009/10

Service area	£	Details
Finance	150,000	Risk management for insurance
Finance	250,000	Self insured property damage
Finance	4,665,000	Finance Direct/Oracle
Revenues	66,949	Implementation of two cashier machines in the banking hall
Revenues	31,926	Workflow software to automate post summons recovery action
Benefits	100,000	Software to automate benefit application forms
Benefits	89,423	Replacement of benefits system (SX3)
Information and communications technology	42,217	Bloxwich library communications room
Total capital	5,624,515	

Forecast outturn by service area

Service area	Annual expenditure budget £'000	Annual income budget £'000	Total annual budget £'000	Estimated expenditure for year £'000	Estimated income for year £'000	Estimated net spend for year £'000	Year end over/(under) spend £'000	Reserves and carry forwards £'000	Final year end over/(under) spend £'000	RAG status
Legal	1,679	(191)	1,488	1,891	(191)	1,700	212	(212)	0	G
Constitutional and mayoral	1,610	(5)	1,604	1,723	(5)	1,718	113	(107)	6	A
Finance	4,305	(288)	4,016	4,321	(288)	4,033	17	(17)	0	G
Revenues	5,208	(3,054)	2,153	5,348	(3,054)	2,293	140	(140)	0	G
Benefits	95,768	(94,660)	1,107	95,808	(94,660)	1,147	40	(40)	0	G
Internal audit	602	(17)	584	602	(17)	584	0	0	0	G
Information and communications technology	5,969	(1,730)	4,239	5,969	(1,730)	4,239	0	0	0	G
Human Resources and Development	6,019	(1,733)	4,286	6,115	(1,733)	4,383	96	(73)	23	A
Business support	8,076	(59)	8,017	8,131	(59)	8,072	55	(55)	0	G
Transformation	518	0	518	518	0	518	0	0	0	G
Corporate performance management	1,594	0	1,594	1,662	0	1,662	68	(68)	0	G
Communications	536	(40)	496	536	(40)	496	0	0	0	G
Equalities and Diversity	275	0	275	275	0	275	0	0	0	G
Procurement	(1,397)	0	(1,397)	103	0	103	1,500	0	1,500	R
Print and design	894	(1,442)	(548)	894	(1,109)	(214)	334	0	334	R
Corporate management team	1,144	(2)	1,141	1,144	(2)	1,141	0	0	0	G
Central costs	2,990	(459)	2,531	2,990	(459)	2,531	0	0	0	G
Total	135,789	(103,683)	32,106	138,031	(103,349)	34,682	2,576	(712)	1,863	

Explanation of Variances

Legal

Detail of variations	£m
<i>Over spends:</i>	
Support to job evaluation project	0.212
<i>Use of reserves and carry forwards</i>	-0.212
Total	0

Constitutional and mayoral

Detail of variations	£m
<i>Over spends:</i>	
Accommodation moves to make better use of space	0.038
Modernisation of council chamber to make it fit for purpose	0.065
DORA awards	0.004
Macebearers	0.006
<i>Use of reserves and carry forwards</i>	-0.107
Total	6

Finance

Detail of variations	£m
<i>Over spends:</i>	
Additional support to European funding team and job evaluation	0.017
<i>Use of reserves and carry forwards</i>	-0.017
Total	0

Revenues

Detail of variations	£m
<i>Over spends:</i>	
Restructure within service	0.040
Business critical software	0.100
<i>Use of reserves and carry forwards</i>	-0.140
Total	0

Benefits

Detail of variations	£m
<i>Over spends:</i>	
Delays in implementing restructure	0.040
<i>Use of reserves and carry forwards</i>	-0.040
Total	0

Human Resources and Development

Detail of variations	£m
<i>Over spends:</i>	
Maternity cover	0.035
Payroll server	0.050
Recruitment initiatives	0.011
<i>Use of reserves and carry forwards</i>	-0.073
Total	0.023

Business support

Detail of variations	£m
<i>Over spends:</i>	
Additional support to i-procurement system	0.055
<i>Use of reserves and carry forwards</i>	-0.055
Total	0

Corporate performance management

Detail of variations	£m
<i>Over spends:</i>	
Project management software	0.068
<i>Use of reserves and carry forwards</i>	-0.068
Total	0

Procurement

Detail of variations	£m
<i>Over spends:</i>	
Shortfall in savings	1.500
Total	1.500

Print and design

Detail of variations	£m
<i>Over spends:</i>	
Shortfall in income	0.334
Total	0.334