

**25 February 2010**

**Financial Monitoring – 2009/10 Third Quarter Forecast**

**Ward(s)** All

**Portfolios:** Councillor Towe – Finance & Personnel  
Councillor Arif - Business Support

**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 nine months of the financial year. A net revenue underspend of £74K is predicted, after use of approved reserves and carry forwards and vigorous action planning. The capital forecast is an underspend of £0.200m which is expected to be requested to be carried forward to 2010/11

**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 and managers are required to deliver services within budget. When overspends occur, corrective action

**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**  
1 February 2010



**James Walsh- Chief Finance Officer**  
29 January 2010

**Contact Officer:**

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## 1 Forecast revenue outturn 2009/10 – Resources

- 1.1 A forecast net revenue underspend is predicted of £74K following the use of approved reserves, carry forwards and action plan items. The outturn shown includes the impact of reducing all non essential expenditure and is based upon actual information from the Oracle system and discussions with managers regarding year end forecast and achievement of savings. It further takes into account those actions taken by managers to avoid overspends that would have otherwise arisen. **Table 1**, and in more detail, **Appendix 1** shows the forecast outturn for each service area within the directorate and reasons for variances. **Appendix 2** provides an analysis of the reserves and carry forwards.

**Table 1 - Forecast outturn by service area as at 31 December 2009**

Area	Estimated Total Spend £'000	Budget £'000	Estimated Year End (Surplus) / Deficit before action plan £'000	Action plans £'000	Estimated Year End (Surplus) / Deficit after action plans £'000	Reserves & Carry Forwards £'000	Final Estimated Year End (Surplus)/ Deficit £'000	
Constitutional	1,641	1,488	153	3	150	153	(3)	G
Electoral Registration	357	357	0	0	0	0	0	G
Legal	1,670	1,458	212	0	212	212	0	G
Mayoral	127	117	10	6	4	4	0	G
<b>Total AD Legal</b>	<b>3,795</b>	<b>3,419</b>	<b>375</b>	<b>9</b>	<b>366</b>	<b>369</b>	<b>(3)</b>	<b>G</b>
Business support	6,233	5,967	266	112	154	3	151	R
Communications	500	493	7	49	(42)	0	(42)	G
CPM	1,648	1,586	63	60	3	68	(65)	G
Equalities	250	252	(2)	30	(32)	0	(32)	G
Finance Admin	1,957	1,902	55	0	55	55	0	G
HRD	4,653	4,273	380	120	260	396	(134)	G
Print and Design	7	(399)	405	42	363	0	363	R
Procurement	411	259	152	100	52	0	52	R
Business solutions	1,103	1,033	70	60	10	109	(99)	G
Programme Delivery	430	150	280	90	190	0	190	R
Services and support	3,544	3,544	0	280	(280)	0	(280)	G
<b>Total AD Business Change</b>	<b>20,736</b>	<b>19,060</b>	<b>1,676</b>	<b>943</b>	<b>733</b>	<b>631</b>	<b>104</b>	<b>R</b>
Benefits	789	736	54	100	(46)	54	(100)	G
CMT	1,188	1,130	58	20	38	0	38	R
Central costs	2,692	2,531	161	0	161	0	161	R
Finance	3,902	4,028	(126)	78	(204)	69	(273)	G
Internal Audit	583	583	0	0	0	0	0	G
Revenues	2,726	2,570	155	0	155	155	0	G
<b>Total AD Finance</b>	<b>11,930</b>	<b>11,578</b>	<b>303</b>	<b>198</b>	<b>105</b>	<b>278</b>	<b>(173)</b>	<b>G</b>
<b>TOTAL RESOURCES</b>	<b>36,411</b>	<b>34,057</b>	<b>2,355</b>	<b>1,150</b>	<b>1,205</b>	<b>1,278</b>	<b>(74)</b>	<b>G</b>

## 2 Corrective actions being undertaken to minimise overspends

- 2.1 Action plans totalling £1.150m have been implemented within Resources to enable the department to outturn a slight underspend at the year end. This is split between reductions in spend and additional income Expenditure reductions of £0.726m including training,

agency staff, supplies and services and vacancy management. And £0.424m of additional income is expected to be generated via charging out services and improved benefit overpayment recovery and additional rebate income in procurement.

- 2.2 The restraint of non essential expenditure has reduced the demand for print and design services but to partly offset this they have reduced their supplies costs and staff costs as well as securing external contracts to help with income targets. A significant shortfall is still expected.
- 2.3 Reserves and carry forwards have been approved to offset job evaluation costs in finance, legal and human resources, as well as costs of the finance direct project and restructure and business critical software costs in revenues and benefits. The shortfall in central income will be mitigated through restraint of non essential expenditure. Detail of these reserves can be found in **Appendix 2**

### **3 Risks to the forecast**

- 3.1 As part of the 2009/10 budget setting process a number of high level risks and potential overspends were identified to be closely monitored during the year. **Table 2** shows the red risk items which have been included in the monitoring as unachievable.
- 3.2 The most significant ongoing amber risk is that within capital financing – that low investment income due to the current economic climate attracts low interest rates. This is being closely monitored and reported quarterly to the treasury management panel chaired by the Chief Finance Officer. This is not currently included within the monitoring position as is being managed

**Table 2 - Red risk items included in monitoring position**

<b>Service Area</b>	<b>Saving Description</b>	<b>Amount (£)</b>	<b>Expected shortfall (£)</b>
Council wide	Subscriptions review	30,000	25,000
Human resources and development	Reduce redeployment support	35,000	12,000
Procurement	Council wide procurement savings	2,100,000	600,000
Business support	Agency allocation	130,348	130,348
<b>Total</b>		<b>2,295,348</b>	<b>767,348</b>

### **4 Capital programme 2009/2010**

- 4.1 The 2009/10 schemes are shown in **Table 3** (including slippage from 2008/09). There are two schemes which are expected to be carried forward into 2010/11, the risk management programme for insurance and also the property damage for insurances scheme.

**Table 3 – Capital schemes for 2009/10**

<b>Service area</b>	<b>Budget £</b>	<b>Expected spend £</b>	<b>Slippage £</b>	<b>Details</b>
Finance	150,000	100,000	(50,000)	Risk management for insurance
Finance	250,000	100,000	(150,000)	Self insured property damage
Finance	1,656,000	1,656,000	0	Finance Direct/Oracle
Revenues	31,926	31,926	0	Workflow software to automate post summons recovery action
Benefits	100,000	100,000	0	Software to automate benefit application forms
Benefits	89,423	89,423	0	Replacement of benefits system (SX3)
ICT	43,217	43,217	0	Bloxwich library communications room
<b>Total capital</b>	<b>2,320,566</b>	<b>2,120,566</b>	<b>(200,000)</b>	

**Explanation of Variances**

**Benefits**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends:</i>	
Corrective Action	(49)
Additional benefit overpayment income	(51)
<i>Overspends:</i>	
Delays in implementing restructure	40
Voluntary redundancy costs	14
<i>Use of reserves and carry forwards</i>	<i>(54)</i>
<b>Total</b>	<b>(100)</b>

**Business support**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends:</i>	
Corrective Action	(60)
Reduction in agency costs	(52)
<i>Over spends:</i>	
Shortfall in agency savings	130
Vacancy management not achieved due to low staff turnover	133
Additional support to i-procurement system	55
Voluntary redundancy costs	3
<i>Use of reserves and carry forwards</i>	<i>(58)</i>
<b>Total</b>	<b>151</b>

**CMT**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends:</i>	
Corrective Action	(20)
<i>Over spends:</i>	
Recruitment costs for executive directors	58
<b>Total</b>	<b>38</b>

**Communications**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends:</i>	
Corrective Action	(42)
<b>Total</b>	<b>(42)</b>

## **Constitutional**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends:</i>	
Reduction in software costs	(3)
<i>Over spends:</i>	
Refitting of council chamber	51
Refurbishing of committee rooms	64
Movement of communications team	38
<i>Use of reserves and carry forwards</i>	(153)
<b>Total</b>	<b>(3)</b>

## **CPM**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends:</i>	
Corrective Action	(65)
<i>Over spends:</i>	
Project management software	40
Software maintenance contract	28
<i>Use of reserves and carry forwards</i>	(68)
<b>Total</b>	<b>(65)</b>

## **Central costs**

<b>Detail of variations</b>	<b>£'000</b>
<i>Over spends:</i>	
Shortfall in right to buy receipts	161
<b>Total</b>	<b>161</b>

## **Finance**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends</i>	
Vacancy management and audit efficiencies	(127)
Corrective Action	(146)
<i>Over spends:</i>	
Additional support to European funding team and job evaluation	69
<i>Use of reserves and carry forwards</i>	(69)
<b>Total</b>	<b>(273)</b>

## **HRD**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends: Corrective Action</i>	(190)
<i>Over spends:</i>	
Maternity cover	35
Payroll server	50
Recruitment initiatives	11
Support to job evaluation project	356
<i>Use of reserves and carry forwards</i>	(396)
<b>Total</b>	<b>(134)</b>

## **Legal**

<b>Detail of variations</b>	<b>£'000</b>
<i>Over spends: Support to job evaluation project</i>	212
<i>Use of reserves and carry forwards</i>	(212)
<b>Total</b>	<b>0</b>

## **Programme Delivery**

<b>Detail of variations</b>	<b>£'000</b>
<i>Over spends: Non chargeable services – staffing costs</i>	280
<i>Under spends:</i>	
<i>Vacancy management &amp; supplies &amp; Services</i>	(90)
<b>Total</b>	<b>190</b>

## **Business Solutions**

<b>Detail of variations</b>	<b>£'000</b>
<i>Over spends: Staffing costs</i>	70
<i>Under spends: Vacancy management &amp; supplies &amp; Services</i>	(60)
<i>Use of reserves and carry forwards</i>	(109)
<b>Total</b>	<b>(99)</b>

## **Services & Support**

<b>Detail of variations</b>	<b>£'000</b>
<i>Over spends:</i>	0
<i>Under spends:</i>	
<i>Vacancy management &amp; supplies &amp; services</i>	(280)
<b>Total</b>	<b>(280)</b>

***NB for the purposes of monitoring the Business Solutions, Services and Support and Business Change are being monitored together***

### **Print and design**

<b>Detail of variations</b>	<b>£'000</b>
<i>Over spends:</i>	
Shortfall in income	363
<b>Total</b>	<b>363</b>

### **Procurement**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends:</i>	
Corrective Action	(100)
<i>Over spends:</i>	
Shortfall in savings	48
<b>Total</b>	<b>52</b>

### **Revenues**

<b>Detail of variations</b>	<b>£'000</b>
<i>Over spends:</i>	
Business critical software	100
Restructure costs & salaries	55
<i>Use of reserves and carry forwards</i>	(155)
<b>Total</b>	<b>0</b>

### **Equalities**

<b>Detail of variations</b>	<b>£'000</b>
<i>Under spends: vacancy management</i>	(32)
<b>Total</b>	<b>(32)</b>



**Reserves and carry forwards**

<b>Service Area</b>	<b>Detail</b>	<b>Amount (£)</b>
Benefits	Restructure of service	40,000
Constitutional	Relocation of communications team	38,140
Constitutional	Refit council chamber and committee rooms	114,860
CPM	Project management software	40,000
CPM	Software maintenance	28,152
Finance	Provision for European grant assistance	14,658
Business support	Support to i-procurement	55,000
HRD	Payroll server	50,000
HRD	Increase in service demand	11,571
HRD	Funding for recruitment initiatives	11,256
Mayoral	Roll forward of DORA award income	4,248
Revenues	Implementation of business critical software	100,000
Revenues	Restructure of service	40,000
Resources wide	Support to job evaluation and finance direct	450,798
Resources wide	Voluntary redundancy costs	279,822
<b>Total</b>		<b>1,278,505</b>