

**CORPORATE
SCRUTINY AND PERFORMANCE PANEL**

**Agenda Item
No. 7**

DATE: 13 SEPTEMBER 2011

QUARTER 1 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 for quarter 1 (April to June 2011), for services within the remit of the Corporate Scrutiny and Performance Panel.

Recommendation

To note the 2011/12 forecasted year end financial position for services under the remit of the Corporate Scrutiny and Performance Panel is a overspend of £154k, after the use of approved reserves and carry forwards. A directorate approach will be taken to identify corrective action plans to mitigate this overspend. 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:



Chief Finance Officer: James Walsh

Date: 15.08.2011

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 will be identified to mitigate overspends within service.

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.

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1 Forecast Revenue Outturn 2011/12 – £154k overspend

- 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 June 2011) is an overspend against budget of £154k (net of the use of earmarked reserves). This is expected to reduce to a break even position following action planning, firstly within the services where there is an overspend, and then, if a break even following this is not fully achievable, action will be taken across the directorate to support the 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 £2.190m (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 £1.804m 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 Resources budget book (pages 44 – 61). 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 £87.5k is expected and this is reflected with the 2011/12 forecast outturn in this report.

Service Area	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	Variance after Use of Reserves £'000
Finance	5,485	1,371	1,267	(104)	5,860	375	(375)	0
Revenues	2,381	595	545	(50)	2,444	63	(63)	0
Benefits	551	138	467	330	647	96	(96)	0
Internal Audit	589	147	96	(51)	500	(88)	(30)	(118)
Legal	2,610	653	750	98	2,726	115	(180)	(65)
Constitutional and Mayoral Services	990	247	212	(35)	989	(1)	(11)	(12)
Electoral Services	546	136	256	119	476	(70)		(70)
People Services	3,892	973	1,198	225	4,215	323	(236)	88
Communications	864	216	208	(8)	864	0		0
Business Solutions	0	0	(43)	(43)	88	88	(88)	0
Programme Delivery	2,066	516	473	(43)	2,035	(31)	(37)	(68)
Shared Services & Procurement	5,387	1,362	1,536	174	5,884	497	(97)	400
Total	25,361	6,354	6,965	612	26,728	1,367	(1,213)	154

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 June 2011) is on budget. **Table 2** shows a summary by scheme.

<u>Table 2 – Summary of Capital Programme – Quarter 1 2011-12</u>				
Scheme	Annual Budget £'000	Year To Date £'000	Year End Forecast £'000	Year End Variance £'000
Risk management	187	1	187	0
Self-insured property damage	345	22	345	0
Increased productivity to be delivered by home working	150	0	150	0
Software to automate benefit application forms	9	0	9	0
Bloxwich library communications room	9	0	9	0
Disaster recovery scheme	222	0	222	0
ICT Essential investment in infrastructure	182	0	182	0
Delivering Right, Fast and Simple	500	0	500	0
Finance Direct/Oracle	720	47	720	0
Investing in working smarter	340	0	340	0
Total Capital	2,666	70	2,666	0

APPENDIX 1 - REASONS FOR REVENUE VARIATIONS

SERVICE	REASON / EXPLANATION FOR VARIANCE	VARIANCE £'000
Internal Audit	Underspend on salaries due to vacant posts offset by computer audit costs	(118)
Legal	Holding posts vacant and maternity savings	(65)
Electoral Services	Additional income from elections grant and general underspend on expenditure items	(70)
People Services	One-off protection costs and non-achievement of full savings target	88
Programme Delivery	Keeping posts vacant in advance of restructure of service	(68)
Shared Services & Procurement	Under achievement of external income within the print and design service	400
	Other non material variances	(12)
TOTAL VARIANCE		154

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
Communications – May need to retain temporary staff performing important communications functions on behalf of the council and service areas. This includes key roles such as internal communications, press and public relations, and consultation.	0.000	Low	0.040	High	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. 5000 computers x 20% fail x £400 per pc	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 - Cross directorate Software licence exposure. ICT are actively removing unlicensed software from machines that they become aware of. However software suppliers could pursue the council for unpaid licence fees as well as penalty charges for using unlicensed software. The risk has increased recently as suppliers are checking to uncover this practice.	0.010	High	0.500	High	0.300

POTENTIAL RISK	LOWEST COST	ASSESSMENT OF RISK	HIGHEST COST	ASSESSMENT OF RISK	TOTAL FINANCIAL EXPOSURE TO RISK
	£m		£m		£m
ICT - Code of Connection compliance including additional security software on mobile devices	0.026	High	0.060	Medium	0.024
Print and design - Income is significantly affected by internal policies on non-essential spend and 2011/12 could potentially see greater limitations on expenditure.	0.000	High	0.120	High	0.072
Revenues - A circular has been received that suggests a £42 referral charge is to be levied for each bailiff case put forward. Although this was deferred by the previous Government, it's implementation remains a possibility and is still being considered by the new Government in the summer. It is possible that this charge will have to be met by the authority and it will not be allowed to pass this on to the debtor.	0.000	Medium	0.300	Low	0.060
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
Benefits - Due to change in the rates, housing benefits may not completely cover the rent of claimants so the council may have to fund the shortfall as part of its social responsibility and additional administration costs may be required.	0.000	Medium	0.050	Low	0.010
Finance - Shortfall in right to buy income	0.000	Medium	0.100	Medium	0.040
Finance - If more schools become academies there is the likelihood that there will be an income shortfall in traded services	0.000	Medium	0.075	Medium	0.030
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	0.033	High	0.020
Total	0.321		3.167		1.375