

**CORPORATE
SCRUTINY AND PERFORMANCE PANEL**

**Agenda Item
No. 5**

DATE: 15 NOVEMBER 2010

QUARTER 2 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 to the end of quarter 2 (April to September 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 predicted to be an underspend of £177k, after the use of approved reserves and carry forwards and action plans. The capital forecast is on budget.

Background papers

Various financial working papers.
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: 22 October 2010



Executive Director: Rory Borealis

Date: 22 October 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.

Contact Officer:

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1 Forecast Revenue Outturn 2010/11 – £177k underspend

- 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 September 2010) is an underspend position of £177k, net of the use of earmarked reserves and following successful implementation of action plans. 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 £1.628m (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 have been required to identify an in year action plan to mitigate this position. At this point in the year an action plan totalling £895k has been identified; of which £530k has been delivered and £365k is planned to be delivered by the year end. Further details are shown in **Table 1** and **Appendix 2**.
- 1.6 There are a number of risks within services under the remit of this panel, totalling £0.120m, 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 to offset the pressure or they will be required to be included in the budget 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. Currently £436k of savings are not deemed achievable but service managers have identified alternative actions to mitigate these.

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 | Action Plan £'000 | Use of Reserves £'000 | Variance after Reserves/ Action Plan/Non essential Spend £'000 |
|-------------------------------|--------------------------------|----------------------------------|-------------------------------|---------------------------|------------------------------------|------------------------------------|------------------------------|----------------------------------|---|
| Finance | 4,185 | 2,021 | 933 | (1,088) | 4,225 | 40 | 0 | (181) | (141) |
| Central Costs | 2,808 | 2,670 | 2,725 | 54 | 2,799 | (10) | 0 | 0 | (10) |
| Revenues | 2,305 | 1,545 | 1,424 | (121) | 2,330 | 25 | 0 | (35) | (10) |
| Benefits | 434 | (15,152) | (10,246) | 4,906 | 453 | 19 | 0 | (86) | (67) |
| Internal Audit | 575 | 288 | 273 | (14) | 575 | | 0 | 0 | 0 |
| Legal | 1,701 | 788 | 1,327 | 539 | 2,668 | 967 | 0 | (967) | 0 |
| Constitutional & Mayoral | 1,599 | 802 | 760 | (42) | 1,533 | (66) | 0 | 0 | (66) |
| Electoral Services | 528 | 264 | 318 | 54 | 482 | (46) | 0 | 0 | (46) |
| Human Resources & Development | 4,660 | 2,025 | 2,229 | 204 | 4,963 | 303 | 0 | (305) | (2) |
| Communications | 871 | 435 | 279 | (156) | 871 | 0 | 0 | 0 | 0 |
| Business Solutions | 932 | 451 | 410 | (41) | 828 | (104) | 0 | 0 | (104) |
| Programme Delivery | 1,809 | 904 | 931 | 27 | 1,825 | 16 | 0 | (56) | (39) |
| Business support | 1,619 | 809 | 1,132 | 323 | 1,898 | 279 | 0 | 0 | 279 |
| Finance Admin | 2,565 | 1,282 | 1,087 | (196) | 2,565 | 0 | 0 | 0 | 0 |
| ICT | 4,194 | 2,078 | 2,509 | 432 | 4,200 | 6 | 0 | 0 | 6 |
| Print and Design | (170) | (60) | 96 | 156 | (32) | 137 | (60) | 0 | 77 |
| Procurement | 417 | 209 | 253 | 44 | 668 | 250 | (305) | 0 | (55) |
| Total | 31,034 | 1,360 | 6,440 | 5,081 | 32,851 | 1,817 | (365) | (1,628) | (177) |

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 September 2010) is on budget. **Table 2** shows a summary by scheme.

| <u>Table 2 – Summary of Capital Programme – Quarter 2 2010-11</u> | | | | |
|--|--------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Scheme | Annual Budget £'000 | Year To Date £'000 | Year End Forecast £'000 | Year End Variance £'000 |
| Risk management | 164 | 17 | 164 | 0 |
| Self-insured property damage | 265 | 9 | 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 | 548 | 2,431 | 0 |
| Replacement of benefits system | 31 | 36 | 31 | 0 |
| Server consolidation project | 200 | 0 | 200 | 0 |
| Investing in working smarter | 550 | 0 | 550 | 0 |
| Total Capital | 3,679 | 614 | 3,679 | 0 |

Appendix 1 - Reasons for revenue variations

| Service | Reason/explanation for variance | Variance £'000 |
|--------------------------|---|---------------------------|
| Finance | Holding posts vacant to support the corporate financial position | (141) |
| Central Costs | Underspend due to planned savings on external legal cost fees | (10) |
| Revenues | Holding posts vacant to support the corporate financial position | (10) |
| Benefits | Keeping posts vacant and securing external grant income | (67) |
| Constitutional & Mayoral | Reduced spend on supplies and services to support the corporate financial position | (66) |
| Electoral Services | Reduced spend on supplies and services to support the corporate financial position | (46) |
| Business Solutions | Holding posts vacant to support the corporate financial position | (104) |
| Programme Delivery | Holding posts vacant to support the corporate financial position | (39) |
| Business support | Resources business support cost pressure after devolution | 279 |
| Print and Design | Reduced income from external and internal customers due to reduction in requirements for print and design | 77 |
| Procurement | Holding posts vacant to support the corporate financial position | (55) |
| | Other non-material variances | 5 |
| TOTAL VARIANCE | | (177) |

Appendix 2 – 2010/11 Budget Action Plan

| Service | Action identified | Total Action Plan £'000 | Action Plan Delivered to date £'000 | Action Plan remaining to be delivered £'000 | RAG |
|-------------------------------|--|----------------------------|--|---|-----|
| Human Resources & Development | Not filling job analyst post | (27) | (27) | 0 | G |
| Human Resources & Development | Non filling of customer and service improvement officer post whilst post holder is on secondment | (28) | (28) | 0 | G |
| Business Solutions | Hold vacancies whilst postholders on secondment | (69) | (69) | 0 | G |
| Programme Delivery | Hold backfill for information analyst on secondment | (12) | (12) | 0 | G |
| Programme Delivery | Delay the backfill to the Principal Project Manager Post until August 2010 | (15) | (15) | 0 | G |
| Programme Delivery | Don't backfill for postholder on maternity leave | (5) | (5) | 0 | G |
| Revenues | Hold existing vacancies | (32) | (32) | 0 | G |
| Finance | Keep Senior Accountant post vacant for six months | (19) | (19) | 0 | G |
| Finance | Keep accountant post vacant | (30) | (30) | 0 | G |
| Finance | Temporary reduction in number of courses and training provided to finance staff | (15) | (15) | 0 | G |
| Human Resources & Development | Holding 2 posts vacant for remainder of year | (59) | (59) | 0 | G |
| Benefits | Efficiency gains through implementing improved processes | (67) | (67) | 0 | G |
| Print and Design | Marketing strategy being developed | (60) | 0 | (60) | R |
| Procurement | Saving on implementation of revised procurement processes across the council | (457) | (152) | (305) | A |
| TOTAL | | (895) | (530) | (365) | |

Appendix 3 Financial Risk Assessment - Revenue Budget 2010/11

| Potential risk | Lowest cost £'000 | Assessment of risk | Highest cost £'000 | Assessment of risk | Total financial exposure to risk £'000 |
|---|----------------------|--------------------|-----------------------|--------------------|---|
| Revenues - Potential court action | 2.0 | High | 40.0 | Medium | 16.0 |
| Revenues - Change in charitable relief criteria | 0.0 | Medium | 25.0 | Medium | 10.0 |
| Benefits - Supported housing - exempt income subsidy loss | 0.0 | Medium | 109.0 | Medium | 43.6 |
| Benefits - Clawback of subsidy following qualified subsidy claim 2009/10. £425k reserve is available to fund any clawback but actual figure may be higher | ? | Medium | ? | Low | ? |
| Finance - Reduced right to buy income shortfall | 0.0 | Medium | 103.0 | Low | 20.6 |
| HRD - 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. | 0.0 | Medium | 150.0 | Low | 30.0 |
| Revenues - Potential court action | 2.0 | High | 40.0 | Medium | 16.0 |
| Total | 2.0 | | 427.0 | | 120.2 |