

CORPORATE SCRUTINY AND PERFORMANCE PANEL

**Agenda Item
No.**

DATE: 29 NOVEMBER 2012

QUARTER 2 FINANCIAL MONITORING POSITION FOR 2012/13

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 2012/13, based on the performance to the end of quarter 2 (April to September 2012), for services within the remit of the Corporate Scrutiny and Performance Panel.

Recommendation

To note that the 2012/13 forecast year end financial position for services under the remit of the panel is an underspend of £598k after the use of approved reserves and carry forwards. The capital budget is forecast to show an underspend of £47k, £42k of which will be requested to be carried forward to 2013/14.

Background papers

Various financial working papers
2012/13 Budget Books on Council's Internet and Intranet

Reason for scrutiny

To inform the panel of the forecasted financial position for 2012/13 for services within the remit of this panel.

Signed:



Chief Finance Officer: James Walsh

Date: 14 November 2012

Resource and legal considerations

Services are required to manage their service within budget. Overspends may arise for a number of reasons including national economic and local factors. Further detail is provided within this report.

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 2012/13

- 1.1 The forecast revenue outturn for 2012/13 for the services under the remit of the panel (based on the position as at the end of September 2012) is an underspend against budget of £598k (net of the use of earmarked reserves). The outturn shown is based on actual information from the Oracle system and discussions with managers regarding year-end forecasts and achievement of approved savings.
- 1.2 **Table 1** shows the forecast outturn for each service, and **Appendix 1** provides an analysis of the reasons for the forecast material variances. The main reasons for the underspend are services continuing to hold posts vacant in advance of the requirement to make savings in future years and reducing spend on professional fees, training and development.
- 1.3 The predicted outturn includes use of reserves of £915k (where approval has been given by Cabinet for additional funds for specific services) and approved carry forwards from previous years.
- 1.4 In accordance with the council's medium term financial strategy, all income should be assessed in year and any surplus income received in excess of budget will be returned centrally. Income of £22k from risk and insurance and £81k from recovery of court costs have been classed as windfall income this month and will be transferred to reserves.
- 1.5 Within the services associated with the panel there are a number of risks totalling £140k which are not currently included within the above forecast as at this stage the risks are not certainties. If the risks become certainties then alternative action will need to be identified and it will be included in the monitoring report. A summary of the risk assessment is attached at **Appendix 2**.
- 1.6 Included within the directorate budget are approved 2012/13 new investments and savings, as approved by Cabinet on 23 February 2012, totalling £555k and £1.088m respectively. A full breakdown of these can be found in the 2012/13 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 management teams and in liaison with the relevant portfolio holder. The savings for review of mayoral transport (£45k) and joint admin pool in legal and democratic services (£30k) are not currently being achieved and will be delivered via alternative actions. All other savings are on target.

Table 1 Forecast revenue outturn Quarter 2 2012/13

| 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 | Transfer to reserves £'000 | Variance after Use of Reserves £'000 |
|----------------------------------|--------------------------------|----------------------------------|---------------------------------|--|------------------------------------|--|----------------------------------|---------------------------------------|---|
| Benefits | 933 | 466 | 486 | 20 | 1,163 | 230 | (230) | 0 | 0 |
| Business Solutions | 0 | 0 | (10) | (10) | 0 | 0 | 0 | 0 | 0 |
| Communications | 791 | 396 | 419 | 23 | 809 | 18 | 0 | 0 | 18 |
| Constitutional & Mayoral Service | 1,757 | 878 | 890 | 12 | 1,803 | 46 | (32) | 0 | 14 |
| Electoral Services | 501 | 345 | 353 | 8 | 498 | (3) | (5) | 0 | (8) |
| Finance | 5,043 | 2,521 | 2,460 | (62) | 4,924 | (119) | (62) | 22 | (159) |
| Human Resources | 3,806 | 1,903 | 1,611 | (292) | 3,649 | (158) | (32) | 0 | (190) |
| Internal Audit | 579 | 289 | 231 | (59) | 533 | (46) | (30) | 0 | (76) |
| Legal | 1,518 | 759 | 812 | 53 | 1,535 | 17 | (60) | 0 | (43) |
| Programme Delivery | 1,788 | 894 | 793 | (101) | 1,969 | 181 | (257) | 0 | (76) |
| Revenues | 2,425 | 1,212 | 1,138 | (74) | 2,386 | (39) | (59) | 81 | (17) |
| Shared Services & Procurement | 5,234 | 2,617 | 2,802 | 185 | 5,320 | 86 | (148) | 0 | (61) |
| Total | 24,375 | 12,280 | 11,985 | (297) | 24,589 | 213 | (915) | 103 | (598) |

2 Forecast Capital Outturn 2012/13

2.1 The forecast capital outturn for 2012/13 for the schemes under the remit of this panel (as at the end of September 2012) is an underspend of £47k, of which £42k will be requested to be carried forward to 2013/14. **Table 2** shows a summary by scheme.

Table 2 – Summary of Capital Programme – Quarter 2 2012/13

| Scheme | Annual Budget £'000 | Year To Date £'000 | Year End Forecast £'000 | Request for carry forward £0'000 | Year End Underspend £'000 |
|--|--------------------------------|-------------------------------|------------------------------------|---|--------------------------------------|
| Risk management | 100 | 0 | 100 | 0 | 0 |
| Self insured property damage | 200 | 0 | 200 | 0 | 0 |
| Increased productivity to be delivered by home working | 85 | 52 | 85 | 0 | 0 |
| Software to automate benefit application forms | 9 | 0 | 9 | 0 | 0 |
| Bloxwich library comms room | 9 | 9 | 9 | 0 | 0 |
| Disaster recovery scheme | 220 | 74 | 220 | 0 | 0 |
| ICT Essential Investment in Infrastructure - Server and CISCO upgrades | 77 | 15 | 77 | 0 | 0 |
| European Directive - mapping | 30 | 0 | 25 | 0 | (5) |
| Network Internet and External Security essential maintenance and Upgrade | 33 | 0 | 33 | 0 | 0 |
| Replace essential Wide Area Network data circuits | 92 | 0 | 50 | (42) | 0 |
| Delivering - Right Fast and Simple | 644 | 145 | 644 | 0 | 0 |
| Finance Direct | 187 | 21 | 187 | 0 | 0 |
| Investing in working smarter | 340 | 22 | 340 | 0 | 0 |
| Total Capital | 2,026 | 338 | 1,979 | (42) | (5) |

Appendix 1 - Reasons For Revenue Variations

| SERVICE | REASON / EXPLANATION FOR VARIANCE | VARIANCE (Underspend) £'000 |
|------------------------------------|--|------------------------------------|
| Human Resources | Holding posts vacant and reduced spend on training and development | (190) |
| Finance | Holding posts vacant | (159) |
| Internal Audit | Underspend on salaries due to delay in appointing to vacant posts | (76) |
| Programme Delivery | Holding posts vacant in advance of restructure of service | (76) |
| Shared Services and Procurement | Underspend on salaries due to recruitment delays | (61) |
| Legal | Holding posts vacant | (43) |
| | Other non material variances | 7 |
| TOTAL VARIANCE (UNDERSPEND) | | (598) |

Appendix 2 Financial Risk Assessment - Revenue Budget 2012/13

| POTENTIAL RISK | LOWEST COST £'000 | ASSESSMENT OF RISK | HIGHEST COST £'000 | ASSESSMENT OF RISK | TOTAL FINANCIAL EXPOSURE TO RISK £'000 |
|---|-----------------------------|-----------------------|------------------------------|-----------------------|--|
| Benefits call centre contract expires in April. It is proposed to bring this work in-house however this may result in short term additional costs | 0 | Medium | 100 | Medium | 40 |
| Loss of traded services contracts in human resources as schools change to academy status and take their business elsewhere | 0 | Medium | 50 | Medium | 20 |
| Shortfall in agency tax income in corporate procurement due to less expenditure on agency staff by services across the council | 0 | Medium | 50 | Medium | 20 |
| Human Resources - delay in billing for traded services work provided, low risk of non payment | 0 | Low | 100 | Low | 20 |
| Benefits - historically less reliance is placed on overpayment figures produced by the computer system at this stage of the year. There is a risk that the overpayment figures might fluctuate greatly at year end resulting in less income than is currently expected. | 0 | Low | 100 | Low | 20 |
| External staffing cover may be required for legal staff who are reviewing more cases following recent inspections | 0 | Medium | 30 | Medium | 12 |
| By-election may have to be scheduled if a member's seat becomes vacant | 0 | Low | 30 | Low | 6 |
| Costs of November Police and Crime Commissioner elections may not be fully covered by grant funding | 0 | Low | 10 | Low | 2 |
| Total | 0 | | 470 | | 140 |