

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **8 DECEMBER 2009**

SUBJECT: **FINANCIAL AND PERFORMANCE MONITORING
REPORT – APRIL 2009 TO SEPTEMBER 2009**

REPORT FROM: **DIRECTOR OF FINANCE AND E-GOVERNMENT**

CONTACT OFFICER: **M Owen – Director of Finance and E-Government**

TYPE OF DECISION: **NON-KEY DECISION**

**FREEDOM OF
INFORMATION/STATUS:** This paper is within the public domain

SUMMARY: To up-date the Committee on the authority's financial and performance position in line with the Committee's Statement of Purpose to '*provide...independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment*'.

The report shows that the authority is projecting an overspending of £1.048m for the year based on spending and income information as at 30 September 2009. Whilst the fact that there is an overspending is a matter of concern, and will require attention by Members and officers, the fact that the overspend can be accommodated within General Fund balances without breaching the Golden Rules means that the position is not seen as a major risk to the achievement of the authority's ambitions and priorities.

**OPTIONS &
RECOMMENDED OPTION** The Committee is asked to note the contents of the report.

IMPLICATIONS:

**Corporate Aims/Policy
Framework:**

Do the proposals accord with Policy Framework? Yes.

Financial Implications and Risk Considerations:

Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

The report also includes performance information which should be read in conjunction with the financial information so as to provide a better context to the budget position.

There may also be risks arising from any changes to service levels or service patterns that result from any remedial action taken to address the budget position. These will be identified by Directors when savings plans are considered by Members at the quarterly Star Chamber meetings.

Statement by Director of Finance and E-Government:

The successful management of the Council's financial resources is central to the Council's Financial Strategy. Successful budget monitoring provides early warning of potential major overspends or underspendings against budget of which Members need to be aware.

This report draws Members attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action in the coming weeks and months. Members and officers will be examining these areas in more detail at the Star Chambers together with proposals for actions to be undertaken in the current year.

Equality/Diversity implications:

No – see section 13 on page 25

Considered by Monitoring Officer:

Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

Are there any legal implications?

Yes

Staffing/ICT/Property:

There may be staffing implications arising from the need to address the forecast outturn position.

Wards Affected:

All

Scrutiny Interest:

Resource and Performance Scrutiny Commission.

TRACKING/PROCESS**DIRECTOR: Mike Owen**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
Both	Executive Member – Resource Executive Member – HR & Performance		
Scrutiny Commission	Executive	Committee	Council
		Audit	

1.0 INTRODUCTION

- 1.1 At the Audit Committee's meeting on 20 September 2006 it was agreed that to fulfil its role of 'providing....independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment' a new innovation should be implemented – that the Audit Committee receive a summary monitoring report at each meeting on the situation in respect of financial and operational performance.
- 1.2 This is intended to allow the Committee to keep abreast on the authority's financial position and to gauge the existence and effectiveness of corrective action that has been determined by the Executive and/or the Scrutiny Commission. In this way the Committee would be able to consider the authority's exposure to risk in this key area.
- 1.3 This report summarises the financial and performance information as at the end of September 2009 (see 3.1 below) and reflects the information that was considered by the Executive at its meeting on 2 December 2009.

2.0 MONITORING PROCESSES

- 2.1 Finance and performance is monitored in different ways at different stages of the year:

Monthly - reports are considered by service management teams and summaries made available to specific Executive Members. A monthly summary of the financial position is submitted to Management Board and to the Executive Member for Resource.

Quarterly – detailed corporate monitoring reports based on the position at June, September, December and March are considered by Management Board, the Executive, Star Chambers and the Resource and Performance Scrutiny Commission. These set out a risk assessed summary of the financial position together with supporting performance information, the financial situation of the major partnerships, explanations of major variances from budget, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy (including the Golden Rules).

2.2 There have been a number of significant improvements to the budget monitoring process during the past year including:

- a strengthening of the role of Star Chambers;
- the use of risk management techniques in the area of budget monitoring;
- greater use being made of performance information to place financial monitoring in its rightful context;
- formalisation of budget, performance and risk monitoring for key partnerships formed by the Council with other agencies, including the introduction of a Partnerships Toolkit setting out the ground-rules for the operation of all partnerships. This identifies a need to report financial performance to the Executive within the corporate monitoring report; and
- 'Traffic light' reporting of performance data in the area of asset management being applied to performance indicators where targets have been established.

2.3 It is intended that further improvements will continue to be made to the budget monitoring process, building on the significant developments implemented over the past two years. The 'procure to pay' (P2P) module of the Agresso system has now been rolled out across the Council and not only will this speed up financial administration, it will also allow the formal (and automatic) production of commitment data which will help improve the accuracy of financial monitoring information.

3.0 FINANCIAL POSITION

3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 30 September 2009 is summarised in the table in paragraph 3.3. As Members will be aware, financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will resolve itself before the end of the year following appropriate budget management action.

3.2 However it is felt that it is most appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

- 3.3 In summary the outturn forecast based on the position at 30 September 2009 is (figures in brackets represent underspendings, those without represent overspendings):

	£m
Adult Care Services	0.335
Chief Executive's	(0.382)
Children's Services	0.358
E&DS	0.783
Non-Service Specific	(0.046)
TOTAL PROJECTED OVERSPENDING	1.048

- 3.4 The projected overspend of **£1.048m** represents approximately **0.76%** of the total net budget of £137.581million. Detailed risk assessments and variance analyses of budget hot-spots at September 2009 were provided to the Executive on 2 December 2009 as part of the corporate monitoring report.
- 3.5 Members are particularly reminded that the position on volatile budgets such as Learning Disability and Children's Agency placements can change dramatically depending on service user numbers and case structures.
- 3.6 The actual position on the General Fund balance is shown below:

	£m
General Fund Balance 31 March 2009 per Accounts	6.755
Less: Amount used to fund 2008/09 pay award	-0.879
Re-forecast of balances at 1 April 2009	5.876
Less : Minimum balances to be retained in 2009/10	-3.700
Less: Potential revenue shortfall	-1.048
Available balances at 1 April 2010	1.128

- 3.7 Based on the information contained in this report, on the risk assessments that have been made, on the outturn position for 2008/09 and using the latest available information on the likely achievement of savings options it is clear that there is no reason to take the minimum balances above the existing level of £3.7m.
- 3.8 Additionally, in view of the fact that the minimum level of balances figure includes a provision of £1.5m relating to a cushion for 'Unpredictable and Demand led Expenditure' then it is clear that the authority's forecast overall financial position does not present an unacceptable risk at this point.
- 3.9 Having said this, it is accepted that there are 'hot spots' that need to be addressed relating primarily to Learning Disability services, Leisure services, and various EDS income budgets. Star Chambers are monitoring action plans that have been put in place to bring these budgets into line (although it is recognised that overspendings in these areas may not be eradicated in the current year).
- 3.10 The Director of Environment and Development Services will be attending the meeting to provide further information to Members on the action being taken to address the pressures that are being placed on his services.

4.0 PERFORMANCE POSITION

- 4.1 65% (68) PIs are forecast to achieve 2009/10 full year target. Although marginally lower than the previous (Q1) position, quarter two (Q2) analysis is based on more sound and accurate set of performance data therefore showed a better picture of rate of improvement across services.
- 4.2 27% (33) PIs have not reached the 2008/09 baseline position; a slight improvement compared to the previous quarter. Service managers are reviewing service improvement activities to ensure performance reaches targets by year-end.
- 4.3 65% (77) PIs performed better than 2008/09 baseline. A considerable increase compared to the previous quarter. It is expected that this improvement level is sustainable till year-end as various action plans implemented continue to produce positive results
- 4.4 Performance evaluations (Traffic Light) were not possible for a significant number this is due to various reasons which are detailed below:-

Reason	No of PIs	Explanation
National Surveys PIs	25	Mainly national "Place survey" PIs. Survey to be conducted and results released in 2011
Baseline	58	Mainly new NI PIs where historical data were not available at the start of the financial year
Targets	87	2009/10 targets not set due to lack of baseline / historical data
Data/results available at year-end	136	Mainly National Indicator Set (NI) where data is provided once a year

4.5 Performance against baseline (2008/09)

	Unable to determined – No Traffic Light
Green	Better than 2008/09
Amber	Same
Red	Worse than 2008/09

Please note: Some PIs appear in more than one category.

	Green	Amber	Red	No Traffic Light	Total
All Corporate PIs	77	9	33	172	291
National Indicators PIs (Council's Responsibility)	4	3	–	35	42
All National Indicators PIs	58	9	28	136	231
The Bury Plan PIs	22	1	12	49	84
All Local Area Agreement PIs	35	1	10	52	98

4.6 Performance against target (2009/10)

	Unable to determined – No Traffic Light
Green	Achieved
Amber	Within 15% of achieving 2009/10 target
Red	Significantly below target (15%)

	Green	Amber	Red	No Traffic Light	Total
All Corporate PIs	68	18	18	187	291
National Indicators PIs (Council's Responsibility)	7	–	–	35	42
All National Indicators PIs	50	18	16	147	231
The Bury Plan PIs	25	7	5	47	84
All Local Area Agreement PIs	29	10	18	51	98

4.7 Comprehensive and detailed performance reports are available and can be viewed or downloaded from the corporate performance systems (PIMS).

Mike Owen
Director of Finance and E-Government

Background documents:

Corporate financial monitoring information available from the Director of Finance and E-Government

For further information on the details of this report, please contact:

Mr M Owen, Director of Finance and E-Government, Tel. 0161 253 5002,
 Email: M.A.Owen@bury.gov.uk