

# REPORT FOR DECISION

**MEETING:** **AUDIT COMMITTEE**

**DATE:** **23 FEBRUARY 2010**

**SUBJECT:** **FINANCIAL AND PERFORMANCE MONITORING  
REPORT – APRIL 2009 TO DECEMBER 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 £0.949m for the year based on spending and income information as at 31 December 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 December 2009 (see 3.1 below) and reflects the information that will be considered by the Executive at its meeting on 24 February 2010.

**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 31 December 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 31 December 2009 is (figures in brackets represent underspendings, those without represent overspendings):

	<b>£m</b>
Adult Care Services	0.253
Chief Executive's	(0.692)
Children's Services	0.472
E&DS	1.194
Non-Service Specific	(0.278)
<b>TOTAL PROJECTED OVERSPENDING</b>	<b>0.949</b>

- 3.4 The projected overspend of **£0.949m** represents approximately **0.69%** of the total net budget of £137.581million. Detailed risk assessments and variance analyses of budget hot-spots at December 2009 will be provided to the Executive on 24 February 2010 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
<b>General Fund Balance 31 March 2009 per Accounts</b>	<b>6.755</b>
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	-0.949
<b>Available balances at 1 April 2010</b>	<b>1.227</b>

- 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 recessionary pressures on income budgets.
- 3.10 The Committee has already taken the opportunity to hear from the Directors of Adult Care Services and Environment and Development Services about their plans to address the hot-spots that their services face.

## 4.0 PERFORMANCE POSITION

4.1 This section of the report summarises performance during quarter three of the financial year 2009/10. The report reflects performance levels of corporate indicators only (National Indicator Set, Local Area Agreement, Bury Plan and Six Town Housing).

- A higher proportion of PIs are able to assess their position against full year targets this quarter. 63% of PIs are now at 'green' which is slightly down on last quarter. These results are not unexpected. By Quarter 3 (Q3), many of the assumptions built in when setting targets have been removed and services are working with more solid and robust data.
- 62% (76 PIs) are up compared to same period in 2008/09, this is set to continue as various action plans are implemented and continue to show more positive performances and outcomes.
- 26% (32 PIs) are forecast not to reach the 2008/09 baseline levels (red); a slight improvement compared to previous quarter. Performance improvement activities are continuing to ensure performance improvements are in line with expectations by the year-end.

4.2 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	113	Mainly National Indicator Set (NI) where data is provided once a year

### 4.3 Performance against baseline (2008/09)

	Unable to determined – No T/Light
<b>Green</b>	Better than 2008/09
<b>Amber</b>	Same
<b>Red</b>	Worse than 2008/09 (baseline)

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

	Green	Amber	Red	No Traffic Light	Total
All Corporate PIs	76	14	32	174	296
National Indicators PIs (Council's Responsibility)	5	1	1	35	42
All National Indicators PIs	58	11	28	134	231
The Bury Plan PIs	24	1	9	51	85
All Local Area Agreement PIs	33	1	12	49	95

#### 4.4 Performance against target

	Unable to determined – No T/Light
<b>Green</b>	Achieved
<b>Amber</b>	Within 15% of achieving 2009/10 target
<b>Red</b>	Below target

	<b>Green</b>	<b>Amber</b>	<b>Red</b>	<b>No Traffic Light</b>	<b>Total</b>
All Corporate PIs	<b>76</b>	<b>29</b>	<b>15</b>	<b>176</b>	<b>296</b>
National Indicators PIs (Council's Responsibility)	<b>7</b>	<b>1</b>	<b>–</b>	<b>34</b>	<b>42</b>
All National Indicators PIs	<b>54</b>	<b>23</b>	<b>13</b>	<b>141</b>	<b>231</b>
The Bury Plan PIs	<b>23</b>	<b>10</b>	<b>4</b>	<b>48</b>	<b>85</b>
All Local Area Agreement PIs	<b>24</b>	<b>16</b>	<b>5</b>	<b>50</b>	<b>95</b>

4.5 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