

# REPORT FOR INFORMATION

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

**DATE:** **26 AUGUST 2010**

**SUBJECT:** **FINANCIAL AND PERFORMANCE MONITORING  
REPORT – APRIL 2010 TO JUNE 2010**

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

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

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

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

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**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 £1.152m for the year based on spending and income information as at 30 June 2010. 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.

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## **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

**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.

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**TRACKING/PROCESS**

**DIRECTOR: Mike Owen**

Chief Executive/ Management Board	Executive Member/Chair	Scrutiny Committee (Internal)	Council	Ward Members	Partners
Both	Cabinet Member – Resource, Human Resource & Performance ✓	✓			

**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 June 2010 (see 3.1 below) and reflects the information that will be considered by the Cabinet Member for Resource, HR and Performance Executive when he makes a decision on the report on 7 September 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 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 June 2010 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 June 2010 is (figures in brackets represent underspendings, those without represent overspends):

	<b>£m</b>
Adult Care Services	0.293
Chief Executive's	(0.087)
Children's Services	1.257
E&DS	0.533
Non-Service Specific	(0.844)
<b>TOTAL PROJECTED OVERSPENDING</b>	<b>1.152</b>

- 3.4 The projected overspend of **£1.152m** represents approximately **0.81%** of the total net budget of £141.582million. Detailed risk assessments and variance analyses of budget hot-spots at June 2010 will be provided to the Cabinet Member on 7 September 2010 as part of the full 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 2010 per Accounts</b>	<b>6.244</b>
Add back: Unused provisions in 2010/11 budget	1.587
Re-forecast of balances at 1 April 2011	7.831
Less : Minimum balances to be retained in 2010/11	-3.800
Less: Potential revenue shortfall	-1.152
<b>Available balances at 1 April 2011</b>	<b>2.879</b>

- 3.7 Based on the information contained in this report, on the risk assessments that have been made, on the outturn position for 2009/10 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 £3.8m.
- 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 situation for the year is compounded by the need for the authority to contribute towards the national in-year savings of £6.2bn announced for local government. The bulk of these will fall on the Children’s Services Department where there has been a loss of in-year of Area Based Grants (ABGs) totalling £1.108m and a further £0.039m in respect of School Workforce Development grants. The Department has identified savings options totalling £1.401m which should eliminate the shortfall and help to offset some of the overspend described above. The impact of this action will be reflected in the month 6 report.

#### **4.0 PERFORMANCE POSITION**

- 4.1 This section of the report summarises performance during quarter three of the financial year 2010/11. The report reflects performance levels of corporate indicators only (National Indicator Set, Local Area Agreement, Bury Plan and Six Town Housing).
- 4.2 74% (78PIs) are currently forecast to be ahead of full year targets, but only 36% (34 PIs) performed better than 2009/10 baseline.

4.3 Performance evaluations and Traffic Light analysis were not possible for 68% (185 PIs), due to the following reasons:

Reason	No of PIs	Explanation
Data expected at the end of Q2	46	In-year data for these indicators are yet to be released from various government databases. Also PIMS system is being developed to provide accurate quarterly data for these PIs
Baseline	22	Mainly new PIs where historical data were not available.
Data/results available at year-end (Annually)	127	These are mainly-National Indicator Set (NI) where data is provided once a year  Survey to be conducted and results released year-end

4.4 Accurate predictions or forecasts are difficult at this early stage of the year due to the limited number of in-year monitoring results, however better analysis and performance evaluations will be provided at the end of next quarter (Q2) when more accurate monitoring data becomes available.

4.5 The following six indicators are considerably behind respective targets.

- NI103a & NI103b - % of final statements of special education need issued within 26 weeks including and excluding exception cases. Staffing difficulties and increased work load caused the underperformance. Action plans now in place to recruit staff and clear the backlog by the end of quarter 2.
- LAA08 - Number of people that are helped into sustained employment. The time lag for receipt of evidence of 13 weeks continuous employment means that we do not yet have evidence to support job outcomes for all the 138 people who were supported into work. The target was 120 and, although this has been met, it can not be recorded as doing so until we are in receipt of evidence.
- NI117 (LAA) - % of 16-18 year olds who are not in education, employment or training (NEET). Although performance to date is behind target, the year on year performance at end of June 2010 is 1.5% better than June 2009 when it was 7.6%; the service manager is confident that the modest recovery is sustainable.
- LPI/315c - Deliver Employer Responsive targets: European Social Fund. Various action plans are being implemented including recruitment to ensure targets are delivered as expected.
- NI157a - Percentage of major planning applications dealt with in 13 weeks. The low numbers of major applications have adversely affected current performance levels but still exceed government targets.

4.6 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**

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***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:***

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