

REPORT FOR INFORMATION

MEETING: **AUDIT COMMITTEE**

DATE: **7 DECEMBER 2010**

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

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 underspending of £0.287m for the year based on spending and income information as at 30 September 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.

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.

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 when he makes a decision on the report on 9 December 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 the format of the quarterly monitoring report will be amended so that information is sharpened up to focus on the key messages available from the figures and also that the presentation will be simplified through the use of graphs, tables and charts.

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 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.

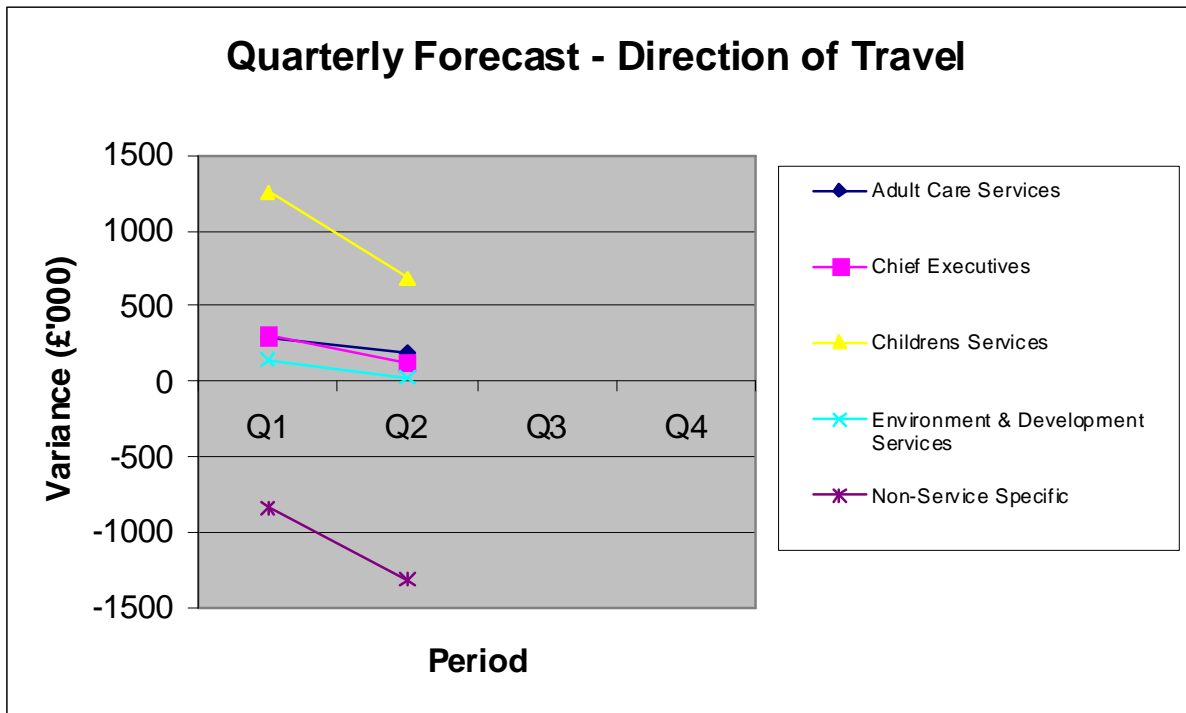
- 3.2 However it is felt that it is most appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

- 3.3 In summary the outturn forecast based on the position at 30 September 2010 is (figures in brackets represent underspendings, those without represent overspends):

	Budget 2010/11 £m	Forecast Outturn £m	Variance £m	%
Adult Care Services	42.329	42.523	0.194	0.46
Chief Executive's	5.515	5.642	0.127	2.30
Children's Services	25.691	26.376	0.685	2.67
EDS	33.931	33.954	0.023	0.07
Non-service specific	32.459	31.143	(1.316)	(4.05)
TOTAL	139.925	139.638	(0.287)	(0.21)

- 3.4 The projected underspend of **£0.287m** represents approximately **0.21%** of the total net budget of £139.925m. Detailed risk assessments and variance analyses of budget hot-spots at September 2010 will be provided to the Cabinet Member on 9 December 2010 as part of the full corporate monitoring report.

3.5 The graph below shows the direction of travel of overspends since the month 3 report.



3.6 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.

3.7 At the August meeting of the Committee Members asked that the Director of Children’s Services should attend this meeting to provide an explanation of the issues surrounding the Department’s projected overspending and outline the action being taken and the Director will be in attendance.

3.8 The actual position on the General Fund balance is shown below:

	£m
General Fund Balance 31 March 2010 per Accounts	6.244
Less : Minimum balances to be retained in 2010/11	-3.800
Add: Potential revenue shortfall	0.278
Available balances at 1 April 2011	2.731

3.9 Based on the information contained in this report, on the risk assessments that have been made, on the actual 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.

3.10 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.

3.11 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 has been reflected in the improvement shown in the month 6 report.

4.0 PERFORMANCE POSITION

4.1 This section of the report summarises performance during quarter two of the financial year 2010/11. The table below shows areas of concern which are currently 'double-red', i.e. they are performing worse than at the end of 2009/10 and are not forecast to meet 2010/11 targets, or are in the Local Area Agreement or Bury Plan and are not forecast to meet 2010/11 targets. report reflects performance levels of corporate indicators only (National Indicator Set, Local Area Agreement, Bury Plan and Six Town Housing).

Performance Indicator	Commentary	Double Red
Adult Care Services		
NI136 People supported to live independently through adult social services (rate per 100,000).	Although numbers seem low, service numbers have also dropped.	✓
Chief Executives		
BV014 % of staff retiring early as a % of the total workforce (excluding ill-health retirements).	This is due to the authority undertaking an efficiency-saving exercise following the announcement of government funding cuts and also organisational restructures.	✓
BV015 % of ill health retirements as a % of the total workforce.	We have had two ill-health retirements in the first half of this year. We will continue to monitor ill-health retirement on a quarterly basis with the intention of reducing our figures by three each year.	✓
NI144 Offenders under probation supervision in employment at the end of their order or licence.	Bury shows 32.6% of offenders in employment. Bury is also well below the average for Greater Manchester (43.6 %).	✓
NI181 Time taken to process Housing Benefit/Council Tax Benefit new claims and change events.	Quarter 2 has shown an improvement as new staff joined the team. Arrears of work were reduced and performance improved. However, the team carried three vacancies during the quarter which were only filled on the 6th September. We anticipate further improvement during quarter three.	✓
Children's Services		
NI043 Young people within the Youth	11 young people received custodial sentences out of a total of 73 court	✓

Performance Indicator	Commentary	Double Red
Justice System receiving a conviction in court who are sentenced to custody.	sentences. Eight of those sentences were for very serious offences of burglary and robbery while three of them were for breach of existing orders.	
NI103a & b - % of final statements of special education need issued within 26 weeks including and excluding exception cases.	This reflects the pressures the team has been under during 2010 due to a substantial increase in referrals, the impact of continuing to organise SEN transport and staff shortages. An action plan has been drawn up to help the team improve performance in 2011/12.	✓
NI107a Key Stage 2 attainment for black and minority ethnic groups: Pakistani heritage.	Results must be treated with extreme caution due to the national boycott of KS2 tests. The attainment gap for Pakistani heritage pupils is the same as last year at 12%. This is eight percentile points above target (where lower is better).	✓
NI108a Key Stage 4 attainment for black and minority ethnic groups: Pakistani heritage.	49% of Pakistani heritage pupils achieved 5A*-C (including English and maths) compared with 61% for all pupils. This is a 2% improvement on the previous year and the gap has narrowed by 1% even though it is still 6% above target.	✓
NI117 % of 16-18 year olds who are not in education, employment or training (NEET).	The service manager confirmed that, although below target at this quarter, the service is on track to achieve full year target. A bigger proportion of 16 and 17 year olds have received offers of education, employment and training under the September guarantee than previously. We are currently working on our annual destinations survey which will hopefully confirm that these offers have turned in to definite places which will help to reduce NEET still further.	✓
Environment & Development Services		
NI192 % of household waste sent for re-use, recycling and composting.	The target will not be met due to delayed implementation of recycling improvements and change of composting definition from DEFRA, applied retrospectively to April, has seen circa 8% drop in performance.	✓

4.2 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