

REPORT FOR INFORMATION

MEETING: AUDIT COMMITTEE

DATE: 12th FEBRUARY 2013

SUBJECT: FINANCIAL MONITORING REPORT – APRIL 2012 TO DECEMBER 2012

REPORT FROM: ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)

CONTACT OFFICER: S Kenyon

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 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 **£0.202m** for the year based on spending and income information as at 31st December 2012.

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.

Comments of s151 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.

There may 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.

Comments of Executive Director of Resources:

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 budget pressures.

Wards Affected:

All

Scrutiny Interest:

Scrutiny Committee (Internal).

TRACKING/PROCESS**DIRECTOR: Mike Owen**

Chief Executive/ Senior Leadership Team	Cabinet	Scrutiny Committee	Council	Ward Members	Partners
	Feb 2013	Feb 2013			

1.0 INTRODUCTION

- 1.1 This report 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 Cabinet and/or Scrutiny Committee.
- 1.2 This report summarises the forecast financial position as at the end of December 2012.

2.0 MONITORING PROCESSES

- 2.1 The Authority's financial position is continually monitored throughout the year as follows;

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

Quarterly - detailed corporate monitoring reports based on the position at June, September, December and March are considered by the Senior Leadership Team, the Cabinet, Star Chambers and Scrutiny Committee. These set out a risk assessed summary of the financial position, 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 Members are also advised that **monthly** Star Chamber meetings are now taking place at the request of the Leader, to deal with particular areas where financial pressures have been identified.

Commitment Accounting

- 2.3 At the August meeting of the Audit Committee, a question was asked about the composition of the forecast; ie how much had actually been spent, how much had been committed, and how much was estimated.
- 2.4 The Council has adopted "commitment accounting" for all purchases made through its electronic procurement system; this means that spend is "committed" at the point orders are placed.

2.5 Commitment Accounting applies to the majority of the Council's external spend. The following areas are however excluded;

- Staffing
- Transactions made using purchase cards
- Petty cash transactions
- Payments where no "order" is placed – e.g. grants

2.6 Analysis of the month 9 figures highlights;

Status	£'000	%
Spent @ 31/12/12	89,338	64
Committed @ 31/12/12	13,951	10
Forecast (1/1/13 – 31/3/13)	36,481	26
Total	139,770	100

2.7 Spend and Commitment are clearly factual, however "forecast" is based upon an assessment of a wide range of factors and risks.

2.8 In 2012, the Council implemented a new release of the Agresso financial system, this offers greatly improved functionality in respect of "budget profiling" and work is now taking place to further refine forecasting.

3.0 FINANCIAL POSITION

3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 31st December 2012 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 31st December 2012 is:

Department	Budget £'000	Forecast £'000	Variance £'000
Adult Care Services	50,687	50,798	+111
Chief Executives	6,154	6,851	+697
Childrens Services	28,606	28,736	+130
Env. & Dev. Services	36,528	36,783	+255
Non-Service Specific	17,593	16,602	-991
TOTAL	139,568	139,770	+202

- 3.4 The projected overspend of £0.202m represents approximately 0.14% of the total net budget of £139.568m. (*The month 6 forecast was an overspend of £1.266m / 0.90%*)
- 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. Likewise, the prevailing economic climate is impacting upon levels of income, e.g. Property Services, Planning, Car Parking.
- 3.6 The actual position on the General Fund balance is shown below:

	£m
General Fund Balance 31 March 2012 per Accounts	10.230
Less : Minimum balances to be retained in 2012/13	-4.300
Less : Forecast overspend	-0.202
Less : Earmarked to Fund Equal Pay Settlements	-1.500
Available balances at 1 April 2013	4.228

- 3.7 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2012/13 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 £4.3m.
- 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.

S. Kenyon
Assistant Director of Resources (Finance & Efficiency)

Background documents:

Further information available from the Assistant Director of Resources (Finance & Efficiency)

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

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