

REPORT FOR INFORMATION

MEETING: **AUDIT COMMITTEE**

DATE: **25th January 2017**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2016
TO SEPTEMBER 2016**

REPORT FROM: **INTERIM EXECUTIVE DIRECTOR OF RESOURCES &
REGULATION**

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 **£4.921m** for the year based on spending and income information as at 30th September.

**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 & Regulation:

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:

Overview & Scrutiny Committee

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny	Council	Ward Members	Partners
	14/12/16	14/12/16			

1.0 INTRODUCTION

- 1.1 This report is intended to allow the Committee to keep abreast of the authority's financial position and to gauge the 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 September 2016.

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 Finance.

Quarterly - detailed corporate monitoring reports based on the position at June, September, December and March (year end) are considered by the Senior Leadership Team, the Cabinet, Star Chambers and Overview & 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 regular Star Chamber meetings take place to deal with particular areas where financial pressures have been identified.

3.0 FINANCIAL POSITION

- 3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 30th September 2016 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.
- 3.2 It is appropriate to alert Members to potential pressures 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 30th September 2016:

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	69,873	72,468	+2,595
Resources & Regulation	3,396	4,551	+1,155
Children, Young People & Culture	35,323	38,306	+2,983
Non Service Specific	16,943	15,131	(1,812)
TOTAL	125,535	130,456	+4,921

3.4 The projected overspend of £4.921m represents approximately 3.92% of the total net budget of £125.535m, and compares to an overspend of £6.395m at quarter 1.

3.5 An overview of the reasons for this variance is outlined in the table below;

Month 6 Reason	Communities & Wellbeing £'000	Children Young People & Culture £'000	Resources & Regulation £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	3,089	1,529	410	254	5,282
Delayed Achievement of Cuts Options	2,196	0	0	0	2,196
Non-Achievement of Cuts Options	1,017	1,420	62	0	2,499
Income Shortfall	91	0	1,226	0	1,317
Planned use of one-off funding	-2,325	292	0	0	-2,033
Impact of 10 Control Measures	-1,607	-409	-334	0	-2,350
Other	134	151	-209	-2,066	-1,990
TOTAL	2,595	2,983	1,155	-1,812	4,921

3.6 Due to the extremely difficult financial situation facing the Council in 2016/17 the Senior Leadership Team has therefore agreed and drawn up an action plan with some immediate additional spending controls over & above usual controls.

These include:

1. Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
2. Release of all existing casual / agency staff (exceptions to be signed off by SLT);
3. Cease overtime / additional hours (exceptions to be signed off by SLT);

4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by SLT);
 5. Re-launch Work Life Balance options around reduced hours / purchase of leave;
 6. Cease spend on discretionary budgets; stationery, office equipment etc;
 7. Cease spend on IT / Communications (exceptions to be signed off by SLT);
 8. Any spend greater than £250 to be signed off by Executive Director;
 9. Any new contractual commitments greater than £5,000 (lifetime value of contract) to be signed off by SLT;
 10. Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.
- 3.7 These were communicated to staff on 9 August and compliance with these will be monitored throughout the year. It is expected that these actions will not only help to reduce the financial burden facing the Council within the current year but also for the coming years.
- 3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

Commitment Accounting

- 3.9 Further analysis of the month 6 figures highlights;

Status	£'000	This Year %	<i>Last Year %</i>
Spent @ 30/9/16	49,380	37.8	33.7
Committed @ 30/9/16	24,325	18.7	11.9
Forecast (1/10/16 – 31/3/17)	56,751	43.5	54.4
Total	130,456	100.0	<i>100.0</i>

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

Balance Sheet Monitoring

- 3.11 The following key indicators have been extracted as at Month 3;

Indicator	Position at 1/4/16	Position at 30/6/16	Position at 30/9/16
Treasury Performance			
Total Sums Invested	£22.6m	£25.6m	£28.8m
% Return on Investments*	0.71%	0.92%	0.83%

Total Sums Borrowed	£196.0m	£191.5m	£196.5m
% Cost of Borrowing	3.95%	3.95%	3.95%
Assets			
Stocks & Work in Progress	£1.482m	£1.412m	£0.836m
Long Term Debtors	£0.080m	£0.080m	£0.080m
Sundry Debtors	£48.516m	£13.716m	£13.401m
Cash	£4.925m	£3.097m	£3.954m
Liabilities			
Sundry Creditors	£39.222m	£4.589m	£1.805m
Short Term Provisions	£3.351m	£3.127m	£3.113m

Note - compares to sector benchmark of 0.50%*

- 3.12 It should be noted that these figures represent a “snapshot” of the Council’s Balance Sheet at a given point in time, and are by no means indicative of the Council’s overall financial position.
- 3.13 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

Procurement Activity

- 3.14 The table below summarises key performance indicators maintained by the Procurement Section;

Indicator	Performance To Date	<i>Performance Last Year</i>
%age of orders placed via automated purchasing system	93.11%	91.83%
%age of invoices received in electronic format	18.92%	10.75%
Cashable Procurement savings (Procurement Team)	£176,137	£20,628
%age spend in Bury Area	25.10%	15%
Number of Bury suppliers invited to bid via the “Chest”	59	53
Number of contracts Bury Suppliers invited to bid for via the “Chest”	72	92

Minimum Level of Balances

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

	£m
General Fund Balance 1st April 2016 per Accounts	10.063
Less : Minimum balances to be retained in 2016/17	-4.250
Less : Forecast overspend	-4.921
Forecast available balances at 31st March 2017	+0.892

3.16 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2016/17 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 £4.250m.

S. Kenyon
Interim Director of Resources & Regulation

Background documents:

Further information available from the Interim Executive Director of Resources & Regulation;

Mr S Kenyon,
Tel. 0161 253 6922, Email: S.Kenyon@bury.gov.uk