

REPORT FOR INFORMATION

MEETING: AUDIT COMMITTEE

DATE: 26 FEBRUARY, 2019

SUBJECT: FINANCIAL MONITORING REPORT – APRIL 2018 TO DECEMBER 2018

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 **£2.608m** for the year based on spending and income information as at 31 December, 2018.

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.

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 known budget hotspots exist, and remedial action continues to be taken.

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

TRACKING/PROCESS

DIRECTOR: Steve Kenyon

| Chief Executive/ Senior Leadership Team | Cabinet | Overview & Scrutiny | Council | Ward Members | Partners |
|--|----------|---------------------|---------|--------------|----------|
| 28/01/19 | 20/02/19 | 13/02/19 | | | |

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 December 2018.

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 & Housing.

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, Joint Cabinet / SLT meetings 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).

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 2018 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 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 2018:

| Department | Budget £000 | Forecast £000 | Variance £000 |
|-----------------------------------|------------------------|--------------------------|--------------------------|
| Communities & Wellbeing | 69,886 | 71,207 | +1,321 |
| Resources & Regulation | 5,744 | 6,452 | +708 |
| Children, Young People & Culture | 40,171 | 44,630 | +4,459 |
| Business, Growth & Infrastructure | (3,785) | (1,801) | +1,984 |
| Operations | 10,467 | 12,195 | +1,728 |
| Art Gallery & Museum | 438 | 519 | +81 |
| Non Service Specific | 15,095 | 7,422 | (7,673) |
| TOTAL | 138,016 | 140,624 | +2,608 |

3.4 The projected overspend of £2.608m represents approximately 1.89% of the total net budget of £138.016m and compares to the previous year's outturn and this year's first quarter as follows;

| 2017/18 Outturn | 2018/19 Quarter 1 | 2018/19 Quarter 2 | 2018/19 Quarter 3 |
|------------------------|--------------------------|--------------------------|--------------------------|
| +£0.844m | +£3.176m | +£3.589m | +£2.608m |

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

| Month 9 Variance Reason | Children & Young People £'000 | Communities & Wellbeing £'000 | Resources & Regulation £'000 | Business, Growth & Infrastructure £'000 | Art Gallery & Museum £'000 | Operations £'000 | Non Service Specific £'000 | TOTAL £'000 |
|---|----------------------------------|----------------------------------|---------------------------------|--|-------------------------------|---------------------|-------------------------------|------------------------------|
| Demand Pressures | 4,618 | 4,237 | 0 | 0 | 0 | 81 | 537 | 9,473 |
| Delayed Achievement of Cuts Options | 129 | 9,519 | 800 | 850 | 0 | 1,230 | 0 | 12,528 |
| Non-Achievement of Cuts Options | 212 | 0 | 0 | 298 | 0 | 0 | 0 | 510 |
| Income Shortfall | 0 | 165 | 621 | 1,705 | 95 | 528 | 0 | 3,114 |
| Planned use of one-off funding | (121) | (1,502) | 0 | 0 | 0 | 0 | (1,743) | (3,366) |
| Use of Reserves | 0 | (4,025) | (456) | (582) | 0 | 0 | 0 | (5,063) |
| Continued Impact of 10 Control Measures | 0 | 0 | (50) | 0 | 0 | 0 | 0 | (50) |
| Other | (379) | (7,073) | (207) | (287) | (14) | (111) | (6,467) | (14,538) |
| TOTAL | 4,459 | 1,321 | 708 | 1,984 | 81 | 1,728 | (7,673) | 2,608 |

3.6 Due to the extremely difficult financial situation facing the Council the Senior Leadership Team agreed and drew 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 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 9 figures highlights;

| Status | £'000 | % |
|------------------------------|----------------|--------------|
| Spent @ 31/12/18 | 110,294 | 78 |
| Committed @ 31/12/18 | 22,751 | 16 |
| Forecast (1/01/19 – 31/3/19) | 7,579 | 6 |
| Total | 140,624 | 100.0 |

- 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 9;

| Indicator | Position at 1/4/18 | Position at 31/12/18 |
|-----------------------------|---------------------------|-----------------------------|
| Treasury Performance | | |
| Total Sums Invested | £21.25m | £10.2m |
| % Return on Investments* | 0.24% | 1.03% |

| | | |
|---------------------------|----------|----------|
| Total Sums Borrowed | £194.5m | £190.1m |
| % Cost of Borrowing | 3.96% | 3.96% |
| Assets | | |
| Stocks & Work in Progress | £1.600m | £1.443m |
| Long Term Debtors | £0.032m | £0.032m |
| Sundry Debtors | £44.494m | £36.928m |
| Cash | £13.264m | £7.513m |
| Liabilities | | |
| Sundry Creditors | £33.783m | £5.974m |
| Short Term Provisions | £10.537m | £10.417m |

Note* - compares to sector benchmark of 0.75%

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 | Last Year |
|--|----------------------------|------------------|
| %age of orders placed via automated purchasing system | 96.02% | 93.47% |
| %age of invoices received in electronic format | 32.16% | 35.16% |
| Cashable Procurement savings (Procurement Team) | £402,078.59 | £187,395 |
| %age spend in Bury Area | 28.73% | 30.62% |
| Number of Bury suppliers invited to bid via the “Chest” | 89 | 100 |
| Number of contracts Bury Suppliers invited to bid for via the “Chest” | 103 | 55 |

Minimum Level of Balances

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

| | £m |
|--|--------------|
| General Fund Balance 31 March 2018 per Accounts | 7.549 |
| Less : Minimum balances to be retained in 2018/19 | -4.250 |
| Less : Forecast overspend at Month 9 | -2.608 |
| Add: Contribution to General Fund balances per 2018/19 Budget report | +2.811 |
| Forecast Available Balances at 31 March 2019 | 3.502 |

3.16 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2018/19 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;

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