

REPORT FOR INFORMATION

MEETING: AUDIT COMMITTEE

DATE: 3rd SEPTEMBER 2014

SUBJECT: FINANCIAL MONITORING REPORT – APRIL 2014 TO JUNE 2014

REPORT FROM: ASSISTANT 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 **£1.710m** for the year based on spending and income information as at 30th June 2014.

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 |
|--|---------|---------------------|---------|--------------|----------|
| 18/8/14 | 3/9/14 | 7/10/14 | | | |

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 June 2014.

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 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 **monthly** 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 June 2014 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 30th June 2014:

| Department | Budget £'000 | Forecast £'000 | Variance £'000 |
|----------------------------------|-------------------------|---------------------------|---------------------------|
| Communities & Wellbeing | 69,018 | 69,580 | +562 |
| Resources & Regulation | 4,554 | 5,898 | +1,344 |
| Children, Young People & Culture | 33,992 | 34,533 | +541 |
| DCN Residual | 215 | (170) | (385) |
| Non Service Specific | 35,875 | 35,523 | (352) |
| TOTAL | 143,654 | 145,364 | +1,710 |

3.4 The projected overspend of £1.710m represents approximately 1.19% of the total net budget of £143.654m.

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 continues to impact upon levels of income, e.g. Property Services, Planning, Car Parking.

Commitment Accounting

3.6 Further analysis of the month 3 figures highlights;

| Status | £'000 | % |
|-----------------------------|----------------|---------------|
| Spent @ 30/6/14 | 35,876 | 24.68 |
| Committed @ 30/6/14 | 25,930 | 17.84 |
| Forecast (1/7/14 - 31/3/15) | 83,558 | 57.48 |
| Total | 145,364 | 100.00 |

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

Balance Sheet Monitoring

3.8 Previous reports have focussed on the Council's "in year" revenue budget position. The Chair has requested that additional Balance Sheet / Treasury Management information should be included to assist Members' wider understanding.

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

| Indicator | Position at 1/4/14 | Position at 30/6/14 |
|-----------------------------|-------------------------------|--------------------------------|
| Treasury Performance | | |
| Total Sums Invested | £44.3m | £66.5m |
| % Return on Investments | 0.78% | 0.67%* |
| Total Sums Borrowed | £209.9m | £217.9m |
| % Cost of Borrowing | 3.96% | 3.96% |

| Assets | | |
|---------------------------|----------|----------|
| Stocks & Work in Progress | £1.291m | £0.379m |
| Long Term Debtors | £0.151m | £0.214m |
| Sundry Debtors | £36.341m | £12.951m |
| Cash | £25.335m | £21.968m |
| Liabilities | | |
| Sundry Creditors | £28.970m | £16.905m |
| Provisions | £2.706m | £0.203m |

Note - compares to sector benchmark of 0.50%*

- 3.10 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.
- 3.11 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

Minimum Level of Balances

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

| | £m |
|--|--------------|
| General Fund Balance 1st April 2014 per Accounts | 11.580 |
| Less : Minimum balances to be retained in 2014/15 | -4.500 |
| Less : Forecast overspend | -1.710 |
| Less : Earmarked to Fund Equal Pay Settlements | -1.500 |
| Forecast available balances at 31st March 2015 | 3.870 |

- 3.13 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2014/15 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 £4.5m.
- 3.14 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 & Regulation

Background documents:

Further information available from the Assistant Director of Resources & Regulation;
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