

Meeting: Overview and Scrutiny Committee

Date: 7 September 2009

Title: 2009/10 Quarter 1 Finance and Performance Management Report

Author: Michael Robson Tel: 643 5359

Service: Legal and Democratic Services

Directorate: Chief Executive

Wards affected: All

1. Purpose of Report

This report presents the 2009/10 Performance and Finance Management Report.

The Committee is invited to examine the contents of the report, focussing on the performance aspects of the report. In fulfilling its role as critical friend, the Committee may wish to make comments and/or recommendations to Cabinet on the Council's performance.

The financial aspects of the report have been scrutinised by the Finance Sub-Committee at its meeting on 19 August 2009.

2. Details

The 2009/10 Quarter 1 Performance and Finance Management Report sets out details in respect of the delivery of Council Plan milestones, progress in the delivery of Strategic Investment Plan along with the forecast budget monitoring position for the General Fund, the Housing Revenue Account, Dedicated Schools Grant, and the Strategic Investment Plan at the end of Quarter 1, i.e. 30 June 2009.

The report has previously been considered by the Cabinet on 10 August 2009 and the Finance Sub-Committee on 19 August 2009. Extracts of the minutes of these meetings are attached for information.

The Chair of the Overview and Scrutiny Committee has previously agreed that the performance and financial monitoring reports should initially be reported to the Finance Sub Committee to consider the financial aspects of the report, with the Overview and Scrutiny Committee focussing on the performance aspects of the report.

Appendices

Appendix 1 – Extract from the minutes of Cabinet on 10 August 2009

Appendix 2 – Extract from the draft minutes of Finance Sub-Committee on 19 August 2009

Annex 1 - Copies of the 2009/10 Quarter 1 Performance and Finance Management Report have only been circulated to Members of the Overview and Scrutiny Committee as a separate document. Further copies are available from Michael Robson or from the Council's website www.northynteside.gov.uk.

3. Background Information

The following background papers and research reports have been used in the compilation of the report and are available for inspection at the offices of the author.

- The 2009/10 Quarter 1 Performance and Finance Management Report

EXTRACT

From the minutes of Cabinet on 10 August 2009

**CAB16/08/09 2009/10 QUARTER 1 FINANCE AND PERFORMANCE MANAGEMENT
POSITION TO 30 JUNE 2009 (ALL WARDS)**

The Cabinet received a report which provided an update on the financial and performance position for the first quarter of 2009/10.

The report and supporting Annex and its Appendices detailed the progress against the Council Plan milestones; the Strategic Investment Plan (SIP), the 2009/10 forecast budget monitoring position for the General Fund, Housing Revenue Account and Dedicated Schools Grant, the Council's Strategic Investment position as at 30 June 2009, the national, regional and local position in relation to the Local Government Pension Scheme (LGPS), and the Council's position in respect of borrowing and the financing of the Council's Strategic Investment Plan, including a recommendation for the approval for variations to the Strategic Investment Plan as outlined in paragraph 6.5 and 6.6 of Annex 1- Section 6 to the report.

In Quarter 1, 29 out of 34 (85%) of Council Plan milestones were on schedule. The remaining 5 were off schedule, details of which were set out in Annex 1 (Table 2) to the report.

In the General Fund budget, all directorates were anticipating a spend on budget at the year-end, after taking action to mitigate current identified pressures. An over-commitment of £3.596 million remained in non-delegated budgets. This would be addressed by management action in relation to the Value for Money Programme. The Housing Revenue Account was projecting a reduction of £114,000 in the budgeted balance at the year- end. Schools were currently forecasting to spend on budget.

The total Strategic Investment Plan expenditure to date of £16.986 million (12.9% of the Plan) had been incurred up to 30 June 2009. This was ahead of comparative figures for previous years. The proposed variations and reprogramming would increase the revised Plan to £131.700 million for 2009/10 from a figure of £130.504 million approved at Cabinet on 17 June 2009.

Following the fall in the Pension Fund Valuation and its effect on the council's 2008/09 Statement of Accounts, Section 7 in Annex 1 of the report which was considered at Minute CAB25/08/09 below, summarised the current national position of the Local Government Pension Scheme, and its potential effects on the Council's finances. This was a recognised national issue and the Council would be monitoring this position very closely over the coming months as preparation for the triennial valuation began.

Cabinet on the 17 June 2009 had requested that a review be undertaken of the level of debt within the Council with a report to be submitted to this Cabinet meeting. Annex 1 in Section 8 of the report set out current and projected levels of borrowing, and the implications for future financial planning.

The Mayor and Cabinet Members raised a number of concerns regarding the Council's current financial position.

The Mayor stated that a report dealing with the Council's budget issues would be submitted to

Finance and the Chief Executive would meet on a fortnightly basis to monitor and review the budget, where necessary.

RESOLVED that the achievements made in relation to the delivery of the Council Plan Milestones to 30 June 2009 as set out in Annex 1 Section 10 to the report be noted.

EXTRACT

From the draft minutes of Finance Sub-Committee on 19 August 2009

F56/08/09 2009/10 QUARTER 1 FINANCE AND PERFORMANCE MANAGEMENT REPORT

Before considering the detail of the report, an issue was raised about proposals to submit in-year budget changes to an extraordinary Council meeting on 29 September 2009. Members queried whether there was an intention to submit this information to the Finance Sub-committee prior to the Council meeting. Members were advised that in year budget changes require a decision of Full Council and for this reason an additional meeting had been arranged for 29 September 2009. Officers agreed to seek clarification on this matter and to circulate this information to members of the sub-committee by the end of the week.

The sub-committee considered the report which set out the 2009/10 Performance and Financial Management Position for the first quarter. The Chair reminded members that the Finance Sub-committee would be focusing on the financial aspects of the report and that performance information will be referred to the Overview and Scrutiny Committee for consideration.

The sub-committee noted that budgets for service areas previously within the Organisational Improvement Directorate had been transferred intact to the new organisational structure.

In particular, the sub-committee considered the following:

Strategic Management of the Council's Budget

The sub-committee clarified that the outturn report for 2008/09 had indicated reprogramming into 2009/10 of £8.039m and this had been approved by Council as part of the approval of the final accounts.

Value for Money Programme

The chair raised an issue about the level of detail contained in the report in relation to the value for money programme. He stated that it was his understanding that Cabinet had agreed to include this information in budget monitoring reports, and as the detail was not contained in the report, he had requested that this information be provided to the sub-committee for this meeting. He expressed concern that this information had not been provided.

Officers indicated that the report set out a total value for money target of £11.5m for 2009/10 and that at the end of Quarter 1 the Council has achieved and/or has plans in place to deliver £7.7m of this target. These savings have been incorporated into Directorate budgets. A review is currently being undertaken of the workforce efficiency related targets that make up the majority of the shortfall and this will be considered by Cabinet in September before being referred to the Finance Sub-committee. For this reason the information was not available to be provided to the sub-committee.

The sub-committee noted that the report provided to the sub-committee was the same report as that considered by Cabinet without emissions.

The sub-committee suggested that it would be helpful to have more detail in budget monitoring reports on the value for money programmes showing a breakdown of the projects and an explanation where savings are not being achieved.

There was some discussion about the breakdown included in Appendix F in relation to the value for money programmes and it was noted that there appeared to be an inaccuracy in the figures quoted, with the variation calculated as £3.25m and not £3.8m as stated earlier in the report. The interim Director of Finance agreed to review this information.

Equal Pay and Equal Value

The sub-committee noted that the Council had submitted a capitalisation request to the Department of Communities and Local Government with a view to resolving outstanding equal pay issues. There was some discussion about the risk to the Council of new claims in the light of recent advertisements in the press from a local solicitor encouraging claimants to come forward. The sub-committee asked for confirmation of the agreement reached last year in relation to equal pay claims.

Strategic Investment Plan

The sub-committee noted that to date income generated from capital receipts was £300,000, against an original target of £17.282m for 2009/10. This has been reduced to a target of £14.4m by the management of grant between years. The sub-committee was informed that the target for capital receipts was monitored across the whole year and was not set on a quarterly basis due to the lead in time required for marketing and disposal of sites. It was noted that the list of assets to be offered to the market include those previously declared as surplus, together with those agreed for sale at the last Cabinet meeting. In addition, in order to manage risk in the current market, plans are being drawn up for auction sales as a backstop position. The strategy for capital receipts was monitored on a regular basis by the Strategic Investment Group.

The sub-committee was informed that capital receipts are not allocated against specific projects in the strategic investment plan but are matched against the whole of the capital plan. It was noted that any shortfall against the plan would be reported as soon as possible and mitigating action taken to address the issue. It would be unusual for capital receipts to be in place at the start of the budget.

Members raised some concern about plans to sell Council assets at the current time given the market conditions. Some Members highlighted the need to consider a more innovative approach, including whether the assets could be used to generate an income stream in other ways.

There was some discussion about recent Council press releases concerning the Council's current financial situation. The Interim Director stated that the Council's current financial position was as set out in the report to the committee. It was noted that there was a potential shortfall in relation to the Strategic Investment Plan if the target capital receipts are not received. The situation is being monitored and the potential shortfall has been reported as part of the budget monitoring process. The Interim Director also stated her view that the Council is not in a Section 114 position.

Pay Award

There was some discussion about the likely level of pay award set out in the report. It was noted that the pay award was still under negotiation and therefore the report sets out the position as currently understood.

VAT Partial Exemption

The sub-committee noted the information set out in the report in relation to the VAT partial exemption calculation. It was noted that this issue was identified on the risk register and is therefore included in the report. It was requested that information on action being taken to mitigate this risk be included in the next budget monitoring report in September.

CHRIS Project

The sub-committee sought clarification of the £1.7M goodwill payment from the CHRIS project which was listed in Table 3 as additional income. It was noted that the sub-committee had previously asked for additional information about the arrangements for the joint venture company and that a response on this issue should be included with this information.

In year changes to the Council Plan

There was some discussion about when changes to the Council Plan will be implemented and how changes will be made clear to Members. It was noted that changes to the Council Plan would be included in the report to Council on 29 September 2009.

Members highlighted the financial implications of changes to the Council Plan. In particular, members raised an issue about the Connected Borough initiative and what the current position is in relation to this project. It was noted that this related to an opportunity cost and there are no financial implications in relation to this initiative as it was not included in the budget. The sub-committee requested an update on this at the next meeting in September.

Commercial Directorate

The sub-committee sought clarification of the re-alignment of interim positions and the details of the overspend on Telephony charges and requested additional information be provided on these issues.

Grant Income

Members raised an issue about grant income and the possibility of grant income masking the underlying budget position. This was particularly in reference to additional information provided on grant income for 2008/09 for the Children, Young People and Learning Directorate. It was noted that there was likely to be less grant income available in future years. The sub-committee suggested that this issue be reviewed during the year and could form part of the work of the Budget and Council Plan Study Group.

Content of the Appendices

The sub-committee made the following comments in relation to the information contained in the appendices:

Appendix A – more detail should be included, for example to explain the PFI contribution. These lines should be disaggregated.

Appendix C – Information should be included to explain the highlighted risk in relation to the Waste Strategy.

Appendix E – to provide a written response in relation to the overspend in relation to the interim head of service for policy and performance and whether the overspend will reduce if this position is only filled until December 2009.

Appendix F – more detailed explanation required of the 200K shortfall in recruitment advertising – to be included with the information on the Value for Money projects.

Appendix H – members raised concern that the committee is not able to get a clear picture of overspend on the total budget for individual capital projects, especially where these projects span a number of years. Although Cabinet is asked to agree one off increases to the budget where specific issues arise, there is not an opportunity to review the budget as a whole across the life of the project. It was suggested that the sub-committee could undertake a piece of work to review this issue, possibly on a case study basis using an approach based on the 4ps gateway review process.

It was AGREED that:

1. The following recommendations be referred to Cabinet:
 - i. In relation to the sub-committee's concerns about the £3.8m of outstanding workforce efficiency-related targets under the value for money programme, that Cabinet:
 - review the accuracy of figures contained in Appendix F of the report in relation to the Corporate Accounting Value for Money variations;
 - ensure the projected savings can be achieved, or that alternative action is put in place to achieve the required savings.
 - ii. That Cabinet reconsider the policy of auctioning Council assets to meet the projected shortfall in capital receipts needed to fund the Strategic Investment Plan.
 - iii. That Cabinet investigate and review the monitoring processes in place to report overspends on individual projects within the Strategic Investment Plan to both Cabinet and the Finance Sub-committee.
2. The Chair of the Sub-committee write to the Chair of the Overview and Scrutiny Committee highlighting that proposed in-year changes to the Budget and Council Plan are due to be submitted to Council on 29 September 2009 for approval, and expressing concern that there will not be an opportunity to scrutinise these proposals before the Council meeting.
3. The following additional information be provided to the Sub-committee:
 - Clarification of the decision making process in relation to proposed in-year budget changes;
 - Clarification of the value for money programme, including the accuracy of the figures contained in Appendix F to the report;
 - Information on the agreement reached last year in relation to Equal Pay;
 - An explanation of the £1.7M goodwill payment in relation to the CHRIS project;
 - Information to be provided to the next meeting on the financial implications of the Connected Borough initiative;
 - Information on the realignment of interim positions and the overspend in relation to telephony charges for the commercial directorate.