

Business Overview and Scrutiny Committee
Wednesday, 4 March 2020

REPORT TITLE:	Financial Monitoring Report Quarter 3 2019/20
REPORT OF:	Director for Business Services (Assistant Chief Executive)

REPORT SUMMARY

This report sets out the financial monitoring information for the Business Overview & Scrutiny Committee. The report provides Members with detail to scrutinise budget performance for this area of activity. The financial information covers the financial information as at quarter 3 2019/20.

Information has been drawn from the relevant sections of the most recent Cabinet revenue and capital monitoring reports and combined with additional relevant service information to produce a bespoke report for this Overview & Scrutiny Committee. The report includes the following:

- Performance against the revenue budget (including savings).
- Performance against the capital budget.

RECOMMENDATION/S

That Members of the Business Overview and Scrutiny Committee note the report and appendices and give their views.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Overview and Scrutiny Committees receive regular financial updates throughout the year. These allow Committees to understand the financial position of the Council and to scrutinise decisions and performance as required.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable

3.0 BACKGROUND INFORMATION

3.1 Capital Programme 2019/20 Position

Table 1 – Capital Monitoring at Quarter 3

Programme	Budget £m	Forecast £m	Variance £m	Variance %
Business Management	12.915	11.076	1.839	14%

- 3.1.1 Table 1 provides the full year capital budget and forecast position for 2019/20. A number of significant variations have arisen since the programme was agreed in March 2019. These include the inclusion of additional grant funded schemes, variations to spend forecasts and the re-profiling of expenditure into and out of the 2019/20 financial year. Further detail is provided below.

3.1.2 Business Management Capital Programme

- **Digital Corporate Storage** (£0.46m decrease): A reassessment of the budget requirement indicates that costs will be less than anticipated with some of these savings utilised to fund the additional schemes referred to above in the Windows 10 project.
- **Key Route Network** (£0.9m increase): Funding brought forward from 2018/19 (£0.3m increase). Additional costs will be incurred in respect of cabling on the A41. Transfer from the savings on the street lighting budget (£0.6m increase).
- **Sustainable Transport** Funding brought forward from 2018/19 (£0.47m increase)
- **Transport Advisory Group Feasibility Studies** (£1.18m increase): Additional grant funding was approved by the Combined Authority on 26th July 2019. The A41 North Corridor scheme (£0.65m increase) and the Wirral Waters scheme (£0.53m increase).
- **Tower Road National Productivity Investment Fund** (£0.51m decrease): Design and procurement of the scheme have taken longer than originally anticipated. Contractor has yet to be appointed.

- **Windows 10** (£0.96m increase): The programme to provide all staff with the latest Operating System (Windows 10) and additional software to enable agile working is continuing. Three additional areas of work have been identified: Computer Aided Design and Geographical Information Systems; school's installations; the additional demand for docked type monitors. The net additional requirement for this year (£0.35m) can be funded from savings anticipated in the Digital Corporate Storage scheme.
- **Enterprise Resource Planning** (£4.10m decrease): Soft market testing has been undertaken and suppliers have profiled their cloud-based offer. We are now approaching the procurement phase but the significant costs will only start to be incurred in the following financial year.
- **Treasury and Hamilton Data Centre** (£0.50m decrease): I.T have rescinded this scheme due to the life of the Treasury building being extended for a longer period of time. A future bid may be required if/when the longer-term future of the Treasury building is decided.
- **Worksmart I.T.** (£0.38m decrease): The residual budget for this project has now been reallocated to fund additional works required as part of the Windows 10 project.

3.2 Revenue Programme 2019/20 Position

3.2.1 Business Management: Forecast £0.832 Adverse Position

The £0.832m forecast adverse position reported at Quarter 3, is an increase of £0.403m from the Quarter 2 forecast position (£0.429m). The adverse position is largely due to expectations that income budgets will not be fully achieved and increased costs from the Coroners Service will be incurred. Some pressures are forecast to be managed by employee vacancy savings.

Table 2: Business Management 2019/20 Full Year Revenue Budget and Forecast Position

	Full Year				
	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv)	%	
Directorate Items					
Change & Organisational Design	5,014	5,114	(100)	-2%	Adverse
Finance & Investments	(20,621)	(20,746)	125	1%	Favourable
Commercial Management	(588)	(147)	(441)	-75%	Adverse
Strategic Commissioner Environment	16,485	16,485	0	0%	
Governance & Assurance	3,961	4,377	(416)	-11%	Adverse
Directorate (Surplus) / Deficit	4,249	5,081	(832)	-20%	Adverse
Support / Admin Building Overhead	0	0	0		
Total (Surplus) / Deficit	4,249	5,081	(832)	-20%	Adverse

3.2.2 Change & Organisational Design

- There is a £0.260m adverse variance in Communications and Marketing due to a shortfall in advertising income, both on roadside sites and the Wirral View publication. Wirral View has now closed to stop expenditure continuing. The overall position is mitigated by further recruitment delays in HR department and Digital as a result of the recruitment freeze, resulting in a £0.100m net adverse forecast variance.

3.2.3 Finance & Investment

- There is a £1.2m adverse forecast variance reported due to a reduction in the Housing Benefit Admin Grant from the Department of Work and Pensions (DWP), which is reduced each year and replaced with ad hoc grants. These are insufficient to replace the shortfall however. This pressure has been managed through a favourable variance within Employees due to part year staffing vacancies and the freeze on recruitment.
- £0.783m costs of pension strain contributions for employees who retired after April 2016 will be funded from the flexible use of capital receipts (FUCR).
- A £0.100m favourable variance is anticipated in Treasury Management, due to a reduction in interest payable and a small saving (£0.020m) relating to the employer pension contributions.

3.2.4 Commercial Management

- There is a £0.107m adverse forecast variance due to a projected shortfall of income within the Design Team, the team are not operating at full capacity due to staff vacancies. Recruitment for these roles are underway which are expected to improve income.
- There is also a predicted £0.334m shortfall in income as a result of customers largely choosing not to buy-back Wirral Council services, or not to continue to buy-back services following initial buy-back agreements having ceased.

3.2.5 Governance & Assurance

- The key driver for the deficit is within the Coroners service. The deficit position is due to an increase in accommodation costs, an increase in demand for the service and a change in the contractor used for the removals service. Currently the risk is not mitigated, but analysis is being undertaken with Liverpool City Council as this is a shared service, with the aim of reducing expenditure in future years.
- There is also £0.150m of agency costs included in the forecast that will be funded via the flexible use of capital receipts

4.0 FINANCIAL IMPLICATIONS

- 4.1 The financial implications of this report are discussed throughout the report. This is essentially a financial monitoring performance update report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 There are none directly relating to this report. The monitoring of financial performance is important to ensure robust financial control procedures are in place. The Council faces financial challenges in this period as it seeks to increase income, reduce costs whilst transforming its approach to services. There is a risk in future years that the Council does not achieve a planned approach.

8.0 ENGAGEMENT/CONSULTATION

8.1 No consultation has been carried out in relation to this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications at this time.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 This report has no impact on emissions of CO2

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APPENDICES

BACKGROUND PAPERS

All information is sourced from the Core Finance System

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Council	4th March 2019
Cabinet – Financial Monitoring Outturn 2018/19	22nd July 2019
Cabinet – Quarter 1 Financial Monitoring 2019/20	2nd September 2019
Cabinet – Quarter 2 Financial Monitoring	25th November