

<b>Committee:</b>	<b>Performance Select Committee</b>	<b>Agenda Item</b>
<b>Date:</b>	<b>6 November 2007</b>	<b>6</b>
<b>Title:</b>	<b>Financial Performance</b>	
<b>Author:</b>	<b>Alasdair Bovaird, Chief Executive</b>	Item for noting

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### Summary

This report updates the Performance Select Committee on various actions required by the committee following its meeting of 27 September.

### Recommendations

1. That the up to date position set out in the Appendix to the report is noted.
2. That members advise on the format of the report and any alterations they would wish to see for future such reports.

### Background Papers

Minutes and reports to the Performance Select Committee, 27 September 2007

### Impact

Communication/Consultation	The report addresses actions that are being taken to ensure staff, members and the public are fully informed of progress on the council's financial management.
Community Safety	None
Equalities	None
Finance	This report is focused on the council's systems and processes for financial management. Parallel reporting to the Council and the policy committees will ensure that the council's overall financial position is clearly tracked.
Human Rights	None
Legal implications	None
Sustainability	None

Ward-specific impacts	None
Workforce/Workplace	Some of the issues being addressed have the potential for significant impacts on staff: these are made clear in the report and any specific changes will be addressed individually.

## Situation

1. At its meeting of 27 September, Performance Select Committee passed the following resolution:

*that the Committee notes with concern the failings of the Council's financial management processes and instructs the Chief Executive, in liaison with senior members, to take the necessary steps to restore the confidence of the public, members and staff in the Council's financial stability. It further instructs the Chief Executive to include in his report to Council details of the action taken and recommendations as to further steps required to address the weaknesses identified.*

*Furthermore, the Performance Select Committee needs to be re-assured that:-*

- *The Finance Department has the manpower and capability to execute its functions*
  - *Managers and budget holders are given the tools and the training to effectively manage budgets.*
  - *There is a clear and detailed plan to reduce the deficit so that break even can be achieved in 2008/09 and that this plan is monitored on a fortnightly basis.*
  - *There is a timetable for financial planning for 2008/09 and that this timetable is monitored fortnightly*
  - *That there is regular feedback on progress to Members, management and staff.*
2. This report is intended to bring members of the Performance Select Committee up to date with progress on the various strands of action that are underway. Member responsibility for financial monitoring rests with the budget-holding committees and the council itself, so this report addressed only questions of process and system development.
  3. In order to enable the report to be prepared and updated easily – thereby minimising the 'cost' in time to both officers and members of regular updating, a tabular format has been adopted. This format will allow future reports to be easily prepared. However, members are asked to consider whether the style of report meets their needs and whether there are other aspects of the council's current activity in these areas that they would wish to be specifically updated on.
  4. Members are asked to note specifically the intention to keep this report continuously updated and available for inspection on the council Intranet.

### Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
<b>That members are not aware of the current situation in terms of financial control and management</b>	<b>Low</b>	<b>High</b>	<b>This report will be submitted to all future meetings of PSC</b> <b>The report also sets out actions to ensure regular and frequent communication of current situation to all staff and members.</b>

**Appendix: Financial Performance – Update on main actions**

Updated on: 07/11/2007

	<b>Action</b>	<b>Status</b>	<b>Next action</b>	<b>Comment</b>
<b>Financial monitoring</b>	Establishing sound baseline reporting for all budgets	All HoDs have prepared returns for Finance Team on current year budgets, identifying potential in-year savings and other requirements	Service accountants to meet with budget managers to ensure full understanding of spending pressures and real service requirements	Information from this exercise will be consolidated and reported to members at Full Council in December
	Production of regular monthly reports to all budget managers	Already completed		Latest reports to managers for period to 30 September 2007.
	Support from finance team to enable managers to update budgets and expectations as appropriate	Support being provided to service managers by service accountants	Establish fully profiled budgets to ensure expected expenditure can be realistically identified alongside actual	
	Regular reporting of most recent available figures to members	Reports on current financial position are presented to budget-holding committees each cycle	Improve accounting systems to ensure that the raw reports which are produced by the system are ready for immediate use.	Current system and coding structure means that the automatic reports which are produced by the financial management system require significant manual interrogation before they can be meaningfully reported.

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<b>Savings in 2007-8</b>	Identify possible savings from current budgets	Each HoD has examined the budgets within their remit to identify possible savings	Consolidated returns to be produced to identify total savings achieved	These figures will not be ready until the exercise of assessing current budgets with accountancy support referred to above has been completed. Each HoD will need to be confident that they have a full understanding of their own service budgets.
	SMB reviewing all current spending proposals (including filling staff vacancies)	All spending proposals are pre-authorized by SMB on a weekly basis	To continue	Savings achieved are being logged, and will be reported alongside normal financial reporting (see below)
	Identification of opportunities to restrain expenditure on a corporate basis	A number of opportunities are being explored: member budgets; stock levels; paper usage	Group leaders have been asked to consult their groups on mechanisms to control expenditure on member budgets	There will be a continued examination of opportunities to save money across the organisation. The examination by SMB of all expenditure is enabling areas of potential saving to be identified. As proposals are developed they will be reported to members.
	Voluntary severance programme	Staff have been asked to indicate by November 2 if they wish to take voluntary redundancy or early retirement.	SMB meets on 6 November to agree which staff can be allowed to leave.	
	Management Restructure	Process for reducing the current four directors to three is being agreed.	Consultation among those affected on the process.	It is intended to move the restructure forward as quickly as possible, but it is necessary to ensure that the process is both fair and legally robust.
	Organisational Re-engineering	Review of central services (committee services, corporate	Review of planning service to begin on November 5.	The OR team is now up to full strength. They have resumed production of a weekly update to ensure that all stakeholders are

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		administration etc) is underway		kept informed of progress.

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<b>Developing sound financial planning</b>	Heads of Division developing budget options for 2008-9	Heads of Divisions have been given indicative targets for budget savings and are preparing proposals and implications of savings options	Returns from each Head of Division to be consolidated and options presented to councillors for consideration.	While some options emerging are relatively straightforward, there are likely to be difficult decisions which will need to be fully considered by members at the time of budget-setting.
	Review of Medium Term Financial Strategy	Not yet underway	Identify implications for Uttlesford of the Comprehensive Spending Review announcements	UDC will need to consider the full implications of the CSR, other budget pressures and contingencies and the need to manage and maintain a reasonable level of reserves and balances over the next four years.
<b>Financial Health Indicators</b>	Proposals for overall indicators being incorporated into corporate plan	Suite of indicators to be identified to be incorporated into corporate plan.		This request was originally made by PSC at its first meeting following the 2007 election. A number of potential indicators are available, but only limited progress on identifying a suitable set of measures has been made.
<b>Financial management training</b>	Heads of Division training programme	HoDs training is underway.	Financial training for budget managers is scheduled, together with ongoing one-to-one support from service accountants to budget managers	Interviews for new service accountants are currently taking place. One applicant has so far been offered, and accepted, an offer. It is expected the service accountant team will be at full capacity by 31 December 2007
	BCE funding bid	A 'context statement' is	The statement will	

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		being prepared to support an application for funding from the Building Capacity Fund	be submitted to the BCE panel along with a bid for support for capacity development.	



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<b>Finance Division capability</b>	Recruiting full team	A further permanent appointment has been made to a service accountants post.	Further interviews are scheduled in the week beginning 5 November	There continue to be obstacles to completing the recruitment process: outstanding personnel issues and the unavailability of HRA expertise mean that there will continue to be a need to engage consultancy support over the next few months.
	External mentoring	An appropriate mentor for the Acting Chief Finance Officer has been identified	Arrangements for the appropriate level of support need to be agreed between the mentor and the ACFO.	
<b>Communication</b>	Intranet publication of material	A dedicated Intranet page is being prepared to bring together all key reports and updated information.	Staff and members will be circulated with the page address when it is ready.	In the meantime, most of the information that is presented to members and staff already appears on the intranet through the committee management system etc.
	Regular communication to staff and members of progress	The first fortnightly e-mail bulletin was circulated to staff and members on 19 October	Further bulletins will be produced on a fortnightly schedule.	
	External communication	Uttlesford's financial position continues to be of significant interest to the local press and to partners	Continue to deal with requests for information as they arise.	We will need to incorporate further information on our financial standing into the material that supports public and stakeholder consultation on the budget options.

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