

Committee: Performance Select Committee
Date: 5 February 2008
Title: Finance Section structure, processes and reporting
Author: Adrian Webb, Acting Chief Financial Officer 01799
510421

**Agenda
Item**
5

Summary

1. This report presents a picture of the current structure within the Finance Team and issues still to address. It also looks at changes to the way in which the budget building process is audited. The final part of the report sets out the reporting and review mechanism for on-going budgetary control.

Recommendations

2. That the report is noted.

Background Papers Background Papers

3. None

Impact

Communication/Consultation	Consultation with relevant budget holders is continuing around setting and monitoring.
Community Safety	There are no specific community safety implications contained in this report
Equalities	There are no specific equalities implications contained in this report
Finance	This document outlines the structure and monitoring of the Finance processes
Human Rights	There are no specific human rights implications contained in this report
Legal implications	There are no specific legal implications
Ward-specific impacts	There are no specific ward implications contained in this report
Workforce/Workplace	There are no specific workforce/workplace implications contained in this report

Situation

4. Attached as Appendix One is a current staff structure chart. In September 2007 there were two members of staff on employed short term contracts, who have now been made permanent. Two further appointments have been made to the service accountant structure. There remains a vacancy within the senior management of the section. The intention had been to appoint a Chief Financial Officer once the skill sets of the successful candidate for the Director of Central Services post was known. With the October round of voluntary redundancies and the current review of existing vacancies the Finance team have lost two significant posts, the Head of Finance and the Principal Accountant (Technical).
5. The council needs more fully qualified accountants there is currently only one person in the authority with a CCAB qualification, prior to September 2007 there were four. It was possible that the new Director could have been a second leaving one more to appoint. However with the new Director post being put on hold we are currently investigating other ways of meeting our need for qualified accountants. Initial discussions with Essex County Council look promising and are being further explored.
6. A complete overhaul in the way in which the budget setting, reporting and monitoring is currently being undertaken. An initial independent review is being undertaken by the former Chief Executive of Westminster City Council, Bill Roots. Mr Roots has also been a Director of Finance and has been recommended to the Council by the Audit Commission. His fee is being paid for by the Building Capacity East programme. His review started on 25 January and an update should be available for this meeting.
7. There has been a lot of comment and criticism directed towards internal audit and the Audit Commission as to why some of the issues were not identified earlier. There has already been an earlier report to this committee outlining future audit processes. The key process which should identify over optimistic expectations is the review by Internal Audit of the non-service related budgets which will be undertaken between October and December each year. It is important to note that the service budget holders were spending within their allocated budgets. The work undertaken has identified that, in the main, over optimistic expectations elsewhere lead to overstated service budgets.
8. The Finance Team are currently introducing both budget profiling and commitment accounting. Both will make significant improvement in the way in which we monitor budgets. Commitment accounting is by far the bigger project as it involves completely changing the way in which we order goods and services. Profiling is easier but more prone to initial inaccuracy whilst the spend pattern is being established. Some of the initial reasons given by Heads of Division (HoDs) in 10 below may well be that the profile was wrong.
9. Budget monitoring processes have been, and will continue to be further, strengthened. Monthly reports on both revenue and capital spend now go to all budget holders and they will shortly be required to sign and return these with details of any future changes that they are aware of. They will also be required to provide answers for any significant variations to their budgets and how these are being addressed (see 10 below).
10. Monthly updates to Senior Management Board (SMB) of those budgets in excess of a pre-determined variance will be undertaken. HoDs and/or budget holders will, where necessary, be expected to attend to further elaborate on the explanations provided.

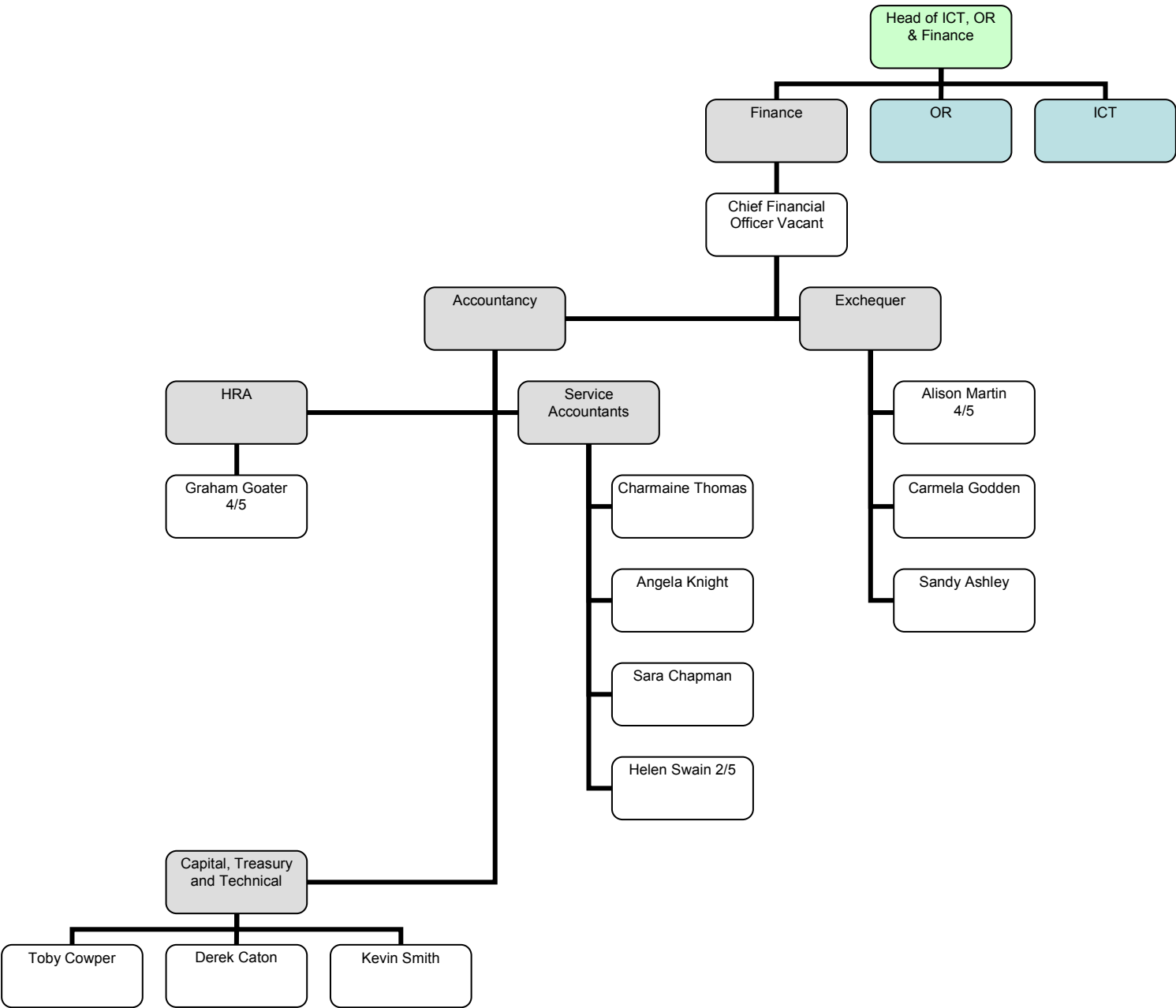
11. At each committee cycle budgetary information will be provided to enable Members to further scrutinise budget spend. Some committee dates mean that it will be necessary to circulate late reports. For example Environment and Community Committees are on the 11 and 13 March. Distribution dates for the agenda and reports is 3 March which is the first working day of the month and will be the date the budget holders reports are produced. We will need at least five working days to circulate the reports to HoDs, get the replies and turn it into a report. Members may feel that consideration should be given, in future years, to amending the cycle of meetings to fit more into a quarterly review cycle.
12. Attached as Appendix Two is the current format in which updates are currently being provided. This would appear to be information presented in a way in which most people would struggle to interpret it. Attached as Appendix Three is the same information provided using traffic lights. Comment would be required where the colour is either red or amber. The colour of the previous cycle would be included to enable a level of trend analysis. This is at an early stage and is far from being the final version. **Member opinion on the format and information to be included would be useful.**

Risk Analysis

13. The following have been assessed as the potential risks associated with this issue.

Risk	Likelihood	Impact	Mitigating Actions
The council fails to employ the required number of qualified CCAB accountants	MEDIUM The council has always struggled to recruit such staff	HIGH Statutory role of S151 Officer requires the person to be CCAB qualified	Discussions on-going with potential partners.
The auditors (both internal and external) fail to identify budget discrepancies	MEDIUM The new way of working will involve new practices which will require some time to adapt to.	HIGH Potential for budget deficit issues	Better working between Internal Audit and the external auditors (Audit Commission)
Finance Section fail to provide budget information and/or HoDs fail to provide adequate answers	LOW New procedures and better budget understanding	HIGH Potential for budget deficit issues	None needed
SMB and/or Members fail to take corrective action when problems are identified	LOW New procedures and better reporting. In addition hindsight will not let this happen	HIGH Potential for budget deficit issues	None needed

Appendix One



Actuals 2006/07	Original Budget 2007/08	Re-stated Budget 2007/08	Budget to 31 August 2007	Actuals to 31 August 2007	Service		Over/(under) spend to 31 August 2007	Projected Outturn 2007/08	Projected Variation Compared to Re-stated Budget	Note
£ 91,999	£ 84,710	£ 86,750	£ 34,783	£ 37,172	Leisure Management	- Expenditure	£ 2,389	£ 91,210	£ 4,460	□ 1
831,186 (554,015)	873,250 (548,030)	873,250 (548,030)	291,083 (153,355)	288,815 (153,189)	Leisure PFI	- Expenditure - Income	(2,268) 166	873,250 (548,030)	0 0	2
79,892 (34,704)	86,340 (32,100)	88,610 (32,100)	36,921 (13,200)	37,969 (16,000)	Leisure Administration	- Expenditure - Income	1,048 (2,800)	95,350 (34,900)	6,740 (2,800)	1
63,561 (8,019)	78,270 (19,270)	79,280 (19,270)	33,033 (13,000)	28,995 (10,546)	Sports Development	- Expenditure - Income	(4,038) 2,454	59,280 (19,270)	(20,000) 0	3
58,153 (17,458)	84,310 (23,190)	84,310 (23,190)	33,206 (3,664)	10,665 (3,664)	Day Centres	- Expenditure - Income	(22,541) 0	79,310 (23,190)	(5,000) 0	4
74,084 (11,899)	76,710 (11,790)	78,030 (11,790)	32,297 0	26,628 0	Community Info Centres	- Expenditure - Income	(5,669) 0	78,030 (11,790)	0 0	
40,210 (6,525)	96,400 (6,150)	97,290 (6,150)	40,538 (2,563)	21,428 (4,720)	Youth & Arts Development	- Expenditure - Income	(19,110) (2,157)	47,290 (6,150)	(50,000) 0	5
278,172 (32,297)	261,940 (33,480)	265,790 (33,480)	121,170 (13,352)	117,698 (8,522)	Museum	- Expenditure - Income	(3,472) 4,830	275,210 (33,480)	9,420 0	1
170,245 (37,255)	186,350 (35,000)	186,350 (35,000)	159,305 0	157,955 0	Grants & Contributions	- Expenditure - Income	(1,350) 0	186,350 (35,000)	0 0	

Notes:

- 1 Staff turnover unlikely to be achieved
- 2 The PFI provider has notified a possible error in the charge they make and are looking for an increase from now on, this is being investigated
- 3 £20,000 funding for Outreach workers not required (only £10,000 required and funding has been found externally)
- 4 Delayed appointment of Day Centre Manager
- 5 £50,000 funding for Z bikes now achieved externally

	Variation < 5%
	Variation 5% - 10%
	Variation > 10%

Service	Original Budget 2007/08	Actuals to 31 August 2007	Over/(under) spend against profile 31 August 2007	Performance 1 April – 15 June	Performance 1 April – 31 August	Head of Division Comments EXAMPLES ONLY
Leisure Management	84,710	37,172	2,389			External legal costs were more than expected
Leisure PFI	325,220	135,626	(2,102)			
Leisure Administration	54,240	21,969	(1,752)			
Sports Development	59,000	18,449	(1,584)			
Day Centres	61,120	7,001	(22,541)			There has been a delay in receiving invoices from a supplier which distorts the figures
Community Info Centres	64,920	26,628	(5,669)			Three vacancies in July
Youth & Arts Development	90,250	16,708	(21,267)			Grants due to be paid to youth events have been delayed as a result of postponement due to inclement weather. Events rescheduled for October
Museum	228,460	109,176	1,358			
Tourism	121,080	61,635	3,781			
Grants & Contributions	151,350	157,995	33,650			Grant of £35,000 expected in July now due to be received in September