

26 NOVEMBER 2018**Forecast Revenue and Capital Outturn for 2018/19 – Quarter 2 period ended 30 September 2018****Ward(s)** All

Portfolios: All - specifically in relation to Resources and Transformation -
Cllr M Bird – Leader of the Council
Cllr A Andrew – Regeneration (Money Home Job)
Cllr G Perry – Community Leisure and Culture (Partnerships)
Cllr A Harris – Personnel and Business Support

Executive Summary:

This report summarises the forecast revenue and capital financial position for 2018/19, based on the position to September 2018, both for the council as a whole, and for services within the remit of the Scrutiny Overview committee in relation to the Resources and Transformation directorate.

The revenue position is a forecast overspend of £2.4m for the council as a whole, but a predicted underspend of £157k for Resources and Transformation, as reported as part of the budget report to Cabinet on 24 October 2018.

The capital position is a forecast underspend of £3.55m for the council as a whole, of which £3.52m is proposed to be carried forward into 2019/20. For Resources and Transformation, we predict an under-spend of £2.05m of which £1.65m is expected to be requested to be carried forward into 2019/20.

Reason for scrutiny:

To inform the committee of the forecast financial position for 2018/19, to allow the scrutiny of the financial performance of the council and the services within the committee's remit.

Recommendations:**That:**

1. The committee is recommended to note the forecast 2018/19 year-end financial position for the council as a whole – a predicted revenue overspend of £2.4m and net capital underspend of £28k after proposed carry forwards into 2019/20. Action continues to be taken, and there is confidence that sufficient ongoing and one off actions will be identified to bring the revenue position back in line with the approved budget. The capital underspend will be set aside for emergency works and /or to meet any in year cash flow implications from the increased capital receipts target (should some of these receipts not arrive in year).
2. The committee is recommended to note the forecast 2018/19 year-end financial position for services within the remit of this committee – a predicted

revenue underspend of £157k and net capital underspend of £399k after proposed carry forwards into 2019/20.

Background papers:

Various financial working papers.

Draft Revenue Budget and Capital Programme 2018/19 – 2021/22, as reported to Cabinet on 24 October 2018.

Resource and legal considerations:

The 2018/19 budget was approved by Council on 28 February 2018, and is monitored and reported throughout the year to address key risks and pressures as they arise. Cabinet receives regular financial reports to allow it to oversee the financial performance of the council.

Council wide position

A number of significant risks and pressures have emerged during 2018/19 that has required action to be taken to limit the council's exposure, mainly within Adult Social Care and Children's Services. These are being managed via a combination of one-off actions (use of earmarked reserves, use of one-off grant, Every Penny Counts exercise) and ongoing actions (review of existing budgets and realignments where feasible). After corrective action, there remains a predicted revenue variance above budget of c£2.40m, as reported to Cabinet on 24 October 2018, with the detail shown at **Appendix 1**.

The above potentially impacts on general reserve balances. General reserves were £15.23m as at 1 April 2018. A year-end overspend of £2.40m would reduce reserves to £12.83m. Council accepted the recommendation of the S151 Officer in February 2018 to maintain an opening general reserve of not less than £14.6m. As the current level is forecast to be below the level required as at 1 April 2019, then replenishment would be required if the outturn position is not brought back in line with budget. At this point, management are confident this will be the case, mitigating any replenishment required.

The capital position is a forecast underspend of £3.55m for the council as a whole, of which £3.52m is proposed to be carried forward into 2019/20, thus a net underspend of £28k. Details provided at **Appendix 1**.

Position for services within the remit of this committee

The forecast outturn for the Resources and Transformation directorate as at the end of September 2018, is an under-spend of £157k against budget. This position incorporates the use of £1.54m of earmarked reserves.

The total capital programme is £24.81m. Forecast spend of £22.76m leaves an underspend of £2.05m of which £1.65m is projected to be carried forward into 2019/20, leaving an adjusted net underspend of £399k.

Further details are shown in **Appendix 2**.

Council Corporate Plan Priorities:

In order to meet the council's purpose and vision, the council will be focussing its' energy over the next four years on the following key priorities, recognising that it must do so with decreased and decreasing resources and concentrating efforts on those most in need:

- **Economic growth** for all people, communities and businesses.
- **People** have increased independence, improved health and can positively contribute to their communities.
- **Internal Focus** – all council services are efficient and effective.
- **Children** have the best possible start and are safe from harm, happy, healthy and learning well.
- **Communities** are prospering and resilient with all housing needs met in safe and healthy places that build a strong sense of belonging and cohesion.

Citizen impact:

Resource allocation is aligned with service activity and is undertaken in accordance with the council's corporate plan priorities.

Environmental impact:

The impact on the environment is considered in all aspects of financial forecasting.

Performance management:

Financial performance is considered alongside service performance. Managers are required to deliver their services within budget and there are comprehensive arrangements in place to monitor and manage this.

Reducing inequalities:

Services consider equality issues in setting budgets and delivering services. Irrespective of budgetary pressures the council must fulfil its equal opportunities obligations.

Consultation:

Consultation was undertaken as part of the budget setting process and throughout the financial year on the financial position and reporting thereof.

Contact Officers:

James Walsh - Executive Director, Resources and Transformation, ☎ 652322,

✉ James.Walsh@walsall.gov.uk

Stuart Wootton – Financial Planning Manager, Resources and Transformation,

☎ 652348, ✉ Stuart.Wootton@walsall.gov.uk

Forecast year end position 2018/19 – Walsall Council

Revenue

Table 1 summarises the 2018/19 revenue budget and the draft outturn after successful delivery of corrective actions (based on the September forecast).

Table 1: Forecast revenue analysis 2018/19 by Directorate			
Directorate	Net Budget £m	Year-end forecast After Corrective Action £m	Forecast Variation to Budget (Under) / Over £m
Adult Social Care	59.41	61.54	2.13
Children's Services	53.39	53.63	0.24
Economy & Environment	30.34	30.54	0.20
Resources & Transformation	29.07	28.91	(0.16)
Services Position	172.21	174.62	2.40
Capital Financing	18.67	18.67	0.00
Central budgets	(75.90)	(75.90)	0.00
Total council tax requirement	114.99	117.39	2.40

The main variances are as follows and these have been reported extensively to Cabinet and the relevant Scrutiny committee during the year. This is the first financial monitoring report to Scrutiny Overview committee.

- *Adult Social Care (ASC)* - currently forecasting an overspend of £3.86m prior to corrective action, primarily arising from increases in care package costs and loss of income (c£4m) and costs in relation to the community alarm service, whilst it is under review (£880k). This is offset by a staffing underspend of £190k following a detailed review of vacant posts and agency cover, and additional one off funding of £895k allocated by Central government. ASC have identified mitigating actions of £1.73m to further reduce the over-spend, leaving a remaining pressure of £2.13m. This mitigating action is mainly as a result of the earlier implementation of 2019/20 savings and review of income across the directorate.
- *Children's Services* - The current forecast overspend prior to mitigating action is £2.51m. The use of reserves and in year actions reduce this to £240k. These in year actions relate mainly to general efficiencies across the directorate and release of investment. The main pressures continue to be children's social care demand pressures, including increases in the need for legal support, social care support and social care assessments, along with demand for home to school transport.
- *Economy and Environment* - currently forecast to be overspent by £197k. This primarily relates to pressures within the domestic and garden waste collection service, co-mingled waste contract, asset management saving delays and depot cost pressures; offset by underspends on other disposal costs, including tonnage and performance fees; and over achievement of leisure centre income.

- *Resources and transformation* - currently predicting an under-spend of £157k. This is mainly within Money Home Job and ICT, offset by continuing pressures within IFM for centralised maintenance and energy costs.

A number of pressures are ongoing and these have been incorporated into the draft revenue budget, as follows:

- *Adult Social Care (c£4.77m)* – primarily relating to a shortfall in 2018/19 demand management savings, and a reduction in continuing health care income.
- *Children's Services (c£1.45m)* – in relation to home to school transport, social care pressures including legal support, assessment support and social care support; and a part non delivery of in year administrative support savings.
- *Economy and Environment (c£1.34m)* – deferral of asset management savings to 2020/21, pressures within the domestic and garden waste collection services, management savings, depot costs pressures, and the extension of the parking contract.

Capital

Table 2 summarises the 2018/19 capital programme and forecast outturn after the re-phasing of projects into 2019/20.

Table 2: Forecast capital analysis 2018/19					
Funding source	Budget £m	Predicted year end forecast £m	Variance before Carry forward £m	Carry Forward to 2019/20 £m	Variance Over / (Under) £m
Council funded	46.10	42.93	(3.17)	3.14	(0.03)
Externally Funded	64.45	64.07	(0.38)	0.38	0.00
Total	110.55	107.00	(3.55)	3.52	(0.03)

The council funded element of the capital programme currently shows a predicted underspend of £28k as shown in **table 3**:

Table 3: (Underspends)/Overspend 2018/19	
Project	£m
Schemes that support essential works including health and safety schemes	0.03
Aids and Adaptations – maximising grant	(0.32)
Darlaston Town Hall – asbestos and fire safety works	(0.04)
Council House – modern secure reception	(0.07)
Match funding of DfT grant for pothole works as approved by Cabinet on 5 September 2018	0.26
Improvement to facilities within the Arboretum, including improvement works to the Orchard Pavilion and Grange Playhouse, as approved by Cabinet on 5 September 2018	0.11
Total	(0.03)

The council funded element of the capital programme currently shows predicted re-phasing of £3.14m from 2018/19 to 2019/20 as shown in **table 4**. Re-phasing occurs for

a number of reasons such as late confirmation of grant approvals, timing of projects that may fall over more than one financial year, contract delays out of our control as awaiting funding or Government approval, etc.

Table 4: Re-phasing of Council funded schemes 2018/19 to 2019/20	
Project	£m
Fryers Road Sprinkler System	0.24
District Town Centre's Public Realm Improvements	1.25
Civic Centre heating	0.90
Council House rewiring	0.75
Total	3.14

APPENDIX 2

Forecast year end position 2018/19 – Resources and Transformation

Revenue

The forecast revenue outturn for 2018/19 for the services under the remit of the Scrutiny Overview committee is an under-spend of £157k, net of the use of earmarked reserves, as shown in **Table 5**. The forecast revenue outturn shown is based on actual information from the Oracle system as at the end of September 2018, and discussions with managers regarding year end forecast and achievement of approved savings.

Table 5: Forecast revenue analysis 2018/19 by Service			
Directorate	Annual Net Budget £m	Year-end forecast £m	Forecast Variation to Budget (Under) / Over £m
Communities & Partnership	1,989	1,929	(59)
Housing Standards & Improvements	184	170	(14)
Integrated Facilities Management	4,842	5,187	345
Money Home Job	5,311	4,911	(400)
Subtotal Business Change	12,325	12,197	(128)
Democratic Services	1,317	1,310	(7)
Electoral Services	508	614	106
Legal	1,673	1,685	12
Subtotal Legal & Democratic Services	3,498	3,609	111
Human Resources	2,288	2,248	(40)
Subtotal Human Resources	2,288	2,248	(40)
Finance	4,098	4,149	51
Payroll & Pensions	97	90	(7)
Information, Communication and Technologies	6,106	5,915	(191)
Procurement	654	703	48
Subtotal Finance / ICT	10,956	10,857	(99)
Total Resources and Transformation	29,067	28,910	(157)

Total earmarked reserves of £4.47m are available for use in 2018/19 (where approval has been given by Cabinet for additional funds for specific services). Within the reported outturn position a total of £1.54m of earmarked reserves are forecast to be used. It is expected that this figure will rise during the year as levels of activity become clearer.

The main variances are summarised in **Table 6** below.

Table 6 – Reasons for revenue forecast variance

Service	Variance £'000	Explanation of Year End Forecast
Communities & Partnership	(59)	Holding posts vacant ahead of restructure
Democratic Services	(7)	Salary underspends and overachievement of income
Electoral Services	106	Forecast £36k pressure relating to salaries, and £22k reduction in canvas grant. £48k further overspends on postage and other supplies and services
Finance	51	Forecast £86k pressure in CMT, offset by (£35k) underspend in Finance.
Payroll & Pensions	(7)	Forecast overachievement of traded income
Housing Standards & Improvements	(14)	Underspend on salaries and additional income from private sector housing
Human Resources	(40)	Pressures relating to E-learning licence offset by traded income overachievement
Information, Communication and Technologies	(191)	Underspend relating to reduced artwork on print and design (£101k), increased traded income from schools (£56k) and corporate assurance staffing (£36k)
Integrated Facilities Management	345	Overspend relating to centralised maintenance, and cleaning, partly offset by staffing and other underspends within service
Legal	12	Agency staff and supplies and services cost pressure part offset by vacancies
Money Home Job	(400)	(£597k) forecast overpayment recovery based on achievement to date, (£178k) movement in overpayment debtor and (£127k) forecast reduction of recovery costs. Part offset by £179k on IT system costs, £169k overspend on housing costs, £162k on agency staff, and (£8k) across various non pay elements
Procurement	48	Staffing cost pressure due to temporary staff working on delayed Adult Social Care and Highways procurement
Resources & Transformation outturn	(157)	

Where overspends are predicted, managers are required to identify remedial action that can be made within the service, and to report this as part of an action plan. Work to identify mitigating actions is in progress. It is expected that the majority of the forecast overspends within services will be mitigated in year through efficiencies in the directorate as a whole.

Included within the directorate budget for 2018/19 are £1.15m of approved savings, as shown in **table 7** below –

Table 7: Delivery of 2018/19 approved savings – Resources and Transformation

Saving	Total savings	Delivered (Blue)	To be delivered by 31/03/19 (Green)	Not fully guaranteed (Amber)	Not achieved (Red)
Charging for Appointeeships	15,000		15,000		
Reduction in grant to Citizens Advice Bureau	57,458	57,458			
Increase in income by the Insurance team	26,313		26,313		
Review and restructure in Finance and Financial Administration	65,472	63,472	2,000		
Review of staffing in Legal Services	31,612	31,612			
Restructure / efficiencies within Human Resources	101,470			31,470	70,000
Review of HR contracts - full year effect of 2017/18 approved savings	5,250		5,250		
Efficiency savings within ICT	60,321			60,321	
Efficiency savings across Procurement	8,783	8,783	0		
Review & efficiencies across Money Home Job	300,000	196,297	53,703	50,000	
Dividend review - Birmingham Airport - full year effect of 2017/18 approved savings	304,453	77,941	226,512		
Treasury management - review of debt portfolio - full year effect of 2017/18 approved savings	173,855	173,855			
Total approved savings	1,149,987	609,418	328,778	141,791	70,000

These savings are tracked as follows –

- Blue (delivered) - **£609k**
- Green (on track to be delivered with no issues) - **£329k**
- Amber (not fully guaranteed but no major issues expected) - **£142k**. Management action is required to ensure these are delivered or action plans in place; £31k balance of HR savings; £60k ICT efficiencies; £50k additional court fee income not fully guaranteed. These are all expected to be covered from underspends within the respective services.
- Red (high risk of not being achieved) - **£70k** - agreed to defer the full £101k efficiencies within Human Resources to 2019/20 due to support required during the change process, part mitigated by a one off carry forward of £70k from 2017/18, with a requirement for the balance to be found within service.

Capital

The capital programme for the directorate, as at the end of September 2018, is expected to carry forward £1.65m into 2019/20 with a net underspend of £399k. A list of schemes is shown in **Table 8**:

Table 8 – Capital Outturn 2018/19 – Resources and Transformation

SCHEME	2018/19 Budget £	Estimated Outturn £	Variance £	Carry forward to 2019/20 £	(Underspend) / overspend £
Council Funded schemes					
CCTV	255,999	255,999	0	0	0
Aids and adaptations	715,074	399,999	(315,075)	0	(315,075)
Bentley Community Facility	10,000	10,000	0	0	0
Darlaston Recreation Ground	0	148	148	0	148
Darlaston Town Hall-asbestos & fire safety works	99,900	55,900	(44,000)	0	(44,000)
Improving security in local neighbourhoods	2,927	2,927	0	0	0
HR Trent upgrades	7,229	7,229	0	0	0
IT Trent Upgrade 2016	26,806	26,806	0	0	0
ICT Wide Area Network	283,661	283,661	0	0	0
ICT-Safe and Secure Environment	5,901,000	5,901,000	0	0	0
Data backup system replacement	220,000	220,000	0	0	0
Data Centre Power Backup	309,220	309,220	0	0	0
Essential investment to remove cyber attack vulnerabilities	98,000	98,000	0	0	0
Essential microsoft upgrades & foundation for Office 365	274,336	274,336	0	0	0
Essential refurbishment Council's digital data storage facilities	1,224,081	1,224,081	0	0	0
Essential upgrade to Windows 2003	64,070	64,070	0	0	0
Essential warranty extension & eventual replacement of hardware for Council's finance system	16,325	16,325	0	0	0
High Level Parapet wall-Sneyd Vernon Way	94,350	94,350	0	0	0
Money home job core IT system	45,651	45,651	0	0	0
Refurbishment of Orchard Pavilion	100,000	100,000	0	0	0
Payment Card Industry Data Security	6,140	6,140	0	0	0
Replace Open Software Local Government Online	10,000	10,000	0	0	0
Service improvement cyber security (virus protection)	81,000	81,000	0	0	0
Service improvement single mobile device management solution (removal Blackberry technology)	51,000	51,000	0	0	0

SCHEME	2018/19 Budget £	Estimated Outturn £	Variance £	Carry forward to 2019/20 £	(Underspend) / overspend £
Finance Direct/Oracle	11,382	11,382	0	0	0
Council house cellar tanking	50,000	50,000	0	0	0
Council house drainage survey	18,300	18,300	0	0	0
Replace heating & ventilation system within link block	83,021	83,021	0	0	0
Solar panels	142,863	142,863	0	0	0
Civic centre essential maintenance	13,526	13,526	0	0	0
Civic centre heating	1,199,818	299,954	(899,863)	899,863	0
Community Association Refurbishments	77,958	77,958	0	0	0
Council house building management system (BMS)	70,000	70,000	0	0	0
Council house rewiring	999,909	249,978	(749,931)	749,931	0
Schools project	483,235	483,235	0	0	0
Transformation Programme	455,000	455,000	0	0	0
Walsall Council House-modern secure reception	106,000	40,000	(66,000)	0	(66,000)
Walsall Town Hall-roofing repair system	61,500	61,500	0	0	0
Procurement system for (HRMS) and Oracle EBS financials	2,759,854	2,759,854	0	0	0
Willenhall Lane Travellers Site	85,000	85,000	0	0	0
Health through warmth and related Retro Fit schemes	134,135	134,135	0	0	0
Allocation of health and safety works	723,836	749,852	26,016	0	26,016
Capital investment earmarked reserve	4,865,007	4,865,007	0	0	0
Externally Funded schemes					
Disabled facilities grant	2,145,000	2,145,000	0	0	0
Off gas scheme	430,602	430,602	0	0	0
Total Capital – Resources and Transformation	24,812,715	22,764,009	(2,048,705)	1,649,794	(398,911)

In 2017/18, due to a range of streamlining processes and changes in eligibility on a national level, the mainstream funding for aids and adaptations was not fully utilised. The surplus was used to fund other schemes in the capital programme and offset pressures in centrally funded schemes. It is currently predicted that £315k for Aids and Adaptations will not be required in 2018/19 (as shown above), thus the main reason for the underspend currently being reported. Cabinet on 5 September 2018 agreed to utilise this underspend to fund council match funding towards DfT grant for pothole works, and improvement works to facilities in the Arboretum.

All schemes funded from external sources will be maximised where possible in year to minimise any payback.