

Audit Committee – 28 February 2011

Corporate Financial Performance 2010/11

1. Summary of report

- 1.1 This report details the corporate financial performance for quarter 3 (to 31 December 2010) of the financial year, including financial pressures and their potential effect on year-end forecasts for both revenue and capital. The report highlights a revenue overspend of c£0.375k, the reasons for which are highlighted in the report. The capital programme is currently forecast to be underspent by £3.26m, which has already been earmarked by Cabinet in November.

2. Recommendations

Audit Committee is requested to note the currently predicted year end forecasts and action being taken to address this.



James Walsh
Chief Finance Officer

3. Governance

- 3.1 Managers are required to deliver their service targets and improvements within budget. Small variations are normal on a gross revenue budget of £747m. Monitoring of performance against budget takes place on a monthly basis with reports distributed to accountable officers. Corporate Financial Performance is reported to Cabinet throughout the financial year. Scrutiny panels and Audit Committee also receive quarterly position statements. The primary purpose of this report is to advise Audit Committee of the position and the mechanisms and controls by which the council is managing a challenging financial position in order to provide assurance to the Audit Committee in their role.

Where overspends are reported, these are required to be managed in year wherever possible. Corrective actions plans are drawn up and reported to Corporate Management Team, senior management teams and members. In addition, the council has a small contingency for use where service pressures arise after the budget is set – for example, introduction of legislation not known about when the budget was put together. The council has also established opening general reserves as set out in the Medium Term Financial Strategy (MTFS). Any call of reserves is required to be replenished in year or in the next budget round.

4. Resource and legal considerations

- 4.1 General Reserves

The budget for 2010/11 approved by Council on 22 February 2010 included replenishment to ensure that the opening reserves were in line with the medium term financial strategy. The post-audit reserves at the start of the year were c£8.3m.

4.2 Progress of efficiencies/fees and charges/policy changes

Council on 22 February 2010 approved c£11.0m of new savings/efficiencies and increases in fees and charges. To date c£916k is not expected to be realised, which includes; c£180k neighbourhood services (engineering and street pride), c£397k resources (shared services, human resource and development, benefits and programme delivery) and c£247k children's services corporate parenting (looked after children). Action plans to mitigate these pressures in year have been identified.

4.3 Progress of spend approved for new investment in 2010/11










Council approved investment of c£9.3m which includes new investment and the full year effect of previously approved investment. To date this is projected to be fully utilised against the purpose for which it was given, apart from £180k for the expected reduction in housing benefit grant within resources which will no longer be required, and was agreed as part of the in year budget savings as a result of the reduction in government grants.

4.4 Revenue Budget 2010/11

Managers currently reporting overspends are continuing to identify and take action to reduce spending. The main areas of overspend variance have been widely reported, which are summarised in **Appendix 1**.








4.5 Forecast Analysis 2010/11: by type

Table 1 illustrates the financial position by category of spend.

Directorate	Forecast Outturn as at Dec £m	Forecast Outturn as at Sept £m	Direction of travel
Income	(2.452)	(0.198)	
Demographics/demand	3.068	2.846	
Contractual increases	0.574	(0.048)	
Salaries/Employees	(2.783)	(1.526)	
Supplies & Services	0.869	0.145	
Premises	(0.002)	0.033	
Transport	0.167	0.147	
Other	0.934	(0.147)	
Total	0.375	1.252	

4.6 Forecast Analysis 2010/11: by Directorate

Table 2 illustrates the financial position by Directorate.

Directorate	Forecast Outturn as at Dec £m	Forecast Outturn as at Sept £m	Direction of travel
Regeneration	(0.081)	(0.084)	
Neighbourhood	(0.260)	(0.067)	
Resources	(0.487)	(0.177)	
Children's	1.862	1.993	
Social Care	0.000	0.000	
Central budgets	(0.659)	(0.413)	
Total	0.375	1.252	

4.7 Capital Programme 2010/11

The revised capital programme reported to Audit Committee 28 September 2010 totalled c£107.5m. Amendments have taken place since last reported which are detailed in **Table 3** below, resulting in a revised programme of c£108.778m.

Table 3 : Amendments to Capital Programme 2010/11	
	£m
Programme as reported to Audit Committee 7 December 2010	107.524
Demolition of Willenhall leisure centre	0.160
Server consolidation project – project cancelled	-0.200
Regional Housing Pot – Kickstart – confirmation of grant	0.018
Surestart, early years and child care grants - additional grant	0.276
Barr Beacon language college - s106 funding	0.576
Palfrey park - confirmation of grant	-0.046
Local And Regional Intelligence Programme (LARI) - shared intelligence for neighbourhood management project - new grant	0.041
Bloxwich fountain restoration - new funding	0.019
Play builders programme - confirmation of grant	0.320
Sneyd reservoir overflow replacement - underspend	-0.004
Redruth Road children's home - underspend	-0.009
Low emission strategy - new air quality grant	0.040
Traffic signal energy/carbon saving measures – revenue contribution	0.053

Safer Stronger Communities Fund – contribution from centre	0.005
Hollybank rehabilitation centre – amendment to budget cut	0.100
Refurbishment of Goscote adult training centre – amendment to budget	-0.100
Amendments to capital programme 2010/11 cont...	£m
Acquisition of land adj 17/18 Norton Road, Pelsall	0.005
Revised capital programme	108.778

- 4.8 Grant funding for the Playbuilder programme has now been confirmed at £375k to be utilised by 31 March 2011. The ring-fencing of the grant has been removed with the only condition being that it is for capital spend. Playbuilder programme has been allocated £65k and the remaining uncommitted grant will be used to fund schemes in the mainstream capital programme in 2010/11 resulting in an underspend in year of which £175k will be carried forward to fund the Arboretum lido project in 2011/12.
- 4.9 The mainstream capital programme currently shows re-phasing of projects of c£10.987m from 2010/11 to 2011/12 as shown in **Table 4**.

Table 4 : Re-phasing of projects from 2010/11 to 2011/12	
Project	£m
Basic need (Education) - major construction due for completion 2011/12	1.522
Darlaston baths roof – pending legal decision	0.200
Eldon house - due to late start – March 2011	0.928
Freer street structural works – delays in works due to ongoing consultation with listed buildings office & English Heritage; works to be completed during 2011/12	0.341
Environmental regeneration – delay in receiving grant, required for match funding THI programme 2011/12	0.115
ICT for schools - awaiting details of expenditure	0.313
Depot relocation including HSE works at Norfolk Place depot - contractor to be paid when move complete (estimated to be May 2011)	0.188
Modernisation all schools - major construction due for completion 2011/12	2.500
Rewire of Walsall gala baths – retention monies	0.005
Palfrey park - tender documentation being completed.	0.060
Schools access initiative - rolling programme of DDA related works to bring schools up to minimum standards for disabled access and commence upgrades, planned completion March 2012	0.500
Walsall arboretum restoration programme - due to commence 2011	0.468
Library Modernisation Bloxwich - required for retentions in 2011/12	0.146
Strategic corridors and gateways – project on hold	0.115
Town, district and local centres – project on hold	0.093
Regenerating Walsall – scheme delayed due to current economic climate	0.420
Hot jet pavement cleaning machine - service manager is delaying purchase of machine whilst awaiting outcome of re-structure of service	0.116
Highways maintenance – planned re-phasing of works	0.949
Provision of leased accommodation – slippage due to asset management 2010 approval which is due to go to cabinet in January 2011.	1.594
Hatherton Road multi storey car park – delay in scheduled work	0.190
Contact centre – delay in completing scheme	0.014
Risk Management – committed outstanding work delayed	0.050
Self insured property damage – committed outstanding work delayed	0.100

Town centre on street parking – possible final costs within 2011/12 to be confirmed	0.060
Total	10.987

- 4.10 The mainstream capital programme currently shows predicted underspends of c£3.26m as shown in **Table 5**

Table 5 : Underspends/savings 2010/11	
Project	£m
Virement to central items following emergency budget	0.705
Building schools for the future	1.210
Targeted capital bids	1.165
Redruth Road childrens home	0.009
Risk management	0.033
Self insured property damage	0.075
Town centre on street parking	0.060
Sneyd reservoir overflow replacement	0.004
Total	3.261

5. Performance and risk management issues

- 5.1 Managers are required to deliver service and improvement targets on time, to standard and within budget. The performance management system uses a red, amber, green (RAG) indicator to show the current status. The current position is amber but senior managers are tasked with reviewing this as part of directorate action plans to mitigate any pressures in year.
- 5.2 Risk management is embedded in budget preparation, monitoring and forecasting to enable potential budget variances and risks to be identified early and addressed. A number of assumptions have been made in the forecast figures by managers. There are risks attached to this that could impact adversely on the current position and which are being actively and robustly managed.

6. Equality implications

- 6.1 None directly associated with this report.


7. Consultation

- 7.1 The report is prepared in consultation with the Chief Finance Officer, relevant managers and executive directors.

8. Background papers

- 8.1 Various financial performance and budget monitoring reports.

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Appendix 1

Service Variances in excess of £100k

Neighbourhood Services

- Waste management -£239k - reduced employee costs, professional fees, cost of containers and publicity and advertising costs.
- Trading standards -£102k – due to vacant posts part offset by reduction in licensing income and legal and prosecution costs.
- Traffic and transportation - £128k due to expected shortfall in civil parking enforcement and car park income.
- Greenspaces -£138k – mainly due to holding of vacant posts, partly offset by shortfall in income from traded services relating to pool fitters.
- Safer Walsall partnerships +£127k – shortfall in CCTV and surveillance income and expected redundancy costs.

Resources

- Business support +£332k – pressure on employee costs following the devolution of business support offset by action plans within the directorate.
- HRD -£115k – underspend on training and additional income advertising and payroll contracts.
- Finance -£226k arising from holding of vacant posts.
- Business solutions -£245k arising from holding of vacant posts.
- Programme delivery -£111k arising from holding of vacant posts.
- Print and design +£149k shortfall in income, both internal and external.

Children's Services

- Vulnerable Children +£447k – overspend predicted due to high numbers of agency staff covering vacancies and sickness.
- Children with Disabilities +£154k – overspend due to increase in demand for service with high numbers of children with complex needs.
- Corporate Parenting +£1.616m. Of this, +c£1.27m is due to high numbers of looked after children – forecast is based on 504, but during the year this number has been as high as 512. Due to internal capacity, the service has been forced to use more expensive external placements. A further +£65k is due to a high demand for contact services and +£283k for support/high demand for taxi services, both for looked after children. Staffing relates to +£247k from savings yet to be achieved, and +£382k from high levels of agency staff for sickness cover within the looked after children team. The directorate have identified an action plan of +£597k to reduce the overspend as reported.
- Strategy and governance -£108k – planned underspend on commissioned projects to help overall directorate position.
- Safeguarding children -£203k – vacancies within the service.

Social Care & Inclusion

- Access, assessment and care management -£134k. Mainly due to vacant posts.
- Provision -£269k - vacant posts within home care teams and reduced premises costs of Townend House.

- Social care management -£291k - deferred management and consultancy costs, assistant director vacancy and realignment of grants to fund relevant management and support costs.
- Joint Commissioning +£647k. This represents the overspend on mental and disability placements following the achievement of forecast entitlement savings.

Regeneration

- Housing -£134k – various underspends on salaries, bed and breakfast service and events, partly offset by housing benefit income target not expected to be fully achieved.
- Development and delivery -£103k – holding of vacant posts and additional markets income partly offset by under recovery of fees.
- Property services +£100k – due to additional security costs relating to redundant buildings and shortfall in fee income partly offset by holding of vacant posts,

Central items

- Mainly due to windfall income from national non domestic rate refunds which are being held centrally but will be allocated back to services at year end and interest received in relation to a VAT claim.