

Audit Committee – 7 December 2010

Corporate Financial Performance 2010/11

1. Summary of report

- 1.1 This report details the corporate financial performance for quarter 3 (to 30 September 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£1.25m, the reasons for which are highlighted in the report. The capital programme is currently forecast to be under budget by c£10.3m.

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 was 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£949k is not expected to be realised, which includes; c£175k neighbourhood services (engineering and street pride), c£436k 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 2009/10

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.

Spend	Forecast Outturn as at Sept £m	Forecast Outturn as at June £m	Direction of travel
Income	(0.198)	(0.007)	
Demographics/demand	2.846	1.543	
Contractual increases	(0.048)	0.069	
Salaries/Employees	(1.526)	(0.302)	
Supplies & Services	0.145	0.003	
Premises	0.033	0.003	
Transport	0.147	(0.003)	
Other	(0.147)	0.024	
Total	1.252	1.330	

4.6 Forecast Analysis 2010/11: by Directorate

Table 2 illustrates the financial position by Directorate.

Directorate	Forecast Outturn as at Sept £m	Forecast Outturn as at June £m	Direction of travel
Regeneration	(0.084)	(0.034)	
Neighbourhood	(0.067)	0.166	
Resources	(0.177)	0.000	
Children's	1.993	1.174	
Social Care	0.000	0.000	
Central budgets	(0.413)	0.024	
Total	1.252	1.330	

4.7 Capital Programme 2010/11

The revised capital programme reported to Audit Committee 28 September 2010 totalled c£102.2m. Amendments have taken place since last reported which are detailed in **Table 3** below, resulting in a revised programme of c£107.5m.

Table 3 : Amendments to Capital Programme 2010/11	
	£m
Programme as reported to Cabinet 15 September 2010	102.196
<i>Effect of in year emergency budget grant reductions</i>	
LTP grant - funding cut	-0.770
DDA for greenspaces – budget cut	-0.009
Performance Reward Grant - funding cut	-0.400
Redhouse community centre - budget cut	-0.300
Strategic acquisitions - budget cut	-0.450
Regenerating Walsall - budget cut	-0.171
Amendments to capital programme 2010/11 cont...	£m
Hollybank rehabilitation centre – budget cut	-0.100
Refurbishment of Goscote adult training centre - budget cut	-0.100
Willenhall THI - budget cut	-0.075
14-19 diplomas, SEN and disabilities - funding cut	-0.658
Extended schools - funding cut	-0.151

Youth capital fund - funding cut	-0.090
Harnessing technology – budget cut	-0.548
Virement to central items following Emergency Budget	0.705
Total emergency budget reductions	-3.117
Table 3 : Amendments to Capital Programme 2010/11	
Other changes	£m
Building schools for the future - project withdrawn	-1.780
Bus showcase – confirmation of grant	-0.559
Contribution to Darlaston strategic framework study	0.024
Devolved capital - confirmation of grant	-0.208
Green Rivers	-0.064
Highfield road north play area – confirmation of grant	-0.002
Pelsall library - additional funding from NHS	0.400
Play builders programme - budget cut	-0.563
Red routes - confirmation of grant	-0.350
School travel plans - confirmation of grant	0.022
Short heath federation of schools - additional contribution	0.010
Targeted capital bids – confirmation of funding	-1.165
George rose park landscape - budget cut	-0.002
Bridge street THI - HLF contribution – funding cut	-0.108
Bridge street THI - AWM contribution – funding cut	-0.129
Top hangar log boiler matchfunding - new grant	0.018
Modernisation of schools – confirmation of funding	0.101
Devolved capital – confirmation of grant	-0.263
Sure start, early years, childcare grant – funding cut	-1.204
Sure start, early years, childcare grant – confirmation of grant	-0.841
Academies – new grant	14.754
Server consolidation project – new grant	0.200
Walsall arboretum – new grant	0.030
Bradbury park improvements – new grant	0.065
King George V pathfinder – new grant	0.059
Total other changes	8.445
Revised capital programme	107.524

- 4.8 The mainstream capital programme currently shows predicted slippage of c£7.2m from 2010/11 to 2011/12 as shown in **Table 4**.

Table 4 : Slippage 2010/11 to 2011/12	
Project	£m
Basic need (Education)	1.522
Darlaston baths roof	0.200
Eldon house	0.928
Freer street structural works	0.263
ICT for schools	0.313
Modernisation all schools	2.500
Slippage 2010/11 to 2011/12 cont...	£m
Rewire of walsall gala baths	0.005
Schools access initiative	0.500
Walsall arboretum restoration programme	0.268
Library Modernisation - Bloxwich	0.026

Pelsall library, children's centre and health centre	0.550
Hot jet pavement cleaning machine	0.116
Total	7.191

- 4.9 The mainstream capital programme currently shows predicted underspends of £3.1m as shown in **Table 5**. In 2010/11 the capital programme included assumptions that we would generate £2.046m in capital receipts to part fund the in year capital programme. To date £1.32m of receipts has been generated, leaving a potential shortfall of £726k. Underspends will be retained to deal with any shortfalls of grant or receipts.

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
Total	3.080

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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Service Variances in excess of £100k

Neighbourhood Services - £67k

- Waste management -£180k - lower than expected employee costs, professional fees and publicity and advertising costs.
- There are also a number of variances under and overspends within the directorate including safer walsall partnership +£94k, greenspaces -£77k, neighbourhood partnerships and programmes +£49k and sports centres +£37k.

Resources -£177k

- Business Support +£279k – pressure on employee costs following the devolution of business support. This is currently being reviewed and an action plan compiled to mitigate this.
- Finance -£141k arising from holding of vacant posts.
- Business solutions -£104k arising from holding of vacant posts.
- The remainder is due to vacancies and additional income within various services within resources, partly offset by shortfall in income within print and design (£77k).

Children's Services +£1.994m

- Vulnerable Children +£426k – overspend predicted due to high numbers of agency staff covering vacancies and sickness.
- Children with Disabilities +£212k – overspend due to increase in demand for service with high numbers of children with complex needs.
- Corporate Parenting +£1.607m. Of this, +£1.4m is due to high numbers of looked after children – forecast is based on 504, but during the year this number has increased to 512. Due to internal capacity, the service has been forced to use more expensive external placements. A further +£104k is due to a high demand for contact services and +£354k for support/high demand for taxi services, both for looked after children. Staffing relates to +£247k from savings yet to be achieved, and +£334k from high levels of agency staff for sickness cover within the looked after children team. The directorate have identified an action plan of +£808k to reduce the overspend as reported.
- Strategy and governance -£100k – planned underspend on commissioned projects to help overall directorate position.

Social Care & Inclusion – net nil forecast

- Access, assessment & care management -£176k. Mainly due to vacant posts.
- Provision -£324k - vacant posts within home care team.
- Social care management -£261k - deferred management and consultancy costs, and assistant director vacancy.
- Safeguarding +£62k - due to 3.5 FTE adult safeguarding practitioners which are not funded.

- Joint Commissioning +£699k. This represents the overspend on mental and disability placements following the achievement of forecast entitlement savings. The overspend in 2009/10 was +c£2.7m so the forecast shows progress achieved in tackling this ongoing issue. The 2010/11 overspend is being offset by the directorate action plan.

Regeneration -£84k

- Housing -£115k – various underspends on salaries, bed and breakfast service and events.
- There are various under and overspends which are being managed by the directorate.

Central items -£414k

- 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.