

Cabinet – 18 March 2009

Corporate Financial Performance 2008/9

Portfolio: Councillor A Griffiths – Finance and Personnel

Service: Corporate finance – council wide

Wards: All

Key decision: No

Forward plan: No

1. Summary of report

This report is to inform cabinet of the year-end forecasts for both revenue and capital. The report highlights a council wide revenue overspend of c £1.5m, the reasons for which are highlighted in the report. This is an improvement of c£0.9m on the position previously reported to cabinet in January and reflects the impact of action plans in place to reduce expected overspends. The capital programme is currently forecast to be underspent.

2. Recommendations

That the following currently predicted year end forecasts be noted:

- a net revised revenue overspend of c £1.5m (0.23%) of the current gross budget following inclusion of corrective action.
- slippage of c £8.54m on the capital programme some of which is expected to be carried forward into 2009/10.

3. Background information

- 3.1 Cabinet receives regular financial reports to allow cabinet to monitor the financial performance of the council and approve plans for corrective action where necessary. Maintaining financial stability is a key requirement. The budget setting process for 2008/9 took into account the economic conditions prevailing at that time including market predictions and government guidelines.
- 3.2 There has been a significant and rapid change in the economic conditions particularly around energy, food and the availability of credit. These factors have had an impact on the market conditions under which our suppliers operate, on land sales and capital receipts and on income generated from service fees and charges.

- 3.3 There have been dramatic fluctuations in the cost of oil, which has fed a continuing increase in the cost of energy. The pressures have been on gas, fuel and electricity which move with the market conditions. Contracts are relatively short term and therefore the direct impact has been felt relatively quickly. What may take longer are those areas where services we receive are reliant upon the significant use of fuel or energy, i.e. those services where transport is a major element such as domiciliary care, community meals, people transport and waste transport, which are second generation.
- 3.4 The recent e-auction on food highlighted the significant cost increases in this area. The increasing cost of food will therefore impact on the cost of other residential type services both in adults and children's services.
- 3.5 The recent banking collapses and the apparent evaporation of confidence in the business sector as a result will make extracting value from contracts more difficult to achieve. In addition, increased costs of borrowing is likely to impact on the council's treasury management function and borrowing targets.
- 3.6 Land sales have fallen sharply impacting on receipts that can be achieved to support the capital programme. Targets receipts for 2008/9 have not been achieved, reducing available resources for funding new capital investment going forward.
- 3.7 Services are also noticing a reduction in income generated, from reduced planning applications, land sales, through to reduced sport centre income amount to £1.2m.

4. Resource and legal considerations

- 4.1 Managers are required to deliver their service targets and improvements within budget. Small variations are normal on a gross revenue budget of £665.78m. The RAG status of this report is Amber as the forecast revenue outturn is an overspend of c £1.5m (0.23%) of the current gross budget, however action is being taken to reduce the overspend which is proving successful and the remaining overspend will be replenished in 2009/10. Reasons for the overspend largely arise from the impact of the economic conditions mentioned above. Year-end unspent capital resources of c £10.13m @ 31.3.09 is forecast, £8.54m of which is expected to be carried forward into 2009/10 to fund slippage on approved capital projects.

4.2 General Reserves

If currently predicted overspends arise, year end general reserves would be c £5.88m as detailed below.

TABLE 1: PREDICTED YEAR END POSITION 2008/9	
REASON	2007/8 £M
General reserves as at 01.04.08 (post-audit)	-7.776
Predicted revenue overspend (Appendix A)	1.500
Funding of one-off costs relating to print and design	0.150
One-off funding in respect of Sports England grant	0.027

One-off funding in respect of family law charges	0.220
Estimated general reserves @ 31.03.09	-5.879

4.3 Earmarked Reserves and Central Contingency

Central contingency for 2008/9 is £0.611m. **Appendix B** shows how this has been spent to date and **Appendix C** shows expected spend in relation to earmarked reserves.

4.4 Progress of efficiencies/fees and charges/policy changes

In February Council approved c £7.6m of savings/efficiencies and increases in fees and charges. To date c£6.3m (83%) is expected to be realised in full.

4.5 Progress of spend approved for new investment in 2008/9

Council approved investment of £6.5m which includes new investment and the full year effect of previously approved investment. To date this is all projected to be fully utilised against the purpose for which it was given.

4.6 Revenue Budget 2008/9

Managers currently reporting overspends are taking action to bring spending back into line with the budget. The main areas of variance and the reasons for them are detailed below and further detail on each directorate is provided in **Appendix D**.

4.7 **Capital Programme 2008/9**

Detailed capital budget issues

The main areas of variance between budget and estimated outturn are:

4.7.1 **Mainstream funded**

The mainstream capital programme currently shows predicted slippage of £8.542m and additional resources of £1.586m. The table below gives details of slippage, much of which is due to timing issues and projects spanning over more than one financial year.

TABLE 2: PREDICTED YEAR END POSITION 2008/09	
Project	Slippage £m
Schools projects	5.719
Regeneration projects	1.021
Aids and adaptations	0.700
Uninsured property	0.050
New build Fallings Heath	0.064
Improving security in local neighbourhoods	0.277
Benefit application forms software	0.080
Implementation of 2 cashier machines	0.060
Walsall arboretum restoration programme	0.128
Local history centre air conditioning	0.060
Re-design of Streets Corner	0.096
Library modernisation	0.278
Minor slippages/underspends	0.009
Total	8.542

4.7.2 Prudential Programme

In line with the treasury management strategy, last year additional unsupported borrowing was used as a more effective source of funding than capital receipts. This allowed capital receipts to be carried forward in line with the approved capital programme. Once again in 2008/9 whether to use unsupported borrowing or capital receipts will be considered in light of prevailing markets and the corporate financial position.

4.7.3 Non-mainstream funded

The non-mainstream capital programme currently shows an unfinanced debtor of c£5.965m to be carried forward to 2009/10. In general, grant income is received after the expenditure takes place so a time lag of funding is expected and accounted for. Continual monitoring is undertaken to ensure that grant is being claimed and received on a regular basis. It is important to note that no scheme will be allowed to commence unless an approval from the funding provider has been received to ensure that there will be no call on mainstream resources.

4.7.4 Capital Receipts

The mainstream capital programme is influenced by the level of capital receipts available. With the decreasing number of assets available to be sold to generate receipts and the unpredictability of the market it is important to regularly review the certainty of the receipts. It had been planned to carry forward c£5m of capital receipts to support the 2009/10 capital programme, however current sales are below target and forecasted usable capital receipts for 2009/10 are now predicted at c£1.1m.

4.7.5 Leasing

Leasing minimises the call on capital resources by spreading the cost over a number of years, financing the cost from revenue. Services bid for £4.717m of capital expenditure to be financed by leasing in 2008/9. £1.522m of the leasing provision has been used to date and forecasted spend amounts to £3.195m.

5. Citizen impact

The 2008/9 policy-led budget is aligned with activity in service plans. Investment is targeted at service improvement, stability and user demand. Demonstration of financial stability and sound financial management promotes public confidence and credibility.

6. Community safety

None directly associated with this report.

7. Environmental impact

None directly associated with this report.

8. Performance and risk management issues

- 8.1 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 red.

- 8.2 Managers have implemented corrective action plans to reduce overspending areas, including a non essential expenditure freeze. This has had a positive impact in the last quarter, reducing the predicted overspend position by £1m. Action continues to be taken to reduce this further.
- 8.3 Risk management is embedded in budget preparation, monitoring and forecasting to enable potential budget variances and risks to be identified early and addressed. The figures in this report represent the most likely outcomes based on currently available information.
- 8.4 A number of assumptions have been made in the forecast figures by managers, including that corrective action plans continue. There are risks attached to this, which are highlighted in **Appendix E** that could impact adversely on the current position and which require continued active management. These amounts to a total of c £2.6m; however they are actively being managed.

9. Equality implications

None directly associated with this report.

10. Consultation

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

Background papers:

Various financial working papers.

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James Walsh
Chief Finance Officer

6 March 2009



Councillor A Griffiths
Portfolio Holder - Finance & Personnel

6 March 2009



APPENDIX B

USE OF CENTRAL CONTINGENCY	
	£
Budget approved for 2008/9	611,382
Less allocations:	
Electrical works at Collingwood centre	-3,200
Essential works at Blakenhall Centre	-6,000
Counterfeiting enforcement (fall out of specific grant)	-22,325
Administration of stray dogs out of hours service	-17,848
Works at Gala baths	-4,852
Consultancy work for procurement for supporting people	-35,000
Costs of safety auditor in response to HSE assessment	-17,000
Staff costs to deliver compliance action plan agreed with GOWM	-81,000
Highways procurement	-50,000
Back dated NNDR costs – Brownhills library	-46,091
Staff costs to comply with Charity Commission rules and regulations	-22,500
Festive decorations – sponsorship income not realised	-43,000
Union time relating to job evaluation for local authority school based staff	-21,153
Staff costs relating to the LLPG	-16,687
Fire risk assessment	-40,000
Legal costs – procurement	-1,757
Legal – charity land valuation	-2,450
Costs of emergency planning incident	-1,400
To cover loss of income from free car parking over charismas	-20,000
Black Country Consortium	-70,620
Electricity bills Walsall Illuminations	-32,410
Balance remaining as at 31.03.09	56,089

APPENDIX C

USE OF EARMARKED RESERVES			
Reserve	Value of Reserve £	Currently expected to be used in year £	Balance remaining £
Community engagement LNP's	236,249	-111,452	124,797
Finance Direct (Oracle)	261,672	0	261,672
Transformation	323,357	-143,357	180,000
Landfill Tax Scheme	287,955	N.K	287,955
Education contract	129,843	-129,843	NIL
LABGI	2,028,131	-1,199,429	828,702
Mediation	250,000	N.K	250,000
Environmental warranties	400,000	N.K	400,000
Commutation	2,528,998	350,000	2,878,998
Shopmobility	45,000	N.K	45,000
New waste summer work / waste tipping	195,000	N.K	195,000
Job evaluation manager / trade unions	100,000	-100,000	NIL
Building schools for the future	500,000	-500,000	NIL
LATS – build up	117,000	N.K	117,000
Local land and property gazetteer	32,000	-32,000	NIL
Property review / Tameway Tower	110,000	-60,000	50,000
Criminal records bureaux	95,000	N.K	95,000
Mayors civic awards	6,750	-6,750	NIL
Health and safety	1,000,429	-293,000	707,429
Benefits subsidy	300,000	N.K	300,000
Insurance	779,130	N.K	779,130
Building control fees	126,745	-121,047	5,698
Street lighting PFI *	7,002,015	N.K	7,002,015
St Thomas Moore PFI *	1,151,500	79,084	1,230,584
Total	18,006,774	-2,267,794	15,738,980

The service figures currently expected to be used in year have been collated from service monitoring reports.

N.K. = not known at this point in the year

* Relates to sinking fund of reserves required to deliver the PFI over full contract period.

Main Services Variances from Budget**Regeneration +£0.893m**

- Regeneration -£0.050m – under achievement of markets income (+£0.02m), mainly through vacancies in delivery & development (-£0.125), regeneration management (+£0.041m) unbudgeted staff costs relating to head of development and delivery post and shortfall in contributions to BCC, overspend of (+0.014m) relates to back pay on shop mobility staff for weekend working
- Planning Services +£0.728m – unachievable planning and land charges income
- Property Services +£0.641m- facilities management (+£0.101m) relates in the main to Tameway Tower unbudgeted move costs, additional agency staff costs and part non-achievement of carry forward of overspend from 2007/8; building services, design and estates management (+£0.540) combination of external legal costs and projected overspend on salary, premises, agency costs and suppliers and services.
- Performance Management -£0.219m – due to vacancies and restraint on non essential spend.
- Business support -£0.090m – reduction in agency staff costs due to restraints on non essential spend.
- HRD and strategic transformation -£0.156m - restraint on non essential spend
- Communications +£0.039m – unbudgeted agency staffing costs.

Neighbourhood Services + £0.162m

- Engineering and Transportation +£0.518m - additional contractors charges (+£0.153m) due to delay in decimalisation parking contract (DPC) contract; under recovery of income within road works management due to delays in implementation of a new income stream (+£0.022m) and loss of car parking income (+£0.403m); savings from non essential spend (-£0.060m).
- Street pride -£0.569 - additional recycling income due to increased market prices (-£0.065m); a reduction in waste disposal costs (-£0.375m), reduced transport costs due to the closure of the transfer station in Fryer Road and waste being taken direct to disposal sites (-£0.085m); other small variances and savings from non essential expenditure (-£0.28m); fuel costs within fleet due to price increases (+£0.236).
- Public protection (+£0.127m) mainly due to under-recovery of income within bereavement services arising from falling mortality rates.
- Leisure, culture and lifelong learning +£0.379m - shortfall in income for sports and leisure centres (+£0.164m); shortfall in income within catering (+£0.101m) Art Gallery (+£0.070m) – unrealised additional income from costa coffee and additional utilities costs; Walsall illuminations (+£0.154m) unachieved income and other small variances and saving from non essential expenditure (-£0.110m)
- WBSP -£0.070m – additional income from external partners
- SWBP -£0.070m and neighbourhood partnership and programmes -£0.154m – restraint on non essential spend

Children's, ICT and Procurement Services +£1.453m (including council wide procurement)

- ICT +£0.271m – (+£0.193m) due to project based posts not being fully met from projects and remainder due to disputed charges with external customers.
- Procurement +£0.950m – Negotiations and actions to generate procurement savings are ongoing however there is a significant risk that these savings will not be achieved, and therefore it is prudent to plan for this. Additional projects and work on existing projects are being reviewed to mitigate this, however the challenging economic environment is making savings targets more difficult to achieve.
- Print & Design +£0.125m – shortfall in income due to a decline in internal demand for printing requirements across the council.
- Education +£0.040m – cost of schools long service awards
- Specialist services +£0.079m – service is currently predicting an overspend of £0.885m. An action plan has been implemented but leaves a small underspend for which further options are currently being investigated.

Social Care and Inclusion -£0.142m

- The directorate is currently predicting variances in residential and nursing care as the impact of rising costs in domestic fuel, petrol, property costs and bank rates affects on the market. Increase in demand in mental health clients and increase in agency staff costs on occupational therapy to clear back log. An action plan is in place to eliminate any overspend and further non-essential spend has been identified by the directorate which has produced an anticipated underspend to contribute to the overall corporate position.

Corporate Services -£0.235m

- Finance -£0.310m – due to a high number of vacant posts being held to aid the corporate position and reduction in external audit fees.
- Legal +£0.165m shortfall in fair funding income due to reduced take up by schools and conveyancing income due to fall in planning fees.
- CWSS +£0.085m – shortfall of income of £0.356m within right to buy sales which is currently being partly offset by tight management of other council wide budgets.
- CMT -£0.040m – due to executive director post being vacant until February, partly offset by recruitment costs.
- Revenue & benefits -£0.134 – overspend on agency staff, offset by DWP income.

Central -£0.883m

- Car allowance/mileage review +£0.200m. The saving is unlikely to be met in 2008/9, however an action is being implemented to ensure this is fully delivered by 2009/10.
- It has been identified that -£0.306k of ABG will not be required in year and is being used to reduce the overall corporate position.
- Capital financing -£0.777m – sound treasury management and higher investment returns has resulted in additional income being received.

PREDICTED 2008/9 CORPORATE REVENUE YEAR END POSITION

SERVICE	ANNUAL BUDGET 2008/9			YEAR END FORECAST 2008/9 BEFORE USE OF RESERVES					USE OF RESERVES	ALLOCATION OF ITEMS HELD CENTRALLY UNTIL FULLY UTILISED	TRANSFER TO RESERVES	YEAR END FORECAST 2008/9 OVER / (UNDER)		Directorate RAG Status	
	EXPENDITURE £M	INCOME £M	NET £M	EXPENDITURE £M	INCOME £M	NET £M	OVER / (UNDER)								
							£M	%							
Regeneration															
Regeneration	4.180	-2.223	1.958	4.835	-2.203	2.633	0.675	34.47	-0.725	0.000	0.000	-0.050	-2.58	R	
Planning Services	2.455	-2.680	-0.225	2.455	-1.799	0.656	0.881	-391.75	-0.153	0.000	0.000	0.728	-323.66		
Property Services	17.088	-14.348	2.740	19.746	-16.213	3.533	0.793	28.94	0.158	-0.310	0.000	0.641	23.40		
Performance Management	1.790	0.000	1.790	1.594	0.000	1.594	-0.196	-10.97	-0.023	0.000	0.000	-0.219	-12.24		
Strategic Transformation	0.716	0.000	0.716	0.734	0.000	0.734	0.018	2.45	-0.050	0.000	0.000	-0.032	-4.53		
Business support	8.467	-0.053	8.414	8.567	-0.053	8.514	0.100	1.19	-0.190	0.000	0.000	-0.090	-1.07		
Human Resource Development	6.496	-1.908	4.588	6.706	-1.684	5.021	0.433	9.44	-0.540	-0.017	0.000	-0.124	-2.69		
Communications	0.452	-0.040	0.412	0.487	-0.035	0.452	0.040	9.68	0.000	0.000	0.000	0.040	9.68		
Total Regeneration	41.646	-21.252	20.394	45.124	-21.987	23.137	2.743	13.45	-1.523	-0.327	0.000	0.893	4.38		
Neighbourhood Services															
Street Pride	32.570	-15.774	16.797	32.796	-16.019	16.777	-0.019	-0.11	-0.335	-0.215	0.000	-0.569	-3.39	R	
Engineering & Transportation	14.702	-5.733	8.969	14.812	-5.275	9.536	0.568	6.33	0.000	-0.050	0.000	0.518	5.77		
Public Protection (inc. licensing, emergency planning,	5.602	-3.890	1.712	5.649	-3.783	1.866	0.154	8.98	-0.026	0.000	0.000	0.127	7.44		
Leisure, Culture and Lifelong Learning	30.746	-14.672	16.074	32.528	-16.026	16.502	0.428	2.67	-0.049	0.000	0.000	0.379	2.36		
Neighbourhood Partnerships and Programmes	2.136	-0.781	1.355	2.919	-1.606	1.313	-0.042	-3.12	-0.111	0.000	0.000	-0.154	-11.34		
Walsall Borough Strategic Partnership	0.704	-0.548	0.156	0.782	-0.645	0.137	-0.020	-12.47	-0.050	0.000	0.000	-0.070	-44.44		
Safer Walsall Borough Partnership	2.269	-0.738	1.531	2.212	-0.750	1.462	-0.070	-4.54	0.000	0.000	0.000	-0.070	-4.54		
Total Neighbourhood Services	88.729	-42.135	46.594	91.697	-44.104	47.593	0.999	2.14	-0.572	-0.265	0.000	0.162	0.35		
Corporate															
Finance (inc internal audit, insurancel)	4.840	-0.316	4.524	4.577	-0.316	4.261	-0.263	-5.82	-0.047	0.000	0.000	-0.310	-6.85	G	
CWSS, NDC'S & C&DC	3.031	-0.544	2.487	2.564	-0.544	2.020	-0.467	-18.78	0.000	0.000	0.552	0.085	3.41		
CMT	1.118	-0.002	1.115	1.075	0.000	1.075	-0.040	-3.61	0.000	0.000	0.000	-0.040	-3.61		
Legal and consitutional	3.325	-0.262	3.063	3.339	-0.105	3.234	0.172	5.61	-0.007	0.000	0.000	0.165	5.39		
Revenue & benefits (incl. welfare services)	98.783	-95.862	2.921	98.648	-95.862	2.787	-0.134	-4.59	0.000	0.000	0.000	-0.134	-4.59		
Total Corporate	111.096	-96.986	14.110	110.203	-96.827	13.377	-0.733	-5.19	-0.054	0.000	0.552	-0.235	-1.66		
Children's, ICT and Procurement Services															
Education	243.246	-234.349	8.897	244.686	-235.198	9.488	0.591	6.64	-0.630	0.000	0.079	0.040	0.45	R	
Specialist services	28.101	-3.208	24.894	29.231	-4.038	25.193	0.299	1.20	-0.220	0.000	0.000	0.079	0.32		
Universal services	12.050	-6.564	5.486	13.072	-7.598	5.474	-0.012	-0.23	0.000	0.000	0.000	-0.012	-0.23		
Print and design	0.930	-1.287	-0.356	0.961	-1.043	-0.082	0.275	-77.11	-0.150	0.000	0.000	0.125	-34.99		
ICT	4.493	-0.286	4.207	5.649	-1.253	4.395	0.188	4.48	0.083	0.000	0.000	0.271	6.45		
Procurement	-1.065	0.000	-1.065	0.325	-0.190	0.135	1.200	-112.64	0.000	0.000	0.000	1.200	-112.64		
Total Children's, ICT and Procurement Services	287.756	-245.693	42.063	293.924	-249.321	44.603	2.540	6.04	-0.917	0.000	0.079	1.703	4.05		
Social Care & Inclusion															
Housing	11.834	-10.223	1.611	11.640	-10.256	1.384	-0.227	-14.09	0.000	0.000	0.000	-0.227	-14.09	G	
Adult's social care	98.989	-38.389	60.600	98.233	-37.468	60.765	0.165	0.27	-0.067	0.000	0.000	0.098	0.16		
Support services	2.509	-1.056	1.453	2.455	-1.015	1.440	-0.013	-0.89	0.000	0.000	0.000	-0.013	-0.89		
Total Social Care & Inclusion	113.331	-49.668	63.663	112.327	-48.739	63.588	-0.075	-0.12	-0.067	0.000	0.000	-0.142	-14.826		
Centrally Held Budgets															
Capital Financing	22.441	-3.778	18.663	23.248	-5.712	17.536	-1.127	-6.04	0.000	0.000	0.350	-0.777	-4.16	G	
Other Central Items	8.536	0.000	8.536	8.878	0.000	8.878	0.342	4.01	-0.600	0.000	0.458	0.200	2.34		
ABG	0.000	0.000	0.000	0.000	-0.426	-0.426	-0.426	0.00	0.000	0.000	0.120	-0.306	0.00		
Levies															
PTE	13.319	0.000	13.319	13.319	0.000	13.319	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Environment Agency	0.080	0.000	0.080	0.080	0.000	0.080	0.000	0.00	0.000	0.000	0.000	0.000	0.00		
Total Centrally Held Budgets	44.376	-3.778	40.598	45.525	-6.138	39.387	-1.211	-2.98	-0.600	0.000	0.928	-0.883	-2.18		
Net Position as at 31.03.09	686.934	-459.513	227.421	698.800	-467.115	231.685	4.264	1.87	-3.732	-0.592	1.559	1.498	0.66		