

Cabinet – 23 March 2005

Corporate Financial Performance 2004/5

Portfolio: Councillor John O'Hare – Deputy Leader

Service Area: Corporate finance

Wards: All

Forward Plan: Yes

Summary of report

This report summaries the currently estimated general fund and capital programme outturn for 2004/5, which shows a predicted revenue underspend of c£1.27m and a predicted capital surplus of c £6.86 million @ 31.3.05. The latter will be carried forward to contribute to the funding of the 2005/6 capital programme.

Recommendations

That the following currently estimated 2004/5 year end forecasts be noted:

- (a) An estimated net revenue underspend of c £1.27m and estimated general reserves (before allocation) of c£6.12m
- (b) A surplus of c£6.86m on the capital programme, due to additional HRA receipts above those estimated at the time the 2004/5 capital programme was set and slippage of projects (£4.432m) which will be utilised in 2005/6.

Resource and legal considerations

Managers are required to deliver their service targets and improvements within budget. This report demonstrates that overall this is occurring. Small variations between monitoring reports are normal and insignificant on a gross revenue budget of £568.632m.

Corporate Financial Performance 2004/5

The latest monitoring predicts a year end underspend of c£1.27m as shown in **Table 1**.

TABLE 1: PREDICTED YEAR END POSITION 2004/5		
REASON	2004/05 £M	COMMENTS
Predicted revenue underspend	-1.265	See appendix 1
Balances as at 31.03.04 (post-audit)	-8.865	
Less reserves used in 2004/5 budget	4.009	
Estimated balances @ 31.03.05	-6.121	£5.45m required (£4.5m required at 01.04.05, plus £0.95m required in 2005/6 budget)

Implementation of efficiencies/savings

The 2004/5 base budget includes target savings of £2.677m. These are formally tracked and progress is satisfactory. The impact of this is included within the figures in this report.

Carry Forwards 2004/5

Requests to carry forward 2004/5 underspends of £1.146m, mostly arising from slippage of spend, have been received. They will be formally considered when the outturn is finalised. Meanwhile, this report assumes approval to show the most likely outturn position.

General Reserves

Year end general reserves (before allocation) are currently estimated to be £6.121m, comparing favourably with the medium term financial strategy (MTFS) requirement of £4m. This is anticipated to arise from a combination of current year underspends of £1.265m, higher 2003/4 post audit reserves of £6.739m, final HRA balances of £2.126m, less the planned use of £4.009m to support prudence in 2004/5 as approved by council on 03.03.04. The HRA closed for the final time on 31.03.04 and its balance has now been transferred to general reserves.

The approved MTFS is to end each year with the working balance intact and start 2005/6 with £4.5m of general reserves. This is achievable. The appropriate value of reserves and provisions is re-assessed as the budget is set, informed by a comprehensive risk assessment.

General reserves above the level required by the MTFS are appropriately and prudently earmarked in-year or at year-end by the Chief Finance Officer (CFO), in consultation with the cabinet portfolio holder with responsibility for finance.

The approved corporate budget 2005/6 includes the use of £0.95m of general reserves to fund financial prudence and one-off items of expenditure.

Citizen impact

The 2004/5 budget is policy-led and 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.

Community safety

The budget provides funding for community safety initiatives which have a positive impact on community safety.

Environmental impact

The budget provides funding for environmental initiatives which have a positive impact on the environment.

Performance and risk management issues

Within the council's performance management system, managers have service delivery and improvement targets, including delivering these targets within the budget allocated.

For over 3 years the council has adopted a risk management approach in preparing budgets and financial monitoring and prediction reports. This enables potential budget variances to be identified early and action taken to ameliorate risks. The concept of risk management is embedded within the council at an operational level, so that the financial impact of operational issues can be identified, evaluated and managed.

The council continues to use risk management when preparing financial monitoring reports. The figures appearing in this report represent the most likely outcomes based on currently available information. This is assessed and evaluated on a continuous basis.

Equality implications

None directly associated with this monitoring report.

Consultation

The report is prepared in consultation with relevant managers and executive directors.

Vision 2008

Robust financial management enables the council to maintain financial stability and ensure best value allocation of resources. Budgets are also linked to all vision headings to deliver key priorities as part of the budget setting process via decision conferencing.

REVENUE BUDGET

Service predicted variances

Some services are currently expected to outturn outside their approved budget. The council's performance management system requires managers to deliver service targets within budget. Managers currently reporting overspends are required to take action to outturn within their approved budget. The main reasons for the under/over spends are:

➤ **Lifelong learning and community + £254k**

- Education + £266k - due to extra district charges relating to 2002 (pre Education Walsall contract) which the council has a statutory obligation to pay (£292k) and licences for performing arts, offset by an underspend on vacancy management due to a restructure.
- This is partly offset by various small under and over spends within the other services of the directorate. A carry forward request has been received for £13k to fund a temporary post in sports development in 2005/6 due to slippage in the appointment date.

➤ **Regeneration, housing and built environment - £783k**

- Street pride - £147k due to vacancy management
- Urban regeneration -£108k due to vacancy management and additional fee income.
- Planning & transportation -£250k - land charges (+£112k) due to loss of former housing work and a reduction in number of searches, additional costs (£160k) for street lights, redundancy costs (£112k), offset by slippage in the introduction of decriminalisation of car parking (£75k); -£300k highways maintenance PFI due to delays with partnering; -£98k vacancy management; -£168k additional fee income and a £31k reduction in business rates. A carry forward request has been received for the £75k slippage of decriminalisation of car parking and £40k to fund the implementation of the traffic management act in 2005/6.
- Housing services -£164k savings in vacancy management and slippage on the housing register offset by an overspend of £150k in relation to S11/82 fees. A carry forward request has been received for £160k in relation to the housing register.
- Programme management +£99k due to overspends on SRB5 and repayment of grant.
- Community safety/CCTV -£243k due to additional funding from NRF. A carry forward request has been received for £55k to temporary fund 2 additional neighbourhood wardens in 2005/6 only.

➤ **Social care & supported housing - £825k**

- Older peoples services -£640k mainly due to vacant posts and lower than estimated activity levels and client growth, partly offset by overspends, including the need for increased staffing levels to meet required care standards, a shortfall in fairer charging income and non-achievement of savings within home support services.

- Supported housing -£95k due to greater than expected occupancy rates for hostels yielding more income than expected.
- Management and support -£223k due to delays in the recruitment of posts, the level of vacant posts and one-off savings in accommodation costs due to delays in premise occupation.
- The above underspends are partly offset by various minor overspends within other areas of SC&SH.

➤ **Corporate services -£241k**

- ICT -£108k arising from a number of smaller underspends within various areas of the service.
- Organisational development / human resources -£311k; -£427k within organisational development due to slippage of development programmes and vacancy management within social care & supported housing training. Carry forward requests for the slippage have been submitted; +£114k human resources - mainly arising from higher than expected costs arising from the delay in completion of premises refurbishment for the new in-house occupational health unit, requiring the external contract for these services also to be maintained.
- Corporate support + £237 primarily due to a shortfall in income within print and design.

➤ **Finance, law & performance - £457k**

- Revenue & benefits - £322k mainly due to additional discretionary housing benefits income and additional subsidies arising from transitional changes and additional verification framework grant funding.
- Council wide +£192k - due to a shortfall in advertising income +£150k, +£117k higher than expected charges from the Black Country Consortium, offset by - £75k due to long service awards now taking place in 2005/6.
- Performance management -£150k, mainly due vacancy management and slippage in the purchase of a corporate performance management system.
- Fleet services -£216k due to vacancy management and slippage of c£150k of leasing costs and premises refurbishment work into 2005/6. This has arisen due to a longer than anticipated recruitment period for the new fleet manager, who is now in post.
- Carry forward requests totalling £501k have been received. This is intended to be used to fund the implementation of the verification framework, the corporate performance management system, long service awards and the slippage of leasing and works into 05/6.

➤ **Capital financing - £321k** – additional income from proactive treasury management.

➤ **Central items - £295k**

- Mainly due to the pay award being agreed 0.75% below budget. This will be used to contribute to the anticipated additional costs arising from job evaluation and will be transferred at year end to earmarked reserves.

CAPITAL PROGRAMME 2004/5

The mainstream capital programme currently shows a funding surplus of c£6.86m (**Appendix 2**). This assumes that capital schemes will continue as currently predicted by project managers and that identified capital receipts have been received to date. In addition, a lower amount of prudential borrowing has taken place than budgeted for, resulting in a small saving in the revenue budget in capital financing costs.

At the time the capital programme was set, receipts were anticipated to be £7.519m, including HRA receipts brought forward from 2003/4 and transferred to the general fund. Actual HRA transfers were £10.496m; an extra £2.977m. Receipts brought forward from 2003/4 were £3.7m; a total of £6.677m. Of this, £4.432m will be used to fund slippage, leaving approximately £2.2m available as a surplus. Receipts to date are £0.944m with another £2.9m of potential receipts that may not be completed until next year, and therefore these have not been included.

The non-mainstream capital programme currently shows a shortfall of c£8.1m (**Appendix 2**). In general, grant income is received after the expenditure takes place so a time lag of funding is expected. This is continually monitored to ensure that grant is being claimed on a regular basis. Leasing minimises the call on capital resources by spreading the cost over a number of years, financing the cost from revenue. Services bid for £3.9m of capital expenditure to be financed by leasing in 2004/5. £0.29 m of the leasing provision has been used to date.

Background papers:

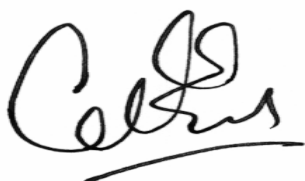
Various financial working papers

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Signed:

Executive Director: Carole Evans

Date: 14.03.05



Signed:

Cllr John O'Hare – Deputy Leader

Date: 14.03.05

PREDICTED 2004/5 CORPORATE REVENUE YEAR END POSITION AS AT 31.01.05

SERVICE	ANNUAL GROSS EXPENDITURE BUDGET	ANNUAL GROSS INCOME BUDGET	NET ANNUAL BUDGET	PREDICTED EXPENDITURE AT YEAR END	PREDICTED INCOME AT YEAR END	PREDICTED YEAR END NET POSITION	PREDICTED YEAR END NET OVER/(UNDER) SPEND	
	£000	£000	£000	£000	£000	£000	£000	%
Lifelong Learning & Community								
Mainstream Education	179,312	-31,699	147,613	180,613	-32,734	147,879	266	0.18
Community Services (inc sports)	24,925	-6,834	18,091	25,039	-6,923	18,116	25	0.14
School Crossings	456	0	456	421	0	421	-35	-7.67
Caretaking	1,705	-1,779	-74	1,670	-1,752	-81	-8	10.55
Cleaning PSE	4,251	-4,406	-155	3,933	-4,108	-175	-20	12.94
Catering PSE	5,952	-5,602	350	5,327	-4,952	375	25	7.27
Total Lifelong Learning & Community	216,602	-50,320	166,282	217,004	-50,468	166,536	254	0.15
Regeneration & Built Environment								
Street Pride	22,874	-11,622	11,252	22,556	-11,451	11,105	-147	-1.30
Built Environment Management	124	0	124	155	0	155	31	25.33
Asset Management	13,625	-9,634	3,992	13,693	-9,701	3,992	0	0.00
Service Improvement	760	-63	698	813	-71	742	45	6.38
Planning & Transport	15,692	-7,372	8,320	14,892	-6,823	8,069	-251	-3.01
Public Protection	3,569	-2,166	1,403	3,634	-2,231	1,403	0	0.00
Urban Regeneration	2,559	-451	2,107	2,497	-497	2,000	-108	-5.11
Community Safety / CCTV	1,515	-280	1,235	1,203	-210	993	-243	-19.64
Neighbourhood / Programme Management	694	-475	219	792	-474	318	99	45.41
Walsall Borough Strategic Partnership	51	0	51	4	0	4	-47	-91.86
Housing Services	1,805	-269	1,536	1,641	-269	1,372	-164	-10.67
Total Regeneration & Built Environment	63,268	-32,332	30,936	61,880	-31,727	30,153	-783	-2.53
Corporate Services								
ICT	7,569	-710	6,860	7,462	-710	6,752	-108	-1.57
Human Resources / Organisational Development	6,017	-1,410	4,608	5,825	-1,528	4,296	-311	-6.76
Corporate Support	1,674	-85	1,589	1,621	-90	1,531	-59	-3.70
Corporate Services	5,530	-1,989	3,541	5,843	-2,066	3,778	237	6.70
Total Corporate Services	20,790	-4,193	16,597	20,750	-4,394	16,356	-241	-1.45

APPENDIX 1

Finance / Law / Performance Management								
Legal Services	1,684	-366	1,318	1,535	-163	1,372	54	4.08
Revenues & Benefits(inc anti poverty unit)	82,115	-79,021	3,094	81,936	-79,165	2,772	-322	-10.42
Performance Management	1,712	0	1,711	1,561	0	1,561	-150	-8.78
Finance (inc. internal audit, CWSS, EMT)	11,236	-6,758	4,479	11,439	-6,783	4,656	177	3.95
Fleet Services	6,115	-2,162	3,954	5,911	-2,173	3,738	-216	-5.46
Total Finance/ Law / Performance Management	102,862	-88,307	14,556	102,383	-88,285	14,098	-457	-3.14
Social Care & Supported Housing	114,710	-39,732	74,978	112,456	-38,303	74,153	-825	-1.10
Capital Financing	15,674	-3,065	12,609	17,485	-5,197	12,288	-321	-2.55
Other Central Items	258	0	258	-37	0	-37	-295	-114.42
Carry forwards from 2003/04	0	-2,618	-2,618	0	-2,618	-2,618	0	0.00
Levies								
PTE	11,948	0	11,948	11,948	0	11,948	0	0.00
Environment Agency	75	0	75	75	0	75	0	0.00
SUB TOTAL	546,187	-220,565	325,621	543,944	-220,991	322,953	-2,669	-0.82
Costs to be met from earmarked reserves								
Agreed carry forwards from 2003/04	0	0	0	2,618	0	2,618	2,618	
Improving the Working Environment	0	0	0	400	0	400	400	
Move to Norwich House - Community	0	0	0	60	0	60	60	
Summer reloaded - Community	0	0	0	200	0	200	200	
Path to excellence - community associations	0	0	0	250	0	250	250	
Path to excellence - various	0	0	0	207	0	207	207	
Shortfall in right to buy income	0	0	0	1,317	0	1,317	1,317	
Equal pay claims - Social Services	0	0	0	1,333	0	1,333	1,333	
Equal pay claims - Catering	0	0	0	320	0	320	320	
SUB TOTAL	546,187	-220,565	325,621	550,649	-220,991	329,657	4,036	1.24
Reserves								
Contribution from balances	0	-4,009	-4,009	0	-4,009	-4,009	0	
Use of agreed carry forwards from 2003/04	0	0	0	0	-2,618	-2,618	-2,618	
Use of other earmarked reserves	400	-700	-300	0	-4,787	-4,787	-4,487	
Transfers to earmarked reserves	0	0	0	1,804	0	1,804	1,804	
Net Position as at 31.03.05	546,587	-225,274	321,313	552,452	-232,405	320,048	-1,265	-0.39

N.B. All costs to be met from earmarked reserves are identified separately in the table above.

Gross expenditure above excludes internal recharges

CAPITAL PROGRAMME 2004-05**Mainstream Funded**

£m

Resources

Single Capital Pot	19.020
Capital Receipts Secured To Date	0.944
Estimated Capital Receipts (including HRA transfer)	7.519
Receipts Brought Forward from 2003/04	3.700
Balance of Receipts Transferred from HRA	2.977

Total Estimated Resources	34.160
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Expenditure

Actual Expenditure	10.678
Balance Remaining For Year (From Cashflow Forecasts)	15.939

Total Estimated Capital Expenditure For Year	26.617
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2003/04 Unfinanced Accruals b/fwd	0.682
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TOTAL CAPITAL COMMITMENT	27.299
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Surplus/(Shortfall) in Estimated Mainstream Resources	6.861
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Non-Mainstream Funded

£m

Resources

Grant due by 31 March 2005	20.578
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Total Estimated Resources	20.578
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Expenditure

Actual Expenditure	13.699
Balance Remaining For Year (From Cashflow Forecasts)	13.062

Total Estimated Capital Expenditure For Year	26.761
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2003/04 Unfinanced Accruals b/fwd	0.472
2003/04 Unfinanced Debtors b/fwd	1.501

TOTAL CAPITAL COMMITMENT	28.734
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Estimated Debtor carried forward	-8.156
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APPENDIX 2

Prudential Funded

£m

Resources

Unsupported Borrowing 2.856

Total Estimated Resources **2.856**

Expenditure

Actual Expenditure 0.744

Balance Remaining For Year (From Cashflow Forecasts) 1.112

Total Estimated Capital Expenditure For Year **1.856**

Surplus/(Shortfall) in Estimated Prudential Resources **1.000**

Total Resources -57.594

Total Estimated Expenditure 55.234

Total Accruals/ Debtors 2.655

Estimated debtor carried forward -8.156

Total Surplus/(Shortfall) in Estimated Resources **-7.861**

Leasing Programme

Resources available 3.929

Leasing provision utilised 0.293

Surplus/(Shortfall) in Leasing Programme **3.636**