

Cabinet – 22 July 2015

Corporate Financial Performance 2015/16

Portfolio: Councillor M Bird – Leader of the Council

Related Portfolios: All

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: No

1. Summary of report

- 1.1 The report provides an early forecast of the revenue and capital position for 2015/16, based on the financial position as at 31 May 2015. The report sets out:
- (i) Some significant pressures which, if they fully materialise, are forecast to add additional costs of £12.58m into the system.
 - (ii) Corrective action identified to date of £7.21m to manage this.
 - (iii) A potential revenue overspend of £5.37m (5.7% of council tax requirement) prior to the use of earmarked reserves, should actions be successful.
 - (iv) After the use of earmarked reserves, and only once all available action has been taken to address these pressures, a potential revised overspend of £690k (0.74% of council tax requirement).
 - (v) That directorates continue to work on mitigating action to reduce areas of overspend.
 - (vi) A number of amendments to the capital programme for approval, as set out in section 3.7 of the report.
 - (vii) The forecast overspend on the council funded capital programme of £450k along with a recommendation on how to fund this.

2. Recommendations

Cabinet are requested to:

- (i) Note the pressures outlined in the report and that directorate corrective action plans have been produced to mitigate the potential overspend down.
- (ii) Note action being taken to seek to manage the cost pressures arising.
- (iii) Note the risks to the forecast.
- (iv) Approve the use of windfall income to reduce the currently reported pressures as detailed in section 3.3.2.
- (v) Approve the passporting of the Staying Put Grant 2015/16 to Children's Services as detailed in section 3.4.
- (vi) Note the forecast overspend on the council funded capital programme of £450k and approve the re-allocation of capital funding to address the currently reported overspend as detailed in section 3.7.3.

(vii) Note and endorse the use of capital grant received from Arts Council in section 3.7.1.

(viii) Approve the amendments to the capital programme as detailed in section 3.7.1.

3. Report Detail

3.1 Cabinet receive regular financial reports to allow it to oversee the financial performance of the council and consider plans for corrective action.

3.2 Revenue Forecast 2015/16

Walsall council, similar to many others, is facing significant financial pressures and an increase in demand for certain services. As a result, this has translated into some significant cost pressures, particularly within Children's services and Adult Social Care.

The current level of pressures is such that, if not managed, it could result in further potential overspends. Walsall Council has a strong track record of managing financial pressures and action is being taken to mitigate current and future cost pressures. Maintaining financial stability is a key organisational requirement. Table 1 summarises the 2015/16 budget and forecast outturn, including £7.21m of corrective action identified to date to mitigate the pressures.

Table 1: Forecast revenue analysis 2014/15 by Directorate						
Directorate	Net Budget £m	Year end forecast if All Pressures Materialise £m	Forecast Under/Over-spend £m	Actions £m	Revised year end forecast £m	Forecast Under/Over-spend £m
Children's Services	45.10	50.43	5.33	(2.22)	48.21	3.11
Economy & Environment	41.50	42.11	0.61	(0.65)	41.46	(0.04)
Resources	24.02	24.63	0.61	(0.38)	24.25	0.23
Social Care & Inclusion	55.40	61.43	6.03	(3.96)	57.47	2.07
Services Position	166.02	178.60	12.58	(7.21)	171.39	5.37
Capital Financing	19.12	19.12	0	0	19.12	0
Central budgets	(91.44)	(91.44)	0	0	(91.44)	0
Total council tax requirement	93.70	106.28	12.58	(7.21)	99.07	5.37

3.3 Cost Pressures and Action

3.3.1 *Children's Services* - there are a number of financial pressures within Children services however the two most significant areas continue to be on Children's Social Care budgets.

- a) The number and mix of care of looked after children (LAC), with a forecast pressure of c £3.0m, and
- b) The number and cost of agency staff with a forecast pressure of c£2.2m.

The total forecast overspend in Children's, incorporating the pressure on LAC, agency staff and other areas, before a mitigating action plan, is currently estimated at £5.33m.

The Directorate has agreed an action plan totaling £2.22m, which includes the use of some one-off Children's reserves. A number of actions have already been implemented (£357k) with a further £1.865m still to be implemented by the end of the year. If all actions are delivered in full, the directorates forecast overspend will reduce to c £3m.

A further £1.65m of corporate earmarked reserves have been set aside to help mitigate the impact of any remaining pressures in Children's Services in 2015/16, however this will not be allocated until all actions to manage the pressures in the system have been auctioned.

Children's Services continue to seek to identify and implement other actions as appropriate in year to reduce the remaining pressure.

- 3.3.2 *Economy and environment* are forecast to come in on budget after corrective action. Service pressures include reductions in markets and integrated facilities management income which will be offset by receipt of income in bereavement and catering services and underspends from vacant posts, along with general reductions in expenditure across the service.

The action plan uses additional income of £192k which would normally be transferred to windfall income. Cabinet are requested to approve the use of additional £192k income to reduce the current in year pressures.

- 3.3.3 *Resources* - an overspend of £609k within Money Home Job, mainly as a result of market rent for exempt accommodation units remaining high, is offset by actions totaling £382k, mainly due to posts being held vacant, resulting in a net overspend of £227k overall. Actions continue to be explored to manage this remaining potential overspend.

There is £1.5m of reserves set aside for use should other actions not fully contain the pressure. At this point therefore, £227k may be required to mitigate the overspend at year end. There is a risk that due to external factors described above costs might increase further leading to a further call on these reserves.

- 3.3.4 *Social Care and Inclusion* - The current forecast potential overspend of c £6m arises from a number of elements: primarily relating to placement costs and demand.

An action plan of £4.42m to date has been identified, of which £0.46m has been delivered and included in the forecast. The remaining £3.96m of actions is targeted to be delivered through a programme of reassessments of placements; a review of social work practice; in-house direct service reviews; internal efficiencies from staffing and management reductions; improvements to business support systems; and identifying those savings currently scheduled for implementation in 2016/17 that can be brought forward into 2015/16. Should all actions be successful, the remaining overspend would be c£2m.

£1.5m of earmarked reserves has also been set aside, again this may be allocated once all available actions have been identified and implemented.

- 3.3.5 Work is continuing corporately to manage the pressures and mitigate their impact and action plans will continue to be closely monitored and progress reported regularly to corporate management team and members.

3.4 Staying Put Grant 2015/16

DfE set aside £44m over 3 years from 2014/15 to fund the opportunity for young people to remain in their foster placement beyond their 18th birthday and up to their 21st birthday. The funding allocation for 2015/16 is £14.8m, of which Walsall has received an allocation of £96,642.

Walsall currently has 13 young people 'staying put' with a further 10 expected during 2015/16. It is forecast that costs for 2015/16 will total £253,344.

The funding does not have any conditions attached. It is requested that Walsall's allocation for 2015/16 be transferred to Children's services to partly offset the costs in relation to 'staying put'.

3.5 Local Authority Mortgage Scheme (LAMS)

Up to the end of March 2015, 59 mortgages have been supported through the LAMs scheme using £1,169,780 of the indemnity cover and a further 5 mortgages applications are being processed which when completed will use a further £91,099.

3.6 Business Rates Retention Scheme

The new scheme was introduced from 1 April 2013 which was intended to encourage economic growth and transferred risks previously borne by Government to local authorities. Any shortfall in income due to changes in rateable value, successful appeals, exemptions and discounts against what was estimated and included within the council's budget will result in a deficit on the collection fund. The current position on the collection fund is a deficit of c£6m which relates to 2014/15 of which Walsall will have to fund £2.96m. This will result in a reduction of local share income to the general fund in 2016/17 and is included in the current MTFO.

3.7 Capital Programme 2015/16

- 3.7.1 The capital programme as reported to Council on 26 February 2015 totalled c£47.60m. **Table 2** summarises amendments made since then, resulting in a revised programme of c£105.44m.

Table 2 : Amendments to Capital Programme 2015/16	
Amendments	£m
Capital programme 2015/16 as per Council 26 February 2015	47.60
Council Funded Resources	
Carry forwards from 2014/15 as approved by Cabinet 24 June 2015	5.28
Social IT system review & enhancement – realign budget as allocation used 2014/15	-0.22
New Art Gallery – match funding	0.04
Allotment improvement programme – match funded	0.01
Release of funding for match funded capital schemes	-0.05

Amendments	£m
Highways maintenance – realign budget as allocation used 2014/15	-0.26
ICT requirement to cater for blending transitioned services to WMBC*	0.33
Public lighting ‘invest to save’ for replacement LED lighting*	0.02
New homes bonus*	0.34
Willenhall EACT Academy swimming pool *	0.04
Walsall green pathways*	0.03
Re-profiling of budgets from 2014/15 into 2015/16 (table 7)	2.20
Re-profiling of budgets from 2015/16 to 2016/17	-1.65
Prudential	
Carry forwards from 2014/15 as approved by Cabinet 24 June 2015	1.98
Primark & Co-op development – reduction in borrowing requirement	-0.30
Re-profiling of budgets from 2014/15 into 2015/16 (table 7)	2.71
Active Living – increase in borrowing requirement	0.05
Specifically Funded / Grant Schemes	
Carry forwards from 2014/15 as approved by Cabinet 24 June 2015	7.67
Re-profiling of budgets from 2014/15 into 2015/16 (table 7)	9.22
Local Transport Plan**	0.04
Northgate pedestrian crossing – funded via S106	0.05
Black Country Property Investment Programme (BCPIP)**	0.06
Local transport plan maintenance block – realign budget as allocation used 2014/15	-0.01
Growth Deal	29.95
New Art Gallery	0.31
Revised capital programme 2015/16	105.44

* funded via a revenue contribution to capital

** confirmation of external funding allocations as reported in budget report to Council 26 February 2015.

Walsall has received £487,500 of grant funding from the Arts Council in respect of the New Art Gallery. This along with £20,000 from Walsall Museum and Galleries Development Trust, £23,000 reserves and £102,064 council match funding is allocated to be spent over 2 years in 2014/15 and 2015/16 on building maintenance. The funding will be used to address the following:

- Replace environmental systems and their controls
- Improve and update operational systems and its infrastructure
- Maximise income generation

Cabinet are asked to note and endorse the use of the Art Council grant.

3.7.2 **Table 3** summarises the 2015/16 capital programme and an early forecast outturn after the re-phasing of projects into 2016/17.

Table 3: Forecast capital analysis 2015/16					
Directorate	Budget £m	Predicted year end forecast £m	Variance before Carry forward £m	Carry Forward £m	Variance Over / (Under) £m
Council funded	36.00	36.45	0.45	0.00	0.45
Externally Funded	69.44	69.44	(0.00)	0.00	(0.00)
Total	105.44	105.89	0.45	0.00	0.45

- 3.7.3 As set out above, the council funded element of the capital programme currently shows a forecast net overspend of c £0.45m as shown in **Table 4**.

Table 4: Underspends/savings 2015/16	
Project	£m
Social IT system review & enhancement – Mosaic	0.55
Single library management system	(0.10)
Total	0.45

The overspend of £0.55m relates to the forecast costs for the Children's Mosaic system. It is proposed to release the council funded aids and adaptation budget and fund aids and adaptations expenditure from Better Care capital funding (previously Community Capacity grant). The aids and adaptations expenditure is allowable spend against the Better Care capital grant. The council funded budget will then be transferred to the Mosaic project to cover the forecast overspend.

- 3.7.4 Re-phasing of capital schemes between years is normal. This is in 'recognition that capital projects may cross over years and it is sometimes difficult to be accurate in the estimation of which year the expenditure will be incurred. The expected re-profiling of budgets from 2014/15 to 2015/16 of c£14.13m is included in **table 2** above as an expected amendment to the capital programme, and is summarised in **table 5** below.

Table 5 : Re-phasing of schemes from 2014/15 to 2015/16	
Project	£m
Council funded schemes	
Allotment and Community Garden Strategy – Borneo Street	0.04
Regenerating Walsall	0.13
Freer Street	0.01
Civic Centre essential maintenance	0.19
Improving the customer experience when visiting the Council House	0.77
Bring your own device security layers	0.03
Rushall Primary/EDC alterations	1.03
Prudential funded schemes	
Primark / Co-op Development	0.08
Active Living	2.63
Externally funded schemes	
Willenhall THI (HLF)	0.29
Academies	0.33
Waste Infrastructure Grant	0.01
Table 5 : Re-phasing of schemes from 2014/15 to 2015/16 cont	
Project	£m
Basic Need	3.23
Devolved Formula Capital	1.25
LTP Highways Maintenance – Bridges	1.41
Development of Highways Asset Management Plan (HAMPS)	0.06
Capital Maintenance	1.45
Reedswood Park	0.05
Arboretum Restoration Project	0.53
Active Living	0.61
Total	14.13

The expected re-profiling of budgets from 2015/16 to 2016/17 of c£1.65m is also included in **table 2** above as an amendment to the capital programme, and relates to the Regenerating Walsall scheme (£150k) and Walsall Market (£1.5m).

4. Council Priorities

- 4.1 The budget is set to ensure that resources follow council priorities.

5. Risk Management

- 5.1 Managers are required to deliver service and improvement targets on time, to standard and within budget. Risk management is embedded in budget 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. Risks which have been identified as high risk in terms of them becoming actual pressures total c£2.81m and whilst these are being actively managed, it is not certain that will not have some impact on the council's financial position.

6. Financial Implications

- 6.1 The implications are as set out in this report. Any deficit at year end will require funding from general reserves, reducing the level of reserves available for future use.

7. Legal implications

- 7.1 The council is required to set and operate within a balanced budget.

8. Property implications

- 8.1 None directly associated with this report.

9. Health and wellbeing implications

- 9.1 This report is prepared with consideration of health and wellbeing implications.

10. Staffing Implications

- 10.1 None directly associated with this report.

11. Equality implications

- 11.1 None directly associated with this report.

12. Consultation

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

Background papers: Various financial working papers.

Contacts:

Vicky Buckley - Head of Finance ☎ 01922 652326 Vicky.Buckley@walsall.gov.uk

Jennie Collier - Senior Accountancy Officer ☎ 01922 652350 Jennie.Collier@walsall.gov.uk

Signed:

Signed:

James Walsh
Assistant Director – Finance (CFO)
6 July 2015

Councillor M Bird
Leader of the Council
6 July 2015